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, 2021

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	**04-3843478**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2 Canal Park, 4th Floor Cambridge, Massachusetts	**02141**
(Address of principal executive offices)	**(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, 2021 was $2,546,447,011. Shares of voting and non-voting stock held by executive officers, directors and holders of more than 10% of the outstanding stock as of such date 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 18, 2022, the registrant had 102,066,025 shares of Class A common stock, and 15,999,173 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 2022 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.

Table of Contents

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 any growth;
- the value proposition of our product offerings for dealers and consumers;
- our belief that we are building the world’s most trusted and transparent automotive marketplace and creating a differentiated automotive search experience for consumers;
- the ability of our combined suite of offerings to increase a dealer’s return on investment, add scale to our marketplace network, drive powerful network effects, create powerful synergies for dealers, transform the end-to-end car shopping journey for both consumers and dealers and become the marketplace for all steps of the vehicle acquisition and purchase process;
- our evolution to becoming a transaction-enabled marketplace where consumers can shop, buy, seek financing, and sell their cars and dealers can source, market, and sell their vehicles;
- 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 ability to deliver quality leads at a high volume for our dealer customers and to provide the highest return on a dealer’s investment;
- our ability to maintain and acquire new customers;
- our ability to maintain and build our brand;
- our efforts to continue to enhance our diversity, equity, inclusion and belonging initiatives;
- our ability to realize benefits from our acquisitions and successfully implement the integration strategies in connection therewith;
- our expectations regarding future share issuances and the exercise of put and call rights in connection with potentially acquiring additional equity interests in CarOffer, LLC, or CarOffer, as well as the associated valuation of redeemable noncontrolling interests;
- the value proposition of the CarOffer online wholesale platform, including our belief that as dealer enrollments increase, dealers will see a corresponding increase in inventory on the platform, further enabling liquidity, selection, choice and business efficiencies;
- our expectations for CarGurus Instant Max Cash Offer, as well as our digital retail offerings and continued investments;
- 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;
- our belief that our Area Boost offering promotes participating dealers’ delivery capabilities and increases non-local VDP views;
- 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 inventory supply problems, global supply chain challenges, the global semiconductor chip shortage, 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;
- the impact of our expense reduction efforts during the second quarter of 2020;
- our outlook for our Restricted Listings product;
- our expectations regarding future fee reductions for customers; 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 or joint ventures in which we may be involved, 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 statement 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.

Overview

CarGurus, Inc. is a multinational, online automotive platform for buying and selling vehicles that is building upon its industry-leading listings marketplace with both digital retail solutions and the CarOffer online wholesale platform. The CarGurus marketplace gives consumers the confidence to purchase or sell a vehicle either online or in-person, and it gives dealerships the power to accurately price, effectively market, instantly acquire and quickly sell vehicles, all with a nationwide reach. CarGurus uses proprietary technology, search algorithms and data analytics to bring trust, transparency and competitive pricing to the automotive shopping experience. In addition to the United States, we operate online marketplaces under the CarGurus brand in Canada and the United Kingdom. In the United States and United Kingdom, we also operate the Autolist and PistonHeads online marketplaces, respectively, as independent brands.

CarGurus was founded upon the premise of bringing trust and transparency to the car shopping experience. Our online marketplace platform provides ease of access to prices of vehicles and dealer ratings imperative to a consumer's vehicle purchase. Providing car-shoppers with the tools and knowledge for their experience has enabled us to garner a large, engaged user base with whom our dealers can transact. Our ready-to-shop audience of 31.6 million average monthly visitors in the U.S. has attracted 23,860 paying dealers to list inventory on our U.S. online marketplace. Over time we identified that we could continue to be a valued partner to consumers in their car-shopping journey while at the same time innovating to further our partnership with our dealer community. We have since introduced products that expand a dealer's geographic footprint, enable digital retail capabilities that provide consumers with a self-selected journey, and offer new sources of acquiring inventory from our expanded network. This expanded suite of offerings can help increase our dealers' return on investment, or ROI, adding even more scale to our marketplace network. While we maintain our founding principles of trust and transparency, we are evolving to be a transaction-enabled marketplace where consumers can shop, buy, seek financing, and sell their cars and dealers can source, market, and sell their vehicles. We believe this combination of differentiated offerings will transform the end-to-end car shopping journey for both consumers and dealers.

Consumers' CarGurus Journey

Shop: A car purchase is a milestone in a consumer's life – whether it is the first set of keys or parting from a memory-filled vehicle. However, shopping for a car can be frustrating instead of empowering. Enter CarGurus, where we provide trust and transparency to the process for consumers. As the consumer moves to purchase a vehicle, 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.

Buy/Finance: Once a consumer has found a listing they intend to pursue, we provide an omni-channel approach to the purchase of a vehicle partially or completely online. Our digital retail products such as Area Boost and Finance in Advance provide the consumer a self-selected car-buying journey to tailor their experience to their specific needs. We believe this approach throughout the end-to-end consumer experience brings greater trust, transparency, and efficiency to a consumer's entire car shopping experience, leading to highly-engaged, more confident and satisfied shoppers.

Sell: According to recent consumer research, almost 60% of car-buying shoppers will trade in or sell a vehicle during their car-shopping journey. Our acquisition of 51% interest in CarOffer, LLC, or CarOffer, in January 2021, with the ability to buy the remaining equity interest in the company over the next three years, enabled the launch of CarGurus Instant Max Cash Offer, or IMCO. IMCO provides the consumer with the ability to complete this part of the process entirely online through a trusted and transparent experience. Consumers who are trading-in or selling vehicles receive the most competitive offer sourced from in-network dealers. Consumers benefit from the volume of participating dealerships in the CarGurus/CarOffer network, as well as the CarOffer Buying Matrix's 24-7 automated matching, which enables a hands-off approach to find the consumer the best deal at any time. Once the customer has accepted their offer, they can further customize their experience by arranging a location of their choice within participating states to have the vehicle picked-up and transported. With expansive dealer networks, consumers can have the confidence that they are truly finding the best deal for their vehicle instantly.

Dealers' CarGurus Journey

Source: As macroeconomic issues, including the global semiconductor chip shortage, impacted the automotive industry over the past year, obtaining vehicle inventory through in-person, time-consuming methods highlighted inefficiencies; as a result of which, inventory across dealer lots fell to historical lows during 2021. Made possible by the acquisition of CarOffer in 2021, we entered the digital wholesale space enabling dealers to acquire inventory in a convenient and efficient manner. CarOffer is an automated instant vehicle trade platform that is disrupting the traditional wholesale auction model with technology that enables dealers to bid, transact, inspect and transport vehicles seamlessly and efficiently. Any dealer, including those who are customers of the CarGurus site, can enroll on the CarOffer platform at no additional cost. CarOffer's proprietary Buying Matrix technology allows dealers on the platform to buy and sell to other dealers using limit orders, saving dealers the time and expense of going to an auction to acquire vehicles via the traditional in-person physical auction model. Through inspections on every sale, dealers can be confident their purchase meets their expectations while they reap the benefits of focusing their resources and attention on other elements of their businesses. As CarOffer dealer enrollments continue to increase, we expect dealers will see a corresponding increase of inventory on the platform, further enabling liquidity, selection, and business efficiencies. Additionally, the CarOffer platform enabled us to launch IMCO across approximately 70% of the U.S., providing dealers access to a fresh source of trade-in inventory and ensuring liquidity amongst CarOffer's platform. Similar to a dealer-to-dealer purchase, CarOffer handles inspections, transportation, titles, and payments in one bill of sale from the consumer. CarOffer's platform provides a solution for a dealer looking to minimize reliance on in-person or online auctions to source their vehicle inventory while assuring they are paying a fair price, which has led to rapid growth and adoption within the dealer community.

Market: Dealers can list their inventory on CarGurus' 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 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 quality 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. We define 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. 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 dealership. Paying dealers also have access to tools on the Dealer Dashboard as well as other product offerings such as Area Boost, which enables dealers to expand their geographic footprint to reach an increased consumer audience. Through our large ready-to-purchase consumer audience, our paying dealers ultimately have a consistent and compelling ROI through our variety of product offerings.

Sell: 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 with the highest-intent shoppers providing the highest ROI. Further, as consumer needs evolve to customizing aspects of their vehicle purchase, we provide dealers, through a variety of digital offerings, the means to cater to consumers on a personalized level. Consumers can choose to complete their self-selected car-shopping journey with as little or as many of the digital offerings that we provide through our partnership with dealers, enabling a personalized experience that allows consumers to reach their personalized destination. 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. With the acquisition of CarOffer, we have also integrated insights regarding wholesale pricing among the dealer community. The ability to compare wholesale pricing with retail pricing ultimately allows dealers to price a car with more accuracy, winning loyal consumers with trust and transparency. These combined offerings allow dealers to efficiently drive their business to success from all aspects of sourcing and selling. Our success in our partnership with dealers is evidenced by the number of paying dealers – 23,860 paying dealers as of December 31, 2021 – in our U.S. marketplace.

CarGurus Value Proposition

Our scaled online transaction-enabled marketplace model drives powerful network effects. The combination of digital retail, digital wholesale and listings creates powerful synergies for dealers. Dealers can acquire inventory through consumers and other dealers on both the CarOffer and CarGurus platforms. The industry-leading inventory selection offered on the CarGurus website from our U.S. dealers attracts a large and engaged consumer audience – 31.6 million average monthly U.S. unique users in 2021 – and connections – 60.0 million in the U.S. in 2021. The value of robust connections to this audience incentivizes dealers to purchase our paid Listings packages. Expanded vehicle listings from paying dealers and an increasing number of offers by dealers to purchase vehicles from consumers provides consumers with diverse dealer information and choice. Our industry-leading consumer audience drives value to consumers looking to trade-in or sell their vehicle as well as paying dealers on our platform looking to acquire and sell inventory. As we continue to innovate and progress our offerings to both consumers and dealers, we strive to uphold and improve the quality of the connections between consumers and dealers and become the marketplace for all steps of the vehicle acquisition and purchase process, ultimately giving dealers and consumers the power to reach their destination.

Consumers' Challenges

As consumers complete the end-to-end car shopping journey, the key questions they ask are:

- Am I getting a fair price for my trade-in?
- Should I purchase a vehicle with my trade-in?
- 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?
- What if this dealer is not local to my area?

In answering these questions, consumers historically had limited access to transparent information on specific vehicles, car pricing, and dealer reputation. Further, consumers who wanted to trade-in their vehicle or wanted to complete select elements of their car shopping journey online typically had very limited options. Every car-shopping journey is a unique experience, and so for consumers embarking on this journey, there is a difficulty in the absence of consistent information on pricing for both selling and purchasing vehicles. Selling a vehicle was time-consuming and exhausting for consumers as they travelled dealer to dealer to ensure they were receiving a fair and accurate price for their vehicle. Selecting the right dealer was also challenging for consumers as dealer reputations were historically based primarily on word-of-mouth. The lack of clear, 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 complete online and are looking for ways to customize their journey to incorporate both online and in-person components.

Dealers' Challenges

Dealers have had to face a new set of challenges in the past year as a result of the worldwide semiconductor chip shortage impacting auto manufacturers' production levels. The shortage of both used and new car inventory over the past year has caused dealers to invest in additional methods to fill their lots as many physical wholesale auctions were impacted by the continued COVID-19 pandemic. Additionally, dealers have needed to remain competitive in their offers for consumer trade-ins, as consumers have increasing means to source multiple offers in this highly competitive market. 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 consumers may not frequently purchase a vehicle, only a small percentage of consumers are actively shopping for a car at any specific point in time. Dealers additionally need to be strategic about selling vehicles before they are "aged inventory." Traditional marketing channels that dealers utilize, including television, radio, and newspaper, can effectively target locally but are inefficient in targeting the narrow 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 and purchasing strategies to adapt to frequently changing market conditions as evidenced by the previous year.

Our Strengths

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

Trusted Marketplace for Consumers. We provide consumers with transparent information, intuitive search results, and other tools that aid them in their car-shopping journey. Furthermore, consumers can have confidence in the quality of the vehicles they search for in our marketplaces since less than one-third of eligible vehicle listings on CarGurus.com earn a Great Deal or Good Deal rating. We also enable bids on vehicle trade-ins and sales from the thousands of dealers in the CarGurus/CarOffer network, assuring consumers that they are receiving the best offer on their vehicle. 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 to bring them "Great Deals from Top-Rated Dealers." In 2021, we experienced over 79.3 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, on-site 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.

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. 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. With our acquisition of CarOffer in 2021, we have extended our proprietary search algorithms and data analytics to CarOffer's Buying Matrix providing unique insights to dealers regarding their purchases in the wholesale space as well as up-to-date pricing information for the consumers they are servicing. 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, IMV technology features on the Dealer Dashboard and new products for our dealers. These enhancements enable more informed consumers and dealers from the start of their car journey to the end.

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. With the acquisition of CarOffer, we have only increased efficiencies for dealers to source vehicles from both consumers and other dealers with the 24/7 online buy matrix. We provide our dealer base with connections to prospective car buyers; most of these connections have historically been for used cars, and to prospective car sellers. 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. Dealers are able to leverage our large consumer audience, our digital retail offerings and consumer trade-in service to provide more quality leads to their dealership, providing the highest return on their investment. We provide all dealers with tools that are informed by real-time market conditions that help them acquire inventory, merchandise and sell their cars, and our paying dealers get access to additional valuable information from our Pricing Tool and Market Analysis tool. Additionally, with digital retail offerings we help level the online offering playing field for our dealer partners who are unable to provide these solutions to consumers on their own and/or wish to utilize our largest consumer audience to sell additional inventory with CarGurus' digital retail offerings. 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 2021 compared to the fourth quarter of 2020.

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. This powerful network has only strengthened with our acquisition of CarOffer, as we are now able to provide dealers with opportunities to sell their inventory to other dealers. The launch of new digital offerings and IMCO has only increased our network as more consumers are attracted to our site to trade-in their vehicle or complete a portion of their car-shopping journey online, perpetuating even more leads to dealers increasing our appeal and incentivizing more dealers to subscribe to our paid Listings packages to access the numerous benefits unavailable to nonpaying 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 quality of our partnership with dealers to provide digital offerings, the value of connections between consumers and dealers as well as between dealers themselves, 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 $951.4 million in 2021 compared to $551.5 million in 2020, representing a year-over-year increase of 73%. A significant portion of our revenue is recurring due to the subscription nature of our products, including from our Listings packages, our Real-time Performance Marketing, or RPM, digital advertising suite, and our CarOffer online wholesale platform. 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. Our consolidated net income grew 42% in 2021 and 84% in 2020. As a percentage of revenue, our consolidated net income margin was 12% in 2021, compared with 14% in 2020. On a consolidated basis, our Adjusted EBITDA grew 55% in 2021 and 109% in 2020. As a percentage of revenue, our Adjusted EBITDA margin was 26% in 2021, compared with 29% in 2020. In the United States, which is our most developed market, we increased our income from operations to $158.5 million in 2021 from $120.8 million in 2020. See the "Management's Discussion and Analysis of Financial Condition and Results of Operations–Key Business Metrics–Adjusted EBITDA and Adjusted EBITDA Margin" section of this Annual Report on Form 10-K for more information about Adjusted EBITDA and Adjusted EBITDA margin.

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. Recently identified variants of COVID-19, Delta and Omicron, which appear to be more transmissible and contagious than previous COVID-19 variants, have caused an increase in the number of COVID-19 cases globally. As the COVID-19 pandemic 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”.

Our Products

Transaction-Enabled Marketplace

Consumer Experience

We provide consumers an online automotive marketplace where they can search for new and used car listings from our dealers and sell their cars to dealers and other consumers. 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 for the U.S. CarGurus marketplace; their availability on our other marketplaces varies. We also offer paid listings subscriptions for dealers and dealer advertising products for the PistonHeads website, as well as paid listings subscriptions for dealers for 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. The IMV 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 both our peer-to-peer and consumer-to-dealer marketplaces in the United States. Our peer-to-peer offering, Sell My Car, 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 a consumer lists a vehicle on the peer-to-peer marketplace. See "— Wholesale and Consumer-to-Dealer" below for a description of our consumer-to-dealer offering, IMCO.

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. Paying U.K. dealers who list on the CarGurus platform automatically have their inventory added to the PistonHeads site for greater consumer reach.

Dealer Offerings

Listings

Our marketplace connects dealers to a large audience of informed and engaged consumers. We offer multiple types of marketplace Listings subscriptions to dealers for 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 ROI our solution will provide them.

- *Restricted Listings.* We allow non-paying dealers to list their inventory in our marketplace as Restricted 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.

- *Paid Listings 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 used inventory as well as their new 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 offering, 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 digital advertising suite. With RPM, dealers can reach our large and engaged automotive shopping audience through on-site advertising that appears in our CarGurus marketplace, on other sites on the internet and/or on high-converting social media platforms. 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 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

We offer our Listings product suite through a tiered set of packages. Listings are priced on a monthly, quarterly, semiannual, or annual subscription basis based on the dealer's inventory size, region, and our assessment of the ROI we expect to deliver. 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.

Wholesale and Consumer-to-Dealer

Digital 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 industry is moving away from traditional in-person physical auction models and towards online transactions that are easier, faster, and reduce the effect of geographic constraints.

In January 2021, we completed our acquisition of a 51% ownership interest in CarOffer, a modern-day automotive inventory transaction platform that allows dealers and dealer groups to buy, sell, and trade online with automation and ease. The acquisition added 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. Unlike traditional vehicle auctions which require manual bidding and vehicle evaluation, CarOffer's proprietary Buying Matrix technology enables buying dealers to create standing buy orders and provides instant offers to selling dealers.

Consumer-to-Dealer Offering

During 2020, we conducted a pilot 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 2021, our CarOffer acquisition also helped facilitate our launch of an updated consumer offering, IMCO, which allows consumers in certain states to sell their vehicles to dealers entirely online. This offering provides dealers access to a fresh source of trade-in inventory and helps ensure liquidity amongst CarOffer's platform. Through IMCO, consumers who are trading-in or selling vehicles enter easy-to-answer questions regarding their vehicle and are instantly presented with the most competitive offer sourced from in-network dealers. Once the customer has saved their offer, they can further customize their experience by arranging a location of their choice to have the vehicle picked-up and transported. In this model, CarOffer processes the transaction directly and collects transaction and other fees from the dealer.

Digital Retail

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 processes 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. marketplace 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.

Area Boost

We offer the ability for dealerships to expand their VDP geographic footprint to non-local customers via dealer home delivery services. Revenue is generated through fees charged to the dealership to enable listings beyond the default geographical radius. We believe this program provides additional vehicle options to car shoppers open to home delivery services while promoting participating dealers' delivery capabilities and increasing non-local VDP views.

Buy Online

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' or 'buy now' 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, selecting finance and insurance products, and placing a reservation deposit.

Auto Manufacturer and Other Advertiser Products

Our platform offers auto manufacturers and others the ability to purchase advertising on both our sites and third-party websites, including social media platforms, to execute targeted marketing strategies:

- *Brand Reinforcement.* We allow auto manufacturers to buy advertising on both our sites and third-party websites, including social media platforms, to 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.

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 79.3 million and 31.6 million average monthly sessions and unique users, respectively in 2021. 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 re-marketing, 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, including 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 is intended to create 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 are primarily comprised of (i) investments in media, including television and online video, (ii) expressing our unique brand value proposition throughout our core site experience and organic social channels, and (iii) 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 primary 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 product adoption and usage from our paying dealers. Our dealer marketing efforts aim to:

- *Educate Dealers on the End-to-End Inventory Solutions We Offer, the Quality of Our Audience and Products, and Attractive ROI.* We educate dealers on the increased breadth of solutions we offer, including wholesale buying and selling of inventory, marketing via our core Listings products and other tools, and our growing suite of retailing solutions. We promote the quality of our audience by touting our industry-leading audience, 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 Industry 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 almost 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 More Successful.* 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 , as well as broader guidance on marketing, sales, operations, and other aspects of running a more profitable dealership. We maintain consistent communication with dealers via email, events and our Dealer Dashboard to ensure awareness of account performance and recent product updates, and we empower our sales and account management teams with resources to directly provide education and assistance to our dealer partners.

- *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 automated, personalized marketing about how dealers can improve 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.

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;
- peer-to-peer marketplaces, such as Craigslist; and
- vehicle auction companies, including digital wholesale platforms.

Competition for Consumers and Dealers

We compete for consumer visits with other online automotive marketplaces, free listing services, general search engines, online dealerships and dealers' websites. We compete for consumers primarily on the basis of the quality of the consumer experience and the breadth of offerings that we are able to provide. 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, online dealerships and vehicle auction companies that attract consumers and dealers searching for vehicles, as applicable. We compete primarily on the basis of the ROI that our marketplace offers and the synergies provided by the combination of our foundational listings business with digital wholesale and digital retail offerings. 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.

Seasonality

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. Additionally, the volume of wholesale vehicle sales can fluctuate from quarter to quarter caused by several factors, including the timing of used vehicles available for sale from selling customers, the seasonality of the retail market for used vehicles and/or inventory challenges in the automotive industry, which affect the demand side of the wholesale industry. Macroeconomic conditions, such as the global semiconductor chip shortage, can also effect the volume of wholesale vehicle sales. To date, our overall operating results have not reflected the general seasonality of the automotive industry or wholesale vehicle sales market, but this could possibly change once our business and markets mature.

Sales

Our sales team is responsible for bringing dealers onto our marketplace, converting non-paying dealers to paid subscriptions and increasing dealer participation in new products that CarGurus is bringing to market. We have built an efficient sales and service team of approximately 300 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 on-boarding 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 on-boarding 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 targets and cultural efforts as components of our 2021 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.

As of December 31, 2021, we had 1,203 full-time employees, 75 of whom were based outside the United States and 288 of whom were employed through CarOffer. 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 seek to foster diversity, equity, inclusion and belonging, and to build a workplace where everyone can thrive. Our commitment to these efforts helps us attract and retain the best talent, enables employees to realize their full potential and drives high performance through innovation and collaboration. In 2021, based on data from employees who chose to self-identify, we increased representation among women and non-binary employees (32.8% to 35.1%) and underrepresented racial minorities (30.0% to 30.1%) within our U.S. workforce. We also saw year-over-year increases in the U.S. among women and non-binary employees in technical (23.3% to 25.9%) and management-level roles (34.2% to 38.6%), as well as among underrepresented racial minorities in technical roles (43.6% to 45.7%).

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 wellness and 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.

Employee Engagement

Each year, we conduct an employee engagement survey to help our management team gain insight into and gauge employees' feelings, attitudes, and behaviors around working at CarGurus. Our latest survey, completed in September 2021, had a participation rate of approximately 85% of our eligible employees worldwide. The survey results indicated that we excelled in areas including manager empathy, career development, belonging, as well as overall excitement about CarGurus' future. Based on employee feedback, we also identified certain company-wide opportunity areas to improve engagement and drive long-term success. Our culture and commitment to building a workplace where we can all thrive has been recognized externally with the following awards: *Built In Boston*'s "Best Places to Work" in 2019, 2020, 2021 and 2022; 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" in 2015, 2016, 2017, 2018, 2019 and 2021; *Boston Globe*'s "Top Place to Work" in 2014, 2015, 2016 and 2018; and *Comparably's 2021* "Best Perks & Benefits", "Best Work-Life Balance", and "Best CEO".

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 mandatory quarterly compliance training courses as well as one-on-one, virtual, social and self-directed learning, mentoring, coaching, and external development. In 2021, nearly 100% 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 in the U.S. near each of Boston, Massachusetts and Dallas, Texas, 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.

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 two pending international patent applications. 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. Additionally, CarOffer has a number of registered and unregistered trademarks, including "CarOffer" and the CarOffer logo, and related marks, which CarOffer has registered as trademarks in the U.S. CarOffer pursues additional trademark registrations to the extent it believes doing so would be beneficial to its competitive position. Our and CarOffer's registered trademarks remain enforceable in the countries in which they are registered for as long as we and CarOffer, as applicable, 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, birddog, consumer protection, or advertising laws or regulations.

Our wholesale operations through CarOffer are regulated by the states in which we operate and by the U.S. federal government. These activities may also be subject to state and local licensing requirements. Additionally, we may be subject to regulation by individual state dealer licensing authorities and state consumer protection agencies.

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 products marketed under our RPM digital advertising 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 audited 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, and may continue to result, in significant disruptions to the global economy as well as businesses and capital markets around the world. Recently identified variants of COVID-19, Delta and Omicron, which appear to be more transmissible and contagious than previous COVID-19 variants, have caused an increase in the number of COVID-19 cases globally. The impact of COVID-19 and, in particular, the Delta and Omicron variants or other variants that may emerge, cannot be predicted at this time, and could depend on a number of factors, including the availability of vaccines in different parts of the world, vaccination rates among the population, and the effectiveness of COVID-19 vaccines against the Delta and Omicron variants and any other variants that may emerge.

Our operations have been and may continue to be materially adversely affected by a range of factors related to the COVID-19 pandemic. In March 2020, we temporarily closed all of our offices and began requiring, subject to limited exceptions, all of 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, Canada and the United Kingdom, as well as states and localities in the United States, implemented or mandated, and some continue to, or may in the future, implement or mandate, significant restrictions on travel and commerce, shelter-in-place or stay-at-home orders, and business closures, and these government responses may increase in light of the increase in the number of COVID-19 cases as a result of the Delta and Omicron variants. 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, and may continue to face, inventory supply problems, including for reasons attributable to the COVID-19 pandemic and other macroeconomic issues, such as the global semiconductor chip shortage. This decline in vehicle inventory has led to an increase in bids per vehicle at auction 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 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 prior to the commencement of the applicable renewal 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 and have contributed to higher prices and reduced lease options for new vehicles, which in turn has reduced, and may continue to reduce, consumer demand, 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 and other macroeconomic issues may materially and adversely impact our business, financial condition and results of operations.

As a result of the travel and commerce restrictions that have been implement or that may be implement as a result of the Delta and Omicron variants and any future variants that may emerge, and the corresponding impact on their businesses, a number of our dealer customers have, or are temporarily closed or are operating on a reduced capacity, and many dealerships are facing significant financial challenges. Such closures and circumstances led, and may in the future lead, 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, we reduced our spending on brand advertising and traffic acquisition at the beginning of the COVID-19 pandemic in response to increasing cancelations and reduced consumer demand, which has contributed to a year-over-year decline in the number of consumers using our platform for each of the years ended December 31, 2021 and 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, in the past, we have taken measures to help our paying dealers maintain their business health during the COVID-19 pandemic, including by proactively reducing the subscription fees for paying dealers for certain service periods, and we may decide to re-institute further billing relief as we continue to assess the effects of the COVID-19 pandemic on our paying dealers and business operations. Any further billing relief could result in a decline in our revenue and have a material adverse effect to our business. 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 previously disrupted our business and operations and, if we implement future similar cost saving measures, may affect our future business and operations and may yield unintended consequences, such as loss of key employees, increased costs in hiring new 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.

We continue to monitor and assess the effects of the COVID-19 pandemic, including the effects of the Delta variant, the Omicron variant, and other variants that may emerge, 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 and acceptance of vaccines, shifts in behavior going forward, and the length or severity of the travel and commerce restrictions that are currently in effect and may be imposed in the future 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 prior to the commencement of the applicable renewal 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 effects 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), and it is possible that additional dealers will cancel their subscriptions in the future for a variety of reasons, including as a result of the continuing 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 prior to the commencement of the applicable renewal 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, 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 paying and non-paying dealers to receive fewer leads and connections, which may make it more difficult for us to convert non-paying dealers to paying dealers or maintain or expand our base of 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 we fail to continue to realize transaction synergies from our acquisition of a 51% interest in CarOffer, or if the CarOffer business fails to continue to grow at the rate we expect, our revenue and business would be harmed.

In January 2021 we completed our acquisition of a 51% interest in CarOffer, which added wholesale vehicle acquisition and selling capabilities to our portfolio of dealer offerings. A significant amount of our revenue for the year ended December 31, 2021 was derived from the wholesale sale of automobiles. Continued achievement of our transaction synergies and our ability to continue to grow the CarOffer business and the revenue associated with it depend on a number of factors, including, but not limited to, our ability to continue to: expand the number of dealers engaging on the CarOffer platform; retain existing customers and increase the share of wholesale transactions which they complete on the CarOffer platform; attract prospective customers who have historically purchased or sold vehicles through physical auctions and may choose not to transact online; and successfully compete with competitors, including other online vehicle auction companies and large, national offline vehicle auction companies that are expanding into the online channel and have launched online auctions in connection with their physical auctions. If our anticipated transaction synergies do not fully materialize and/or the CarOffer business fails to continue to grow at the rate we expect, our revenue and business would be harmed.

Industry conditions such as a significant change in vehicle retail prices or a decline in the used vehicle inventory supply coming to the wholesale market could also adversely impact CarOffer's business and growth. For example, if retail prices for used vehicles rise relative to retail prices for new vehicles, it could make buying a new vehicle more attractive to consumers than buying a used vehicle, which could result in reduced used vehicle wholesale sales on the CarOffer platform. Used vehicle dealers may also decide to retail more of their vehicles on their own rather than selling them on the CarOffer platform, which could adversely impact the volume of vehicles offered for sale on the CarOffer platform and the demand for those used vehicles. Inventory challenges in the automotive industry, including for reasons attributable to the COVID-19 pandemic, has contributed and could continue to contribute to a decrease in the supply of vehicles coming to the wholesale market and reduce the number of vehicles sold on the CarOffer platform. An inability by CarOffer to retain customers and/or increase or find alternative sources of vehicle supply would adversely impact our revenue and business.

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 portion of our revenue is derived from advertising revenues generated primarily through advertising sales, including on-site 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 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 prior to the commencement of the applicable renewal 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 effects of the COVID-19 pandemic, some advertisers cancelled or reduced their advertising with us and it is possible that advertising customers will cancel or reduce their advertising with us in the future for a variety of reasons, including as a result of the continuing effects of the COVID-19 pandemic. In addition, the year-over-year decline in the number of 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 year-over-year for the years ended December 31, 2021 and 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 offerings 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.

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. For example, as we transition to a more digitally-initiated environment, during 2021 we launched IMCO, a newer offering that allows consumers in certain states to sell their vehicles to dealers entirely online. We also continue to develop digital retail offerings, including those that expand a dealer's geographic footprint and others that bring additional elements of the car buying experience online through our websites. A failure by us to capture the benefits that we expect from our rollout of IMCO and these digital retail investments could have an adverse effect on our business and financial results.

In addition to introducing new offerings within our existing products, 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, in the aggregate, 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 continued impact of the COVID-19 pandemic and any 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. There can be no assurance that innovations to our products like IMCO, or the development of future products, will increase consumer or dealer engagement, achieve market acceptance, create additional revenue or become profitable. 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 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.

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 continuing 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, we have reduced our brand spend in comparison to our pre-COVID-19 pandemic levels, and it is possible that we may in the future decide to further suppress such spend depending on the continued impact of the COVID-19 pandemic or other macro-economic effects. 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 recent, rapid growth is not indicative of our future growth, and our revenue growth rate in the future is uncertain, including due to the potential impact of the COVID-19 pandemic.

Our revenue increased to $951.4 million for the year ended December 31, 2021 from $551.5 million for the year ended December 31, 2020, representing a 73% increase between such periods. Our revenue for 2022 and beyond may not grow at such a rate and could potentially be impacted by the COVID-19 pandemic, as it was for the year ended December 31, 2020. 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 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 equity and credit markets, including due to the COVID-19 pandemic, may also have an adverse effect on our ability to obtain equity or 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.

In addition to the United States, we 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 have incurred losses in prior periods in the United Kingdom and Canada and may incur losses there again in the future. We also face various other challenges in those jurisdictions. For example, our competitors may be more established or otherwise better positioned than we are to succeed in the United Kingdom and Canada. 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 or other macroeconomic issues. 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. Since the onset of the COVID-19 pandemic, we have encountered increased rates of turnover of our employee base and encountered intense competition for retaining and attracting qualified and skilled employees. Additionally, on September 9, 2021, President Biden announced a proposed new rule requiring all employers with at least 100 employees to ensure that their employees are fully vaccinated or require unvaccinated workers to get a negative test at least once a week. The Department of Labor's Occupational Safety and Health Administration, or OSHA, issued an Emergency Temporary Standard, or ETS, on November 5, 2021. The Supreme Court issued a stay of the ETS on January 13, 2022. OSHA subsequently announced that it was withdrawing the ETS effective January 26, 2022 and instead would focus on finalizing a permanent COVID-19 Healthcare Standard, which it has not yet issued. Accordingly, we have incurred, and we may continue to incur, significant costs to attract new employees and retain existing ones, and we may in the future become less competitive in attracting and retaining employees as a result of any expense reduction efforts that we may initiate or our compliance with any COVID-19 healthcare standards to which we may become subject.

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. Additionally, we may face risks related to the transitions that occurred in our senior management team during 2021 and other future 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' confidence in, or 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 Telephone Consumer Protection Act, or the TCPA, as interpreted and implemented by the United States Federal Communications Commission, or 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. 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 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 has been and may continue to be negatively affected by challenges to the larger automotive industry ecosystem, including global supply chain challenges, the global semiconductor chip shortage, 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.

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 break-ins, electronic breaches, 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 have resulted, and may in the future 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 each of Boston, Massachusetts and Dallas, Texas, and internationally near each of London, England and Dublin, Ireland. Although we can host our U.S. 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 has caused, and may in the future 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 breaches, 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 reduce or stop the 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, the Virginia Consumer Data Protection Act, or the VCDPA, each of which goes into effect on January 1, 2023, and the Colorado Privacy Act, or the CPA, which goes into effect on July 1, 2023. The GDPR and CCPA in particular have already required, and along with the CPRA, VCDPA, and CPA, 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, which effectively invalided the EU-U.S. Privacy Shield Framework, 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, CPA, CPRA, or VCDPA 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, CPA, CPRA, and VCDPA; 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 asserted against us by owners of other registered or unregistered trademarks logos or slogans, for our use of registered or unregistered trademarks, logos or slogans, or third party 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. Additionally, CarOffer has a number of registered and unregistered trademarks, including "CarOffer" and the CarOffer logo, and related marks, which CarOffer has registered as trademarks in the U.S.

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. This seasonality has not been immediately apparent historically due to the overall growth of other operating expenses. In addition, any reduction of our marketing spend in response to COVID-19-related expense management or otherwise, and shifts in demand from dealers and consumers could impact the efficiency of our marketing spend. 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. In addition, the volume of wholesale vehicle sales fluctuates from quarter to quarter as a result of macroeconomic issues, such as the global semiconductor chip shortage, which may have a corresponding impact on our results of operations. This variability is caused by several factors including the timing of used vehicles available for sale from selling customers, the seasonality of the retail market for used vehicles and/or inventory challenges in the automotive industry, which affect the demand side of the wholesale industry.

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 position 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 capitalized terms are defined in our amended and restated certificate of incorporation attached to this Annual Report on Form 10-K as Exhibit 3.1), 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 transferred 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.

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.

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 continuing effects of the COVID-19 pandemic.

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, wholesale, and digital car-buying and -selling services designed to help consumers and dealers shop for cars and to enable dealers to reach these consumers. Our competitors include: online automotive marketplaces and websites; internet search engines; peer-to-peer marketplaces; social media marketplaces; sites operated by automobile dealers; online dealerships; and vehicle auction companies. 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 and wholesale industries 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; our data providers for inventory and vehicle information; and our partners for vehicle transportation, inspection and other logistics associated with our CarOffer business and IMCO. 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 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 control 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 continued effects of the COVID-19 pandemic and other macroeconomic issues, such as the global semiconductor chip shortage. 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. Any adverse development or outcome in connection with any such 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 with lease terms that expire in November 2023, August 2023, January 2025, and December 2033, as applicable. We also lease office space in Addison, Texas, Dublin, Ireland, and San Francisco, California for our CarOffer, 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 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 23, 2022, the last reported sale price of our Class A common stock on the Nasdaq Global Select Market was $31.01 per share.

Holders

As of February 18, 2022, we had seven 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.

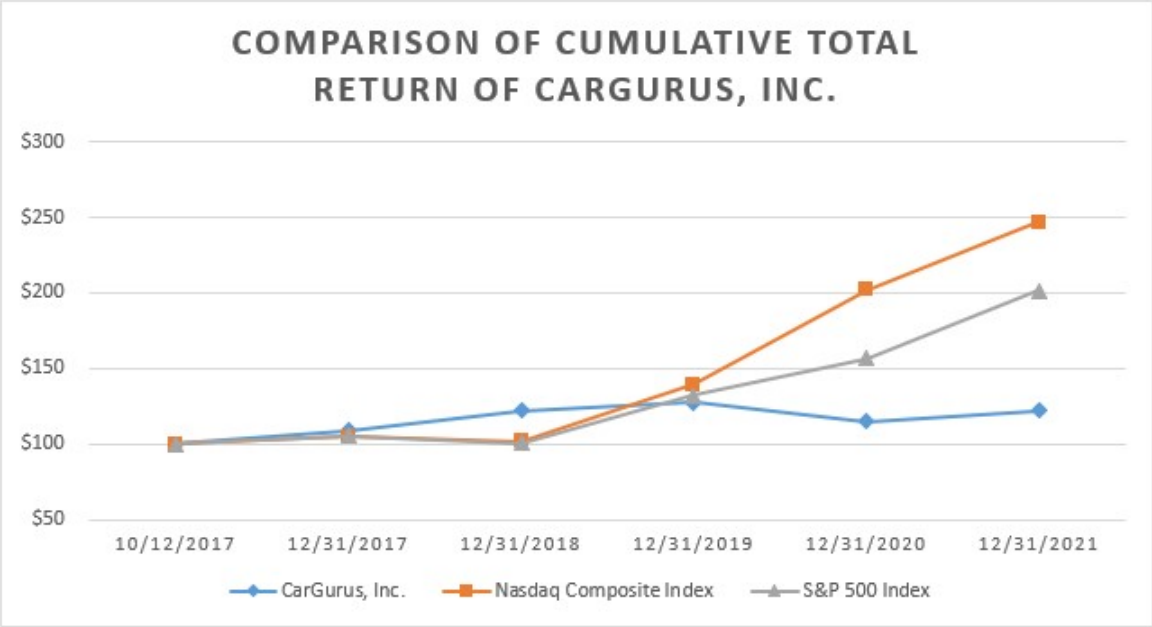
Dividends

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, 2021 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	12/31/2021
CARG	100	109	122	128	115	122
S&P 500 Index	100	105	101	132	157	202
Nasdaq Computer Index	100	105	102	139	202	247

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 Annual Report on Form 10-K, 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 2021 and 2020 items and year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 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, 2020. The period-to-period comparison of financial results is not necessarily indicative of future results.

Company Overview

CarGurus is a multinational, online automotive platform for buying and selling vehicles that is building upon its industry-leading listings marketplace with both digital retail solutions and the CarOffer online wholesale platform. The CarGurus marketplace gives consumers the confidence to purchase or sell a vehicle either online or in-person, and it gives dealerships the power to accurately price, effectively market, instantly acquire and quickly sell vehicles, all with a nationwide reach. We use our proprietary technology, search algorithms and data analytics to bring trust, transparency and competitive pricing to the automotive shopping experience.

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 the United States, we also operate as independent brands the Autolist online marketplace, which we wholly own, and CarOffer digital wholesale marketplace, in which we own a 51% equity interest. In addition to the United States, we operate online marketplaces under the CarGurus brand in Canada and the United Kingdom. In the United Kingdom, we also operate as an independent brand the PistonHeads online marketplace, which we wholly own. 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.

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 13 and Note 15 of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further segment reporting and geographical information.

We generate marketplace revenue primarily from (i) dealer subscriptions to our Listings packages and Real-time Performance Marketing, or RPM, digital advertising suite, (ii) advertising revenue from auto manufacturers and other auto-related brand advertisers and (iii) revenue from partnerships with financing services companies. We generate wholesale revenue primarily from transaction fees earned by CarOffer from facilitating the purchase and sale of vehicles between dealers. We generate product revenue primarily from aggregate proceeds received on the sale of vehicles.

For the year ended December 31, 2021, we generated revenue of $951.4 million, a 73% increase from $551.5 million of revenue in the year ended December 31, 2020.

For the year ended December 31, 2021, we generated consolidated net income of $110.4 million and Adjusted EBITDA of $249.5 million, compared to consolidated net income of $77.6 million and Adjusted EBITDA of $160.8 million for the year ended December 31, 2020.

See "Adjusted EBITDA and Adjusted EBITDA Margin" below for more information regarding our use of Adjusted EBITDA, a non-GAAP financial measure, and a reconciliation of Adjusted EBITDA to our consolidated net income.

COVID-19 Update

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. Since March 2020, all of our offices have been temporarily closed and, subject to limited exceptions, all of our employees have worked remotely, which has disrupted how we operate our business. In addition, in an effort to limit the spread of COVID-19, Canada and the United Kingdom, as well as states and localities in the United States, implemented or mandated 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 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.

The automotive industry is also facing inventory supply problems, including for reasons attributable to the COVID-19 pandemic and other macroeconomic issues, such as the global semiconductor chip shortage, which have adversely affected the amount of inventory on our websites.

As a result of the travel and commerce restrictions and the impact on their businesses, a number of our dealer customers have, or are temporarily closed or are operating on a reduced capacity, and many dealerships have faced significant financial challenges, which caused us to experience increased customer cancellation rates and slowed paying dealer additions during the year ended December 31, 2020. However, since the second quarter of 2020, cancellations by paying dealers have begun to stabilize, which we believe resulted primarily from the resumption of consumer activity.

Further, in the past, we have taken measures to help our paying dealers maintain their business health during the COVID-19 pandemic, including by proactively reducing the subscription fees for paying dealers for certain service periods. As a result, the level of fees we received from paying dealers materially decreased during the year ended December 31, 2020 as compared to the prior year, resulting in a material decline in our revenue on a year-over-year basis and a material adverse effect to our business. These effects on our revenue caused us to implement a cost-savings initiative during the second quarter of 2020, or the Expense Reduction Plan, that included a reduction in our workforce, a limitation in discretionary spend across our business, reduced consumer marketing across both algorithmic traffic acquisition and brand spend, and ceasing certain international operations and expansion efforts. We have since increased our consumer marketing and other expenses, though remaining short of pre-pandemic levels, as consumer activity increased, and governments implemented re-opening policies. For the year ended December 31, 2021, we also returned to normal contractual billings in all markets except for our suspension of charging subscription fees to paying dealers in the United Kingdom during the February 2021 service period. Although the fee reductions had a material adverse effect on our revenue for the year ended December 31, 2020, they did not have a material adverse impact for the year ended December 31, 2021.

We continue to monitor and assess the effects of the COVID-19 pandemic on our commercial operations, including the impact on our revenue. Recently identified variants of COVID-19, Delta and Omicron, which appear to be more transmissible and contagious than previous COVID-19 variants, have caused an increase in the number of COVID-19 cases globally. The impact of COVID-19 and, in particular, the Delta and Omicron variants or other variants that may emerge, cannot be predicted at this time, and could depend on a number of factors, including the availability of vaccines in different parts of the world, vaccination rates among the population, and the effectiveness of COVID-19 vaccines against the Delta and Omicron variants and any other variants that may emerge. Accordingly, 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 revenue 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. The metrics presented below exclude CarOffer as we believe such metrics are either not applicable for the CarOffer business or do not provide a meaningful way to evaluate the CarOffer business.

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, each such visit is counted as a separate unique user. 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 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	**2021**	**2020**
	(in thousands)	
United States	31,646	36,228
International	7,495	8,335
Total	39,141	44,563

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	**2021**	**2020**
	(in thousands)	
United States	79,316	90,909
International	17,309	19,326
Total	96,625	110,235

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	**2021**	**2020**
United States	23,860	23,934
International	6,770	6,697
Total	30,630	30,631

Quarterly Average Revenue per Subscribing Dealer (QARSD)

We define QARSD, which is measured at the end of a fiscal quarter, as the marketplace revenue primarily from subscriptions to our Listings packages and RPM digital advertising suite 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.

	As of December 31,	
Quarterly Average Revenue per Subscribing Dealer (QARSD)	**2021**	**2020**
United States	$ 5,633	$ 5,304
International	$ 1,546	$ 1,060
Consolidated	$ 4,731	$ 4,382

Adjusted EBITDA and Adjusted EBITDA Margin

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 and Adjusted EBITDA margin, each of which are non-GAAP financial measures. These non-GAAP financial measures are not based on any standardized methodology prescribed by United States generally accepted accounting principles, or GAAP, and are not necessarily comparable to similarly titled measures presented by other companies.

We define Adjusted EBITDA as consolidated net income, adjusted to exclude: depreciation and amortization, impairment of long-lived assets, stock-based compensation expense, acquisition-related expenses, restructuring expenses, other income, net, provision for income taxes, and net income attributable to redeemable noncontrolling interest. 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.

We have presented Adjusted EBITDA and Adjusted EBITDA margin within this Annual Report on Form 10-K because they are key measures 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 and Adjusted EBITDA margin can produce useful measures for period-to-period comparisons of our business.

We use Adjusted EBITDA and Adjusted EBITDA margin to evaluate our operating performance and trends and make planning decisions. We believe Adjusted EBITDA and Adjusted EBITDA margin help 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 and Adjusted EBITDA margin provide 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.

Our Adjusted EBITDA and Adjusted EBITDA margin are 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 and Adjusted EBITDA margin rather than consolidated net income and consolidated net income margin, respectively, which are the most directly comparable GAAP equivalents. Some of these limitations are:

- Adjusted EBITDA and Adjusted EBITDA margin exclude 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 and Adjusted EBITDA margin exclude impairment of long-lived assets and, although these are non-cash adjustments, the assets being impaired may have to be replaced in the future;
- Adjusted EBITDA and Adjusted EBITDA margin exclude 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 and Adjusted EBITDA margin exclude transaction 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 and Adjusted EBITDA margin exclude restructuring expenses incurred by us during a reporting period, which may not be reflective of our operational performance during such period;
- Adjusted EBITDA and Adjusted EBITDA margin exclude other income, net which primarily includes interest income earned on our cash, cash equivalents, and investments, and net foreign exchange gains and losses;
- Adjusted EBITDA and Adjusted EBITDA margin exclude the provision for income taxes;
- Adjusted EBITDA and Adjusted EBITDA margin exclude the income attributable to redeemable noncontrolling interest, adjusted for all prior limitations to Adjusted EBITDA and Adjusted EBITDA margin as described above; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA and Adjusted EBITDA margin differently, which reduce their usefulness as comparative measures.

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

For the years ended December 31, 2021 and 2020, the following table presents a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin to consolidated net income and consolidated net income margin, respectively, the most directly comparable measures calculated in accordance with GAAP, for each of the periods presented.

	Year Ended December 31,	
	2021	2020
	(in thousands)	
Reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin:		
Consolidated net income	$ 110,373	$ 77,553
Depreciation and amortization	40,476	10,191
Impairment of long-lived assets	3,128	1,151
Stock-based compensation expense	77,710	45,321
Acquisition-related expenses	709	2,906
Restructuring expenses [(1)]	—	3,514
Other income, net	(1,092)	(1,354)
Provision for income taxes	38,987	21,557
Consolidated Adjusted EBITDA	270,291	160,839
Net income attributable to redeemable noncontrolling interest	(20,784)	—
Adjusted EBITDA	$ 249,507	$ 160,839
Consolidated net income margin	12%	14%
Adjusted EBITDA margin	26%	29%

(1) Excludes stock-based compensation expense of $753 for the year ended December 31, 2020 related to the Expense Reduction Plan, as the amount is already included within the stock-based compensation line item in the Reconciliation of Adjusted EBITDA and Adjusted EBITDA margin.

Components of Consolidated Income Statements

Revenue

We derive revenue from three sources: (i) marketplace revenue, which consists primarily of dealer subscriptions to our Listings packages and RPM digital advertising suite, advertising revenue from auto manufacturers and other auto-related brand advertisers, and revenue from partnerships with financing services companies; (ii) wholesale revenue, which consists primarily of transaction fees earned by CarOffer from facilitating the purchase and sale of vehicles between dealers; and (iii) product revenue, which consists primarily of aggregate proceeds received on the sale of vehicles.

Marketplace Revenue

We offer multiple types of marketplace Listings packages to our dealers for our CarGurus U.S. platform (availability varies on our other marketplaces): Restricted 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 prior to the commencement of the applicable renewal 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 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 marketed under our RPM digital advertising suite. Through RPM, dealers can buy advertising that appears in our marketplace, on other sites on the internet and/or on high-converting social media platforms. Such advertisements can be targeted by the user's geography, search history, CarGurus website activity 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 advertising products for the PistonHeads website.

Marketplace revenue also consists of non-dealer 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.

Marketplace 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 advertising products for the Autolist and PistonHeads websites.

Wholesale Revenue

Wholesale revenue includes transaction fees earned by CarOffer from facilitating the purchase and sale of vehicles between dealers, where CarOffer collects fees from both the buyer and seller. CarOffer also sells vehicles to dealers that CarOffer acquires at other marketplaces – in these instances, CarOffer collects a transaction fee from the buyer.

Wholesale revenue also includes fees earned by CarOffer from performing inspection and transportation services, where CarOffer collects fees from the buyer. Inspection and transportation service revenue is inclusive of dealer to dealer transactions, other marketplace to dealer transactions, and customer to dealer transactions.

Wholesale revenue also includes fees earned by CarOffer from certain guarantees offered to dealers, where CarOffer collects fees from the buying dealer or selling dealer, as applicable.

Product Revenue

Product revenue includes the aggregate proceeds received on the sale of vehicles. This revenue relates to vehicles sold to dealers that CarOffer acquires directly from customers, inclusive of transaction fees collected from the buyer, and in limited situations across all CarOffer transactions, vehicles CarOffer resells after acquiring a vehicle via arbitration. Arbitration is the process by which CarOffer investigates and resolves claims from buying dealers.

Cost of Revenue

Marketplace Cost of Revenue

Marketplace cost of revenue includes expenses related to supporting and hosting digital product offerings. These expenses include personnel and related expenses for our customer support team, including salaries, benefits, incentive compensation, and stock-based compensation, third-party service provider expenses such as advertising, data center and networking expenses, depreciation expense associated with our property and equipment, amortization of developed technology, amortization of capitalized website development and allocated overhead expenses. The Company allocates overhead expenses, such as rent and facility expenses, information technology expense, and employee benefit expense, to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating expense category.

Wholesale Cost of Revenue

Wholesale cost of revenue includes expenses related to supporting the facilitation of the purchase and sale of vehicles between dealers, the sale by CarOffer to dealers of vehicles that it acquires at other marketplaces, and net losses on vehicles related to guarantees offered to dealers. These expenses include vehicle transportation and inspection expenses, personnel and related expenses for employees directly involved in the fulfillment and support of transactions, including salaries, benefits, incentive compensation and stock-based compensation, third-party service provider expenses, amortization of developed technology, amortization of capitalized website development and allocated overhead expenses.

Product Cost of Revenue

Product cost of revenue includes expenses related to vehicles sold to dealers that CarOffer acquires directly from consumers and in limited situations across all CarOffer transactions, in which CarOffer acquires the vehicle via arbitration. These expenses include expenses for vehicles in which CarOffer controls the vehicle and therefore acts as a principal in the transaction.

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, and stock-based compensation; expenses associated with consumer marketing, such as traffic acquisition, brand building, and public relations activities; expenses associated with dealer marketing, such as content marketing, customer and promotional events, and industry events; amortization of hosting arrangements; and allocated overhead expenses. A portion of our commissions that are related to obtaining a new contract are capitalized and amortized over the estimated benefit period of customer relationships. All other sales and marketing expenses 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 macroeconomic and competitive landscapes affecting our existing dealers, consumer audience and brand awareness, which will impact our annual results of operations.

Product, Technology, and Development

Product, technology, and development expenses, consist primarily of personnel and related expenses for our research and development team, including salaries, benefits, incentive compensation, stock-based compensation and allocated overhead expense. Other than website development and internal-use software expenses, research and development expenses are expensed as incurred. 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 expenses associated with professional fees for external legal, accounting and other consulting services, insurance premiums, payment processing and billing expenses, and allocated overhead expenses. General and administrative expenses are expensed as incurred. 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 and internal-use software.

Other Income, Net

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

Provision for Income Taxes

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions in which we operate. For the years ended December 31, 2021 and 2020, we have recognized a provision for income taxes as a result of our consolidated taxable income position. 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. As of December 31, 2021 and 2020, our valuation allowances against our net deferred tax assets were both immaterial.

Results of Operations

For the years ended December 31, 2021 and 2020, our consolidated income statements are as follows:

	Year Ended December 31,	
	2021	2020
	(dollars in thousands)	
Revenue:		
Marketplace	$ 636,942	$ 551,451
Wholesale	195,127	—
Product	119,304	—
Total revenue	951,373	551,451
Cost of revenue:		
Marketplace	47,689	42,706
Wholesale	127,679	—
Product	118,647	—
Total cost of revenue	294,015	42,706
Gross profit	657,358	508,745
Operating expenses:		
Sales and marketing	290,574	256,979
Product, technology, and development	106,423	85,726
General and administrative	97,678	62,166
Depreciation and amortization	14,415	6,118
Total operating expenses	509,090	410,989
Income from operations	148,268	97,756
Other income, net:		
Interest income	120	1,075
Other income, net	972	279
Total other income, net	1,092	1,354
Income before income taxes	149,360	99,110
Provision for income taxes	38,987	21,557
Consolidated net income	110,373	77,553
Net income attributable to redeemable noncontrolling interest	1,129	—
Net income attributable to CarGurus, Inc.	$ 109,244	$ 77,553

	Year Ended December 31,	
	2021	2020
	(dollars in thousands)	
Additional Financial Data		
Revenue		
United States	$ 909,033	$ 519,835
International	42,340	31,616
Total	$ 951,373	$ 551,451
Income (Loss) from Operations		
United States	$ 158,532	$ 120,836
International	(10,264)	(23,080)
Total	$ 148,268	$ 97,756

For the years ended December 31, 2021 and 2020, our consolidated income statements as a percentage of revenue are as follows (amounts may not sum due to rounding):

	Year Ended December 31,	
	2021	2020
Revenue:		
Marketplace	67%	100%
Wholesale	21	—
Product	13	—
Total revenue	100	100
Cost of revenue:		
Marketplace	5	8
Wholesale	13	—
Product	12	—
Total cost of revenue	31	8
Gross profit	69	92
Operating expenses:		
Sales and marketing	31	47
Product, technology, and development	11	16
General and administrative	10	11
Depreciation and amortization	2	1
Total operating expenses	54	75
Income from operations	16	18
Other income, net:		
Interest income	0	0
Other income, net	0	0
Total other income, net	0	0
Income before income taxes	16	18
Provision for income taxes	4	4
Consolidated net income	12	14
Net income attributable to redeemable noncontrolling interest	0	0
Net income attributable to CarGurus, Inc.	11	14

	Year Ended December 31,	
	2021	2020
Additional Financial Data		
Revenue		
United States	96%	94%
International	4	6
Total	100%	100%
Income (Loss) from Operations		
United States	17%	22%
International	(1)	(4)
Total	16%	18%

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Revenue by Source

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Revenue				
Marketplace	$ 636,942	$ 551,451	$ 85,491	16%
Wholesale	195,127	—	195,127	NM
Product	119,304	—	119,304	NM
Total	$ 951,373	$ 551,451	$ 399,922	73%
Percentage of total revenue:				
Marketplace	67%	100%		
Wholesale	21	—		
Product	13	—		
Total	100%	100%		

NM - Not Meaningful

Overall revenue increased $399.9 million, or 73%, in the year ended December 31, 2021 compared to the year ended December 31, 2020.

Marketplace revenue increased $85.5 million, or 16%, in the year ended December 31, 2021 compared to the year ended December 31, 2020 and represented 67% of total revenue for the year ended December 31, 2021 and 100% of total revenue for the year ended December 31, 2020. This increase was due 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 which approximately $47 million resulted in revenue reductions during such quarter, with the remaining impact spread over the life of the contract term. The increase was also due in part to product upgrades for existing dealers and signing on new dealers with higher average monthly recurring revenue.

Wholesale revenue increased $195.1 million in the year ended December 31, 2021 compared to the year ended December 31, 2020 and represented 21% of total revenue for the year ended December 31, 2021 and 0% of total revenue for the year ended December 31, 2020. The increase was due to our acquisition of a 51% interest in CarOffer. The increase was primarily due to dealer to dealer transactions, inclusive of transaction, transportation and inspection fees.

Product revenue increased $119.3 million in the year ended December 31, 2021 compared to the year ended December 31, 2020 and represented 13% of the total revenue for the year ended December 31, 2021 and 0% of total revenue for the year ended December 31, 2020. The increase was due to our acquisition of a 51% interest in CarOffer and launch of our consumer-to-dealer offering. The increase was primarily due to a $84.2 million increase in proceeds received on the sale of vehicles acquired by CarOffer directly from customers and a $35.1 million increase in proceeds received from the sale of vehicles acquired via arbitration.

Revenue by Segment

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Revenue				
United States	$ 909,033	$ 519,835	$ 389,198	75%
International	42,340	31,616	10,724	34
Total	$ 951,373	$ 551,451	$ 399,922	73%
Percentage of total revenue:				
United States	96%	94%		
International	4	6		
Total	100%	100%		

United States revenue increased $389.2 million, or 75%, in the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily due to a $314.4 million increase in wholesale and product revenue due to our acquisition of a 51% interest in CarOffer and launch of our consumer-to-dealer offering. Additionally, the increase was due to approximately $44 million in revenue reductions during the second quarter of 2020 as a result of the impact of fee reductions that we provided to our United States paying dealers during such quarter in response to the COVID-19 pandemic. The increase was also due in part to product upgrades for existing dealers and signing on new dealers with higher average monthly recurring revenue.

International revenue increased $10.7 million, or 34%, in the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was due primarily to approximately $3 million in revenue reductions during the second quarter of 2020 as a result of the impact of fee reductions that we provided to our international paying dealers during such quarter in response to the COVID-19 pandemic. The increase was also due in part to product upgrades for existing dealers and signing on new dealers with higher average monthly recurring revenue. The increase in international revenue was also attributable to a 1% increase in the number of international paying dealers.

Cost of Revenue

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Cost of revenue				
Marketplace	$ 47,689	$ 42,706	$ 4,983	12%
Wholesale	127,679	—	127,679	NM
Product	118,647	—	118,647	NM
Total	$ 294,015	$ 42,706	$ 251,309	588%
Percentage of total revenue:				
Marketplace	5%	8%		
Wholesale	13	—		
Product	12	—		
Total	31%	8%		

NM - Not Meaningful

Overall cost of revenue increased $251.3 million, or 588%, in the year ended December 31, 2021 compared to the year ended December 31, 2020.

Marketplace cost of revenue increased $5.0 million, or 12%, in the year ended December 31, 2021 compared to the year ended December 31, 2020 and represented 5% of total revenue for the year ended December 31, 2021 and 8% of total revenue for the year ended December 31, 2020. The increase was due primarily to a $5.3 million increase in fees related to provisioning advertising campaigns on our websites and a $0.9 million increase in data center and hosting costs, offset in part by a $1.2 million decrease in salaries and employee-related expense due primarily to a 29% decrease in average CarGurus customer support team headcount primarily in connection with the Expense Reduction Plan.

Wholesale cost of revenue increased $127.7 million, in the year ended December 31, 2021 compared to the year ended December 31, 2020 and represented 13% of total revenue for the year ended December 31, 2021 and 0% of total revenue for the year ended December 31, 2020. The increase was due to our acquisition of a 51% interest in CarOffer. The increase was primarily due to expenses for dealer to dealer transactions, inclusive of transportation expenses, amortization of developed technology, salaries and employee-related expenses, and inspection expenses.

Product cost of revenue increased $118.6 million, in the year ended December 31, 2021 compared to the year ended December 31, 2020 and represented 12% of the total revenue for the year ended December 31, 2021 and 0% of total revenue for the year ended December 31, 2020. The increase was due to our acquisition of a 51% interest in CarOffer and launch of our consumer-to-dealer offering. The increase was primarily due to a $78.4 million increase in expenses related to vehicles acquired by CarOffer directly from customers and a $40.2 million increase in expenses related to vehicles acquired via arbitration.

Operating Expenses

Sales and Marketing Expenses

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Sales and marketing	$ 290,574	$ 256,979	$ 33,595	13%
Percentage of total revenue	31%	47%		

Sales and marketing expenses increased $33.6 million, or 13%, in the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was due primarily to a $6.9 million increase in salaries and employee-related expense, exclusive of commissions expense, which increased $22.5 million. The increase in salaries and employee-related expense was due primarily to a 33% increase in headcount due primarily to our acquisition of a 51% interest in CarOffer and an increase in expected bonus attainment in comparison to the year ended December 31, 2020 due to improved performance since the outset of the COVID-19 pandemic. The increase in commissions expense was due to the increase in headcount, marketplace sales growth and a decrease in capitalizable costs to obtain contracts. The increase in sales and marketing expenses was also due in part to a $2.3 million increase in consulting expense and a $2.1 million increase in software subscription expense.

Product, Technology, and Development Expenses

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Product, technology, and development	$ 106,423	$ 85,726	$ 20,697	24%
Percentage of total revenue	11%	16%		

Product, technology, and development expenses increased $20.7 million, or 24%, in the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was due primarily to a $15.7 million increase in salaries and employee-related expense, exclusive of stock-based compensation expense, which increased $1.5 million. The increase in salaries and employee-related expense was due primarily to a 37% increase in headcount and an increase in expected bonus attainment in comparison to the year ended December 31, 2020 due to improved performance since the outset of the COVID-19 pandemic. The increase in stock-based compensation expense was due to the revaluation of certain liability-based stock awards and the increase in headcount. The increase in product, technology, and development expenses was also due in part to a $1.9 million increase in consulting expenses and a $1.0 million increase in rent expense.

General and Administrative Expenses

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
General and administrative	$ 97,678	$ 62,166	$ 35,512	57%
Percentage of total revenue	10%	11%		

General and administrative expenses increased $35.5 million, or 57%, in the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was due primarily to a $5.2 million increase in salaries and employee-related expense, exclusive of stock-based compensation expense, which increased $28.5 million. The increase in salaries and employee-related expense was due primarily to a 33% increase in headcount due primarily to our acquisition of a 51% interest in CarOffer and an increase in expected bonus attainment in comparison to the year ended December 31, 2020 due to improved performance since the outset of the COVID-19 pandemic. The increase in stock-based compensation expense was due primarily to the revaluation of certain liability-based stock awards and annual retention grant. The increase in general and administrative expenses was also due in part to a $1.3 million increase in insurance expenses.

Depreciation and Amortization Expenses

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Depreciation and amortization	$ 14,415	$ 6,118	$ 8,297	136%
Percentage of total revenue	2%	1%		

Depreciation and amortization expenses increased $8.3 million, or 136%, in the year ended December 31, 2021 compared to the year ended December 31, 2020, due primarily to an increase in amortization of intangible assets related to the acquired intangible assets from CarOffer.

Other Income, net

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Other income, net				
Interest income	$ 120	$ 1,075	$ (955)	(89)%
Other income	972	279	693	248
Total other income, net	$ 1,092	$ 1,354	$ (262)	(19)%
Percentage of total revenue:				
Interest income	0%	0%		
Other income	0	0		
Total other income, net	0%	0%		

Other income, net decreased $0.3 million, or 19%, in the year ended December 31, 2021 compared to the year ended December 31, 2020. The $1.0 million decrease in interest income was due primarily to decreases in investments in certificates of deposit as well as a decline in interest rates associated with our certificates of deposit investments during the year ended December 31, 2021. The $0.7 million increase in other income, net was primarily due to a $0.5 million increase in other income related to CarOffer during the year ended December 31, 2021.

Provision for Income Taxes

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Provision for income taxes	$ 38,987	$ 21,557	$ 17,430	81%
Percentage of total revenue	4%	4%		

Provision for income taxes increased $17.4 million, or 81% in year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in provision for income taxes recognized during the year ended December 31, 2021 was principally due to increased profitability in excess of tax attributes available to offset. Additionally, there was $0.4 million tax expense related to excess stock-based compensation deductions recognized during 2021, compared to the insignificant amount of tax benefit recognized during 2020. Furthermore, a $2.0 million tax expense was recognized during 2021 in connection with the Section 162(m) excess officer compensation limitation, which became applicable in May 2021 upon the expiration of the transition period permitted following our IPO.

Income (Loss) from Operations by Segment

	Year Ended December 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
United States	$ 158,532	$ 120,836	$ 37,696	31%
International	(10,264)	(23,080)	12,816	56
Total	$ 148,268	$ 97,756	$ 50,512	52%
Percentage of segment revenue:				
United States	17%	23%		
International	(24)%	(73)%		

United States income from operations increased $37.7 million, or 31%, in the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase was due to increases in revenue of $389.2 million, offset by increases in cost of revenue of $253.7 million and increases in operating expenses of $97.8 million.

International loss from operations decreased $12.8 million, or 56% in the year ended December 31, 2021 compared to the year ended December 31, 2020. The decrease was due to increases in revenue of $10.7 million and decreases in cost of revenue of $2.4 million, offset by increases in operating expenses of $0.3 million.

Liquidity and Capital Resources

Cash, Cash Equivalents and Investments

As of December 31, 2021 and 2020, our principal sources of liquidity were cash and cash equivalents of $231.9 million and $190.3 million, respectively, and investments in certificates of deposit with terms of greater than 90 days but less than one year of $90.0 million and $100.0 million, respectively.

Sources and Uses of Cash

During the years ended December 31, 2021 and 2020, our cash flows from operating, investing, and financing activities, as reflected in the consolidated statements of cash flows, are as follows:

	Year Ended December 31,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	$ 98,292	$ 156,743
Net cash used in investing activities	(68,149)	(16,895)
Net cash provided by (used in) financing activities	17,808	(10,085)
Impact of foreign currency on cash	(597)	440
Net increase in cash, cash equivalents, and restricted cash	$ 47,354	$ 130,203

Our operations have been financed primarily from operating activities. During the years ended December 31, 2021 and 2020, we generated cash from operating activities of $98.3 million and $156.7 million, respectively.

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. Our future capital requirements will depend on many factors, including: the further impact of the COVID-19 pandemic; our revenue; expenses associated with our sales and marketing activities and the support of our product, technology, and development efforts; expenses associated with our facilities build out under our 1001 Boylston Street lease, other than those which qualify for landlord reimbursement; payments received in advance from a third-party payment processor; our investments in international markets; and the potential exercise of call rights in the second half of 2022, or the 2022 Call Right, exercisable in our sole discretion, to acquire up to twenty-five percent (25%) of the fully diluted outstanding capitalization of CarOffer at an implied value equal to seven (7) times CarOffer's trailing twelve months gross profit as of June 30, 2022 (as calculated in accordance with the defined terms and subject to the adjustments set forth in the CarOffer Operating Agreement (as defined in Note 4 of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K)). If the 2022 Call Right is exercised, the consideration to be paid will be in the form of cash and/or shares of our Class A common stock, as determined in our sole discretion. A cash payment made in connection with the 2022 Call Right is reasonably likely to reduce our net cash in future quarters. 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.

Operating Activities

Cash provided by operating activities of $98.3 million during the year ended December 31, 2021 was due primarily to consolidated net income of $110.4 million, adjusted for $53.5 million of stock-based compensation expense, $40.5 million of depreciation and amortization, $12.7 million of amortization of deferred contract costs, $6.2 million of deferred taxes, $3.1 million of impairment of long-lived assets, and $1.0 million of provision for doubtful accounts. Cash provided by operating activities was also attributable to a $35.8 million increase in accrued expenses, accrued income taxes, and other liabilities, a $35.4 million increase in accounts payable, a $3.7 million increase in deferred revenue, and a $1.0 million increase in lease obligations. The increases in cash flow from operations were partially offset by a $174.8 million increase in accounts receivable, net due primarily to the acquisition of a 51% interest in CarOffer, a $17.3 million increase in inventory, a $7.7 million increase in gross deferred contract costs, and a $5.1 million increase in prepaid expenses, prepaid income taxes, and other assets.

Cash provided by operating activities of $156.7 million during the year ended December 31, 2020 was due primarily to consolidated 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, $10.2 million of depreciation and amortization, $1.9 million of provision for doubtful accounts, and $1.2 million of impairment of long-lived assets. 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 gross deferred contract costs.

Investing Activities

Cash used in investing activities of $68.1 million during the year ended December 31, 2021 was due to $64.3 million of acquisition cash payments, net of cash acquired, $7.7 million of purchases of property and equipment, and $6.2 million related to the capitalization of website development costs, offset in part by $130.0 million of maturities in certificates of deposit, net of investments in certificates of deposit of $120.0 million.

Cash used in investing activities of $16.9 million during the year ended December 31, 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.

Financing Activities

Cash provided by financing activities of $17.8 million during the year ended December 31, 2021 was due primarily to $46.8 million related to payments received in advance from a third-party payment processor and $0.7 million related to the proceeds from the issuance of common stock related to the exercise of vested stock options, partially offset by payment of withholding taxes on net share settlements of restricted stock units, or RSUs, of $15.4 million and CarOffer's repayment of a line of credit of $14.3 million.

Cash used in financing activities of $10.1 million during the year ended December 31, 2020 was due primarily to the payment of withholding taxes on net share settlements of RSUs 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.

Contractual Obligations and Known Future Cash Requirements

Contractual Obligations and Commitments

As of December 31, 2021, 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, capitalized website development, capitalized internal-use software and hosting arrangements and amounts related to obligations under finance leases as disclosed in the consolidated statements of cash flows. 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; Addison, Texas; 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, California, and Texas lease agreements provide for rental payments that increase on an annual basis. The leases in Boston, Massachusetts, Cambridge, Massachusetts and San Francisco, California have associated letters of credit, which are recognized as restricted cash within the consolidated balance sheets. As of December 31, 2021 and 2020, restricted cash was $16.3 million and $10.6 million, 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 our building leases and pass-through payments from customers related to the Company's wholesale business. As of December 31, 2021 and 2020, portions of restricted cash were classified as short-term assets and long-term assets, as disclosed in the consolidated balance sheets.

As of December 31, 2021, known contractual obligations that are fixed and determinable are as follows:

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in thousands)		
Operating lease obligations	$ 345,547	$ 16,573	$ 44,770	$ 43,689	$ 240,515
Total contractual obligations	$ 345,547	$ 16,573	$ 44,770	$ 43,689	$ 240,515

The table above includes leases signed but not yet commenced as of December 31, 2021 and is based on expected contractual 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 Addison, Texas, with the option to acquire portions of the remaining equity in the future. Details of this acquisition are more fully described in Note 4 of our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Guarantees

CarOffer provides certain guarantees to dealers through its 45-Day Guaranteed Bid and OfferGuard product offerings, which are accounted for under Accounting Standards Codifications, or ASC, Topic 460, Guarantees, or ASC 460.

45-Day Guaranteed Bid is an arrangement through which a selling dealer lists a car on the CarOffer platform, and CarOffer provides an offer to purchase the vehicle listed at a specified price at any time over a 45-day period. This provides the seller with a put option, where they have the right, but not the obligation, to require CarOffer to purchase the vehicle during this window. OfferGuard is an arrangement through which a buying dealer purchases a car on the CarOffer platform, and CarOffer provides an offer to purchase the vehicle at a specified price between days 1 and 3, and days 42 and 45 if the dealer is not able to sell the vehicle after 42 days.

As of December 31, 2021, the maximum potential amount of future payments that CarOffer could be required to make under these guarantees was $76.1 million. Of the maximum potential amount of future payments, none are considered probable. The exercise of guarantees has historically been infrequent and even when such exercises did occur the losses were immaterial. As such, as of December 31, 2021, CarOffer had no contingent loss liabilities.

As of December 31, 2020, we did not have any guarantees.

Off-Balance Sheet Arrangements

As of December 31, 2021 and 2020, we did not have any off-balance sheet arrangements or material leases that are less than twelve months in duration, other than leases signed but not commenced, 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 Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires us 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 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 recognized in the period in which they become known.

Critical 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, intangible assets and other long-lived assets, the valuation of redeemable noncontrolling interest, the recoverability of our net deferred tax assets and related valuation allowance and the valuation of equity and liability-classified compensation awards under ASC Topic 718, Stock-based Compensation, or ASC 718. Accordingly, we consider these to be our critical accounting policies and believe that of our significant accounting policies, these policies involve the greatest degree of judgment and complexity.

Revenue Recognition

Sources of Revenue

We derive revenue from three sources: (i) marketplace revenue, which consists primarily of dealer subscriptions to our Listings packages and RPM digital advertising suite, advertising revenue from auto manufacturers and other auto-related brand advertisers, and revenue from partnerships with financing services companies; (ii) wholesale revenue, which consists primarily of transaction fees earned by CarOffer from facilitating the purchase and sale of vehicles between dealers; and (iii) product revenue, which consists primarily of aggregate proceeds received on the sale of vehicles.

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, 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 Revenue - Description

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, 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 prior to the commencement of the applicable renewal 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 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 marketed under our RPM digital advertising suite. Through RPM, dealers can buy advertising that appears in our marketplace, on other sites on the internet and/or on high- converting social media platforms. Such advertisements can be targeted by the user's geography, search history, CarGurus website activity 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 the first day of each calendar month and is recognized 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 advertising products for the PistonHeads website.

Marketplace revenue also consists of non-dealer 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 generally relate to services rendered in the current period, but 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 recognized 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.

Marketplace 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 advertising products for the Autolist and PistonHeads websites.

Marketplace Revenue - Revenue Recognition

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 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 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 recognized 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.

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 generally 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.

Marketplace 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.

Wholesale Revenue - Description

Wholesale revenue includes transaction fees earned by CarOffer from facilitating the purchase and sale of vehicles between dealers, where CarOffer collects fees from both the buyer and seller. CarOffer also sells vehicles to dealers that CarOffer acquires at other marketplaces – in these instances, CarOffer collects a transaction fee from the buyer.

Wholesale revenue also includes fees earned by CarOffer from performing inspection and transportation services, where CarOffer collects fees from the buyer. Inspection and transportation service revenue is inclusive of dealer to dealer transactions, other marketplace to dealer transactions, and customer to dealer transactions.

Wholesale revenue also includes fees earned by CarOffer from certain guarantees offered to dealers, where CarOffer collects fees from the buying dealer or selling dealer, as applicable. Guarantee revenue is not accounted for under ASC 606 and is accounted for under ASC 460 as discussed further in Note 2 of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Wholesale Revenue - Revenue Recognition

When facilitating the purchase and sale of vehicles between dealers and for vehicles sold to dealers that are acquired at other marketplaces, CarOffer does not control the vehicle and therefore acts as an agent in the transaction. Revenue earned from the fees for facilitating these transactions is recognized at a point in time when the vehicle is sold on a net basis.

For inspection and transportation services, CarOffer leverages a network of third-party inspection service providers and transportation carriers. CarOffer controls both inspection and transportation services as it is primarily responsible for fulfillment and therefore acts as a principal in the transaction. Revenue from fees for inspection services is recognized at the point in time when the inspection is performed and revenue from fees for transportation services is recognized over time as delivery is completed. Revenue from both inspection and transportation services is recognized on a gross basis. Unearned revenue related to unsatisfied performance obligations is recognized as deferred revenue.

Wholesale revenue also includes arbitration in which, in the majority of instances, the vehicle is rematched to a new buyer and not acquired by CarOffer. Arbitration is the process by which CarOffer investigates and resolves claims from buying dealers. In these situations, CarOffer does not control the vehicle and therefore acts as an agent in the transaction.

Within wholesale transactions, 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 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 or arbitration. 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 recognized as a reduction to revenue in the consolidated income statements.

Wholesale revenue is presented net of any taxes collected from customers.

Product Revenue - Description

Product revenue includes the aggregate proceeds received on the sale of vehicles. This revenue relates to vehicles sold to dealers that CarOffer acquires directly from customers, inclusive of transaction fees collected from the buyer, and in limited situations across all CarOffer transactions, vehicles CarOffer resells after acquiring a vehicle via arbitration.

Product - Revenue Recognition

For vehicles sold to dealers that are acquired directly from consumers, CarOffer controls the vehicle and therefore acts as a principal in the transaction. Revenue earned from the fees for facilitating these transactions is recognized at a point in time when the vehicle is sold on a gross basis.

In limited situations across all CarOffer transactions, during an arbitration process, CarOffer acquires vehicles in transactions in which it controls the vehicle and therefore acts as a principal in the transaction. Revenue earned from the sale of the vehicle in these transactions is recognized at a point in time on a gross basis.

Contracts with Multiple Performance Obligations

We periodically enter into arrangements that include Listings and/or dealer advertising product subscriptions within marketplace 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/or dealer advertising product subscriptions, the performance obligations were satisfied over a consistent period of time and therefore the allocations did not impact the revenue recognized.

For CarOffer's arrangements that include multiple performance obligations, we allocate revenue based on fair value. Vehicle and inspection revenues are recognized at a point in time and transportation revenue is recognized over time.

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. 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.

As of December 31, 2021 and 2020, assets associated with costs to obtain a contract were $14.9 million and $20.0 million, respectively. This decrease in assets recognized for costs to obtain a contract was due to amortization from prior periods' assets being greater than the capitalizable costs to obtain a contract in current period. For the years ended December 31, 2021 and 2020, amortization expense associated with costs to obtain a contract was $12.7 million and $11.6 million, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded based on the amount due from the customer and a third-party payment processor. Accounts receivable do not bear interest.

We are exposed to credit losses primarily through our trade accounts receivable, which includes receivables in transit from a third-party payment processor. The third-party payment processor collects customer payments on our behalf and remits them to us. Customer payments received, but not remitted as of period end are deemed to be receivables in transit. Additionally, the third-party payment processer provides payments in advance for certain customers to us. If the third-party payment processor does not receive customer payments related to the payments in advance, the balance is deducted from future remittances to us.

We offset gross trade accounts receivable with payments received in advance from a third-party payment processor as we have the right of offset. As of December 31, 2021, gross trade accounts receivable from receivables in transit from the third-party payment processor was $18.7 million, offset by payments received in advance of $46.8 million, which resulted in a net liability of $28.1 million recognized within accrued expenses, accrued income taxes, and other current liabilities in the consolidated balance sheets. Payments

received in advance are deductible from future payments from the third-party payment processor if the third-party payment processor does not receive the payment from the customer. Payments received in advance are presented as cash flows from financing activities in the consolidated statements of cash flows. As of December 31, 2020, we did not have any gross trade accounts receivable from receivables in transit from the third-party payment processor.

We also 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. 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, our estimates of the recoverability of receivables could be further adjusted.

Provisions for allowances for doubtful accounts are recognized within general and administrative expense in the consolidated income statements. 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. Unbilled accounts receivable generally relate to services rendered in the current period, but not invoiced until the subsequent period.

As of December 31, 2021 and 2020, changes in our allowance for doubtful accounts are as follows:

	Balance at Beginning of Period	Provision	Write–offs, net of recoveries	Balance at End of Period
Year ended December 31, 2021	$ 616	$ 999	$ (1,195)	$ 420
Year ended December 31, 2020	240	1,930	(1,554)	616

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, 2021, we wrote off $2.5 million of U.S. capitalized website development costs within operating expense in the consolidated income statements and $0.6 million in intangible assets within cost of revenue in the consolidated income statements related to certain developed technology in which we have decided to cease investment. For the year ended December 31, 2020, we wrote off $1.2 million in capitalized website development costs, of which $0.8 million related to the exit of certain international markets in connection with the Expense Reduction Plan.

Capitalized Website Development and Capitalized Internal-Use Software Costs

We capitalize certain costs associated with the development of our websites and internal-use software after the preliminary project stage is complete and until the website development or 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 project with the required authority, it is probable the project will be completed, the website development or 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 website development or software 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 development and capitalized internal-use software costs are recognized within property and equipment, net in the consolidated balance sheets.

Capitalized website development and capitalized internal-use software costs are amortized on a straight-line basis over their estimated useful life of three years beginning with the time when the product is ready for intended use. Capitalized website development costs related amortization expenses are recognized within cost of revenue in the consolidated income statements. Capitalized internal-use software costs related amortization expenses are recognized within depreciation and amortization in the consolidated income statements. 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 year ended December 31, 2021 and 2020, capitalized website development costs were $8.2 million and $6.4 million, respectively. During the year ended December 31, 2021, capitalized internal-use software costs were $2.9 million. During the year ended December 31, 2020, no capitalized internal-use software costs were recognized.

For the years ended December 31, 2021 and 2020, amortization expense associated with capitalized website development costs was $3.7 million and $3.3 million, respectively. For the year ended December 31, 2021, amortization expense associated with capitalized internal-use software costs was $0.3 million. For the year ended December 31, 2020, no amortization expense associated with capitalized internal-use software costs was recognized.

Capitalized Hosting Arrangements

Hosting arrangement 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.

Hosting arrangements costs are recognized within the same line item in the consolidated income statements as the expense for fees for the associated hosting arrangement. 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, 2021, 2020, and 2019 we launched separate initiatives designed to enhance our hosting arrangements related to our enterprise applications, each of which are ongoing. During the year ended December 31, 2021 and 2020, implementation costs were $3.8 million and $0.3 million, respectively, and recognized within other non-current assets and within prepaid expenses, prepaid income taxes and other current assets, respectively, in the consolidated balance sheets.

For the years ended December 31, 2021 and 2020, amortization expense associated with our hosting arrangements was $1.8 million and $0.7 million, respectively, and recognized within operating expense in the consolidated income statements.

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 recognized within goodwill.

Intangible Assets

Intangible assets are recognized 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 recognized over the relevant estimated useful lives ranging from three to eleven years.

We evaluate the useful lives of these assets on an annual basis. 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. We monitor our long-lived assets for impairment indicators on an ongoing basis in accordance with GAAP, and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. If impairment indicators exist, we perform the required impairment analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values.

Goodwill

Goodwill is recognized 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.

As of and for the year ended December 31, 2021, we have determined that we have three reporting units, United States, International, and CarOffer. 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 2021, 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, 2021 and 2020, we did not identify any impairment of our goodwill.

Redeemable Noncontrolling Interest

In connection with our acquisition of a 51% interest in CarOffer on January 14, 2021, we became a party with the noncontrolling equity holders of CarOffer to the CarOffer Operating Agreement, which, among other matters, sets forth certain put and call rights described in Note 4 of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The CarOffer Operating Agreement provides us with the right to purchase, and the noncontrolling equity holders with the right to sell to us, the noncontrolling CarOffer equity holders' equity interests in CarOffer at a contractually defined formulaic purchase price, which is based on a multiple of earnings. As the purchase is contingently redeemable at the option of the noncontrolling equity holders, we classify the carrying amount of the redeemable noncontrolling interests within the mezzanine section in the consolidated balance sheet, which is presented above the equity section and below the liabilities section. As of the date of Closing (as defined in Note 4 of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K), the noncontrolling interest was recognized at fair value computed using the Least Square Monte Carlo Simulation approach. Significant inputs to the model include market price of risk, volatility, correlation and risk-free rate.

Subsequent to our acquisition of the 51% interest on January 14, 2021, the redeemable noncontrolling interest is measured at the greater of the amount that would be paid if settlement occurred as of the balance sheet date based on the contractually defined redemption value and its carrying amount adjusted for net income (loss) attributable to the noncontrolling interest. Adjustments to the carrying value of the redeemable noncontrolling interest resulting from changes in the redemption value are recognized within retained earnings in the consolidated balance sheets.

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. As of December 31, 2021 and 2020, we have no recognized liabilities for uncertain tax positions.

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 granted under our stock-based compensation plans, the fair value of each award is determined on the date of grant.

For RSUs granted subject to service-based vesting conditions, the fair value is determined on the date of grant using the closing price of our Class A common stock, par value $0.001 per share, as reported on the Nasdaq Global Select Market. RSUs granted subject to service-based vesting conditions generally vest over a four-year requisite service period.

For RSUs granted subject to market-based vesting conditions, the fair value is determined on the date of grant using the Monte Carlo simulation lattice model. The determination of the fair value using this model is affected by our stock price performance relative to the companies listed on the S&P 500 as of December 31, 2021 and 2020 and a number of assumptions including volatility, correlation coefficient, risk-free interest rate and expected dividends. RSUs granted subject to market-based vesting conditions vest upon achievement of specified levels of market conditions.

For stock options granted, the fair value is determined on the date of grant using the Black-Scholes option-pricing model. The determination of the fair value is affected by our stock price and a number of assumptions including volatility, term, risk-free interest rate and dividend yield. Stock options granted generally have a term of ten years from the date of grant and generally vest over a four-year requisite service period.

The weighted average assumptions utilized to determine the fair value of options granted during the year ended December 31, 2021 are as follows:

	Year Ended December 31, 2021
Expected dividend yield	—
Expected volatility	50.95%
Risk–free interest rate	0.69%
Expected term (in years)	6.06

During the years ended December 31, 2020 and 2019, no options were granted.

In connection with our acquisition of a 51% interest in CarOffer, the then-outstanding unvested incentive units, or CO Incentive Units, of CarOffer and unvested Class CO CarOffer units, or the Subject Units, remained outstanding and will vest over the requisite service periods as discussed below.

Grants of the CO Incentive Units are subject to the CarOffer 2020 Equity Incentive Plan, adopted effective November 24, 2020, or the 2020 CO Plan, the applicable award agreement, and the CarOffer Operating Agreement. Following the Company's acquisition of the 51% interest in CarOffer on January 14, 2021, remaining unvested CO Incentive Units will vest over a period of three (3) years, with one third having vested on January 14, 2022 and one third vesting on each of January 14, 2023 and January 14, 2024, provided that a grantee's continuous service to CarOffer has not terminated on the applicable vesting date. Under the terms of the grants, vesting of unvested CO Incentive Units is accelerated in the event of (i) a change of control of CarOffer (which, for the avoidance of doubt, does not include the Company's acquisition of the 51% interest on January 14, 2021), (ii) the death or disability of the grantee, (iii) termination of the grantee's employment with CarOffer without cause, or (iv) termination of grantee's employment by the grantee for good reason. Upon termination of a grantee's continuous service to CarOffer voluntarily by the grantee (other than for good reason) or by CarOffer for cause, all of such grantee's unvested CO Incentive Units are forfeited. In addition, if a grantee's continuous service terminates, then CarOffer has the option to repurchase any outstanding CO Incentive Units from the grantee.

In addition to the 2020 CO Plan, on December 9, 2020 CarOffer entered into a Vesting Agreement, or the Vesting Agreement, regarding the vesting of Subject Units beneficially owned by Bruce Thompson, the founder and CEO of CarOffer, and certain affiliated persons, or, collectively, the T5 Holders, in connection with the our then-anticipated acquisition of a 51% interest in CarOffer. Pursuant to the Vesting Agreement, 432,592 Subject Units beneficially owned by the T5 Holders vest in three (3) approximately equal installments, with one third having vested on January 14, 2022 and one third vesting on each of January 14, 2023 and January 14, 2024, subject to the terms of the Vesting Agreement. As more particularly described in the Vesting Agreement, unvested Subject Units are subject to forfeiture in the event that Mr. Thompson's relationship with CarOffer terminates other than in the event of a termination without cause (as defined in the Vesting Agreement) or due to Mr. Thompson's death or disability. The Vesting Agreement also provides for acceleration of any unvested Subject Units in the event of the termination of Mr. Thompson's employment with CarOffer without cause, Mr. Thompson's death or disability, or the consummation of an eligible liquidity event (as defined in the Vesting Agreement).

In connection with the Closing, CarOffer reserved 228,571 incentive units, or the 2021 Incentive Units, for purposes of establishing an employee incentive equity plan. Thereafter, CarOffer formed CarOffer Incentive Equity, LLC, or CIE, a Delaware manager-managed limited liability company managed by us, and established the CIE 2021 Equity Incentive Plan, or the 2021 CO Plan. The 2021 CO Plan and related documentation, including the applicable award agreement, a vesting agreement between CarOffer and CIE, and the CarOffer Operating Agreement, provide for an incentive equity grant structure whereby 2021 Incentive Units will be granted to CIE and 2021 CO Plan grantees will receive an associated equity interest in CIE, or the CIE Interest, with back-to-back vesting between the 2021 Incentive Units and the associated CIE Interest. Subject to any modifications as may be approved by the CarOffer Board of Managers in its discretion, grants under the 2021 CO Plan will vest over a period of three (3) years from the grant date, one third each on the first, second, and third anniversaries of the applicable grant date, provided that a grantee's continuous service to CarOffer has not terminated on the applicable grant date. Upon termination of a grantee's continuous service to CarOffer, all of such grantee's unvested 2021 Incentive Units are forfeited. As of December 31, 2021, there had not been any grants of 2021 Incentive Units under the 2021 CO Plan.

CO Incentive Units, Subject Units and 2021 Incentive Units are liability-classified awards because the awards can be put to us at a formula price such that the holders do not bear the risks and rewards associated with equity ownership. For liability-classified awards, the fair value is determined on the date of issuance using a Least Square Monte Carlo simulation model. The determination of the fair value is affected by CarOffer's equity value, EBITDA, Excess Parent Capital (as defined in the CarOffer Operating Agreement), and revenue forecasts that drive the exercise price of future call/put rights, as well as a number of assumptions including market price of risk, volatility, correlation, and risk-free interest rate. Liability-classified awards are remeasured to fair value each period until settlement.

We issue shares of Class A common stock upon the vesting of RSUs and the exercise of stock options out of our shares available for issuance. We issue CO Incentive Units and Subject Units out of CarOffer's units available for issuance. We account for forfeitures when they occur.

We recognize compensation expense 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.

The tax effect of differences between tax deductions related to stock compensation and the corresponding financial statement expense compensation are recognized within tax expense. Excess tax benefits recognized on stock-based compensation expense are classified as an operating activity in the consolidated statements of cash flows.

As of December 31, 2021, tax demerits related to stock-based compensation were $1.2 million. As of December 31, 2020, tax demerits related to stock-based compensation were immaterial.

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

As of December 31, 2021 and 2020, we did not have any long-term borrowings.

As of December 31, 2021 and 2020, we had cash, cash equivalents, and investments of $321.9 million and $290.3 million, respectively, which consisted 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, 2021 and 2020, we had foreign currency exposures in the British pound, the Euro and the Canadian dollar, although such exposure is not significant.

Our foreign subsidiaries have intercompany transactions that are eliminated upon consolidation, and these transactions expose us to foreign currency exchange rate fluctuations. Exchange rate fluctuations on short-term intercompany transactions are recognized within other income, net in our consolidated income statements. Exchange rate fluctuations on long-term intercompany transactions are recognized within accumulated other comprehensive (loss) income in our consolidated balance sheets.

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

Report of Independent Registered Public Accounting Firm

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 24, 2022 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, 2021, the Company recognized revenue of $951.4 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. Auditing 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, 2021, 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.

Business Combinations – Valuation of Acquired Intangible Assets and Redeemable Noncontrolling Interest

Description of the Matter

As described in Note 4 to the consolidated financial statements, the Company acquired a 51% interest in CarOffer, LLC (CarOffer) on January 14, 2021 for an aggregate consideration of $173.2 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 CarOffer was complex due to the significant estimation uncertainty in the Company's determination of the fair value of identified intangible assets of $104.1 million, which consisted of developed technology, brand, and customer relationships, and the fair value of the redeemable noncontrolling interest of $61.0 million. 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 redeemable noncontrolling interest and the sensitivity of the respective fair values to the significant underlying assumptions. The Company used the income approach, relief from royalty method and with/without approach to value the developed technology, brand and customer relationships intangible assets, respectively. The Company used the Least Square Monte Carlo Simulation approach to value the redeemable noncontrolling interest. The significant assumptions used to estimate the fair value of the intangible assets and redeemable noncontrolling interest included discount rates and certain assumptions that form the basis of the forecasted results (e.g., revenue growth rates, gross profit, and earnings before interest, taxes, depreciation, and amortization (EBITDA) margins). Additional significant assumptions used to estimate the fair value of the redeemable noncontrolling interest included certain calculated market inputs such as market price of risk (MPR), volatility, correlation, and risk-free rate. The 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 and redeemable noncontrolling interest. This included testing controls over the Company's estimation process supporting the recognition and measurement of intangible assets and redeemable noncontrolling interest, as well as controls over management's judgments and evaluation of underlying assumptions regarding the valuations.

Our audit procedures to test the estimated fair value of the acquired intangible assets and redeemable noncontrolling interest included, among others, evaluating the Company's valuation methodology used to estimate the fair value of the developed technology, brand, and customer relationship intangible assets and redeemable noncontrolling interest. 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 for the intangible assets and redeemable noncontrolling interest. Our valuation specialist also evaluated the Company's use of a Least Square Monte Carlo Simulation model and performed independent comparative calculations of the fair value of the noncontrolling interest, the MPR, volatility, correlation and risk-free rate market input assumptions. 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, gross profit, and EBITDA margins), and evaluated the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. Specifically, when evaluating the assumptions related to the forecasted results and changes in the business that would drive these results, we compared the assumptions to historical results of the acquired entity and current industry and economic trends. We also performed a sensitivity analysis of the significant assumptions to evaluate the change in the fair values that would result from changes in the assumptions.

Fair Value Measurement of Liability-Classified Awards

Description of the Matter

As described in Note 2 and Note 4 to the consolidated financial statements CarOffer has issued incentive units that are liability-classified awards because the awards can be put to the Company at a contractually defined formulaic purchase price such that the holders do not bear the risks and rewards associated with equity ownership.

Auditing the Company's accounting for these liability-classified awards was complex due to the significant estimation uncertainty in the Company's determination of the fair value of the awards of $21.1 million at December 31, 2021. The significant estimation uncertainty was primarily due to the complexity of the valuation models prepared by management to measure the fair value of the awards and the sensitivity of the respective fair values to the significant underlying assumptions. The Company used the Least Square Monte Carlo Simulation approach to value the liability-classified awards. The significant assumptions used to estimate the fair value of the liability classified awards include the discount rates and certain calculated market inputs such as MPR, volatility, correlation, risk-free rate, and certain assumptions that form the basis of the CarOffer equity value (e.g., revenue growth rates, gross profit, EBITDA). 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 these liability-classified awards. This included testing controls over the Company's estimation process supporting the recognition and measurement of liability-classified awards, 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 included, among others, evaluating the Company's valuation methodology used to estimate the fair value of the liability-classified awards. 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 evaluated the Company's use of a Least Square Monte Carlo Simulation model, developed an independent Monte Carlo Simulation model, and performed independent comparative calculations to estimate the fair value of the liability classified awards, the discount rates, MPR, volatility, correlation and risk-free rate market input assumptions. 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, gross profit, and EBITDA margins), and evaluated the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. Specifically, when evaluating the assumptions related to the forecasted results and changes in the business that would drive these results, we compared the assumptions to historical results of the acquired entity and current industry and economic trends. We also performed a sensitivity analysis of the significant assumptions to evaluate the change in the fair values that would result from changes in the assumptions.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2016.
Boston, Massachusetts
February 24, 2022

CarGurus, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	As of December 31,	
	2021	**2020**
Assets		
Current assets:		
Cash and cash equivalents	$ 231,944	$ 190,299
Investments	90,000	100,000
Accounts receivable, net of allowance for doubtful accounts of $420 and $616, respectively	189,324	18,235
Inventory	19,656	—
Prepaid expenses, prepaid income taxes and other current assets	16,430	12,385
Deferred contract costs	9,045	10,807
Restricted cash	6,709	250
Total current assets	563,108	331,976
Property and equipment, net	32,210	27,483
Intangible assets, net	83,915	10,862
Goodwill	158,287	29,129
Operating lease right-of-use assets	60,609	60,835
Restricted cash	9,627	10,377
Deferred tax assets	13,378	19,774
Deferred contract costs, net of current portion	5,867	9,189
Other non-current assets	4,573	2,673
Total assets	$ 931,574	$ 502,298
Liabilities, redeemable noncontrolling interest and stockholders' equity		
Current liabilities:		
Accounts payable	$ 66,153	$ 21,563
Accrued expenses, accrued income taxes and other current liabilities	78,586	24,751
Deferred revenue	12,784	9,137
Operating lease liabilities	13,186	11,085
Total current liabilities	170,709	66,536
Operating lease liabilities	57,519	58,810
Deferred tax liabilities	58	291
Other non–current liabilities	23,639	3,075
Total liabilities	251,925	128,712
Commitments and contingencies (Note 9)		
Redeemable noncontrolling interest	162,808	—
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; 101,773,034 and 94,310,309 shares issued and outstanding at December 31, 2021 and 2020, respectively	102	94
Class B common stock, $0.001 par value; 100,000,000 shares authorized; 15,999,173 and 19,076,500 shares issued and outstanding at December 31, 2021 and 2020, respectively	16	19
Additional paid–in capital	387,868	242,181
Retained earnings	129,258	129,412
Accumulated other comprehensive (loss) income	(403)	1,880
Total stockholders' equity	516,841	373,586
Total liabilities and stockholders' equity	$ 931,574	$ 502,298

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,		
	2021	2020	2019
Revenue			
Marketplace	$ 636,942	$ 551,451	$ 588,916
Wholesale	195,127	—	—
Product	119,304	—	—
Total revenue	951,373	551,451	588,916
Cost of revenue[(1)]			
Marketplace	47,689	42,706	36,300
Wholesale	127,679	—	—
Product	118,647	—	—
Total cost of revenue	294,015	42,706	36,300
Gross profit	657,358	508,745	552,616
Operating expenses:			
Sales and marketing	290,574	256,979	393,844
Product, technology, and development	106,423	85,726	69,462
General and administrative	97,678	62,166	50,434
Depreciation and amortization	14,415	6,118	4,554
Total operating expenses	509,090	410,989	518,294
Income from operations	148,268	97,756	34,322
Other income, net:			
Interest income	120	1,075	2,984
Other income, net	972	279	1,399
Total other income, net	1,092	1,354	4,383
Income before income taxes	149,360	99,110	38,705
Provision for (benefit from) income taxes	38,987	21,557	(3,441)
Consolidated net income	110,373	77,553	42,146
Net income attributable to redeemable noncontrolling interest	1,129	—	—
Net income attributable to CarGurus, Inc.	$ 109,244	$ 77,553	$ 42,146
Accretion of redeemable noncontrolling interest to redemption value	109,398	—	—
Net (loss) income attributable to common stockholders	$ (154)	$ 77,553	$ 42,146
Net (loss) income per share attributable to common stockholders: (Note 11)			
Basic	$ (0.00)	$ 0.69	$ 0.38
Diluted	$ (0.00)	$ 0.68	$ 0.37
Weighted–average number of shares of common stock used in computing net (loss) income per share attributable to common stockholders:			
Basic	117,142,062	112,854,524	111,450,443
Diluted	117,142,062	113,849,815	113,431,850

(1) Includes depreciation and amortization for the years ended December 31, 2021, 2020, and 2019 of $26,061, $5,224, and $3,263, 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,		
	2021	2020	2019
Consolidated net income	$ 110,373	$ 77,553	$ 42,146
Other comprehensive income:			
Foreign currency translation adjustment	(2,283)	2,230	(421)
Consolidated comprehensive income	108,090	79,783	41,725
Comprehensive income attributable to redeemable noncontrolling interests	1,129	—	—
Comprehensive income attributable to CarGurus, Inc.	$ 106,961	$ 79,783	$ 41,725

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

CarGurus, Inc.

Consolidated Statements of Stockholders' Equity

(in thousands, except share data)

	Redeemable Noncontrolling Interest	Class A Common Stock		Class B Common Stock		Additional Paid–in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
		Shares	Amount	Shares	Amount				
Balance as of 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 as of 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 as of December 31, 2020	—	94,310,309	94	19,076,500	19	242,181	129,412	1,880	373,586
Net income	1,129	—	—	—	—	—	109,244	—	109,244
Stock–based compensation expense	—	—	—	—	—	56,772	—	—	56,772
Issuance of common stock upon exercise of stock options	—	222,147	—	—	—	663	—	—	663
Issuance of common stock upon vesting of restricted stock units	—	1,575,206	2	—	—	(2)	—	—	—
Payment of withholding taxes on net share settlements of equity awards	—	(527,237)	—	—	—	(15,388)	—	—	(15,388)
Conversion of common stock	—	3,077,327	3	(3,077,327)	(3)	—	—	—	—
Issuance of common stock upon for acquisition	—	3,115,282	3	—	—	103,642	—	—	103,645
Acquisition of a 51% interest in CarOffer, LLC	60,982	—	—	—	—	—	—	—	—
Accretion of redeemable noncontrolling interest to redemption value	109,398	—	—	—	—	—	(109,398)	—	(109,398)
Distributions to redeemable noncontrolling interest holders	(8,701)	—	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	(2,283)	(2,283)
Balance as of December 31, 2021	$ 162,808	101,773,034	$ 102	15,999,173	$ 16	$ 387,868	$ 129,258	$ (403)	$ 516,841

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,		
	2021	**2020**	**2019**
Operating Activities			
Consolidated net income	$ 110,373	$ 77,553	$ 42,146
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	40,476	10,191	7,817
Currency (gain) loss on foreign denominated transactions	(70)	23	(690)
Deferred taxes	6,163	22,235	(3,734)
Provision for doubtful accounts	999	1,930	1,091
Stock-based compensation expense	53,525	45,090	34,301
Amortization of deferred contract costs	12,653	11,605	8,416
Impairment of long-lived assets	3,128	1,151	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(174,771)	3,889	(9,608)
Inventory	(17,318)	—	—
Prepaid expenses, prepaid income taxes, and other assets	(5,068)	3,484	(378)
Deferred contract costs	(7,714)	(11,378)	(15,979)
Accounts payable	35,397	(15,077)	4,268
Accrued expenses, accrued income taxes, and other liabilities	35,817	7,450	2,760
Deferred revenue	3,661	(861)	1,174
Lease obligations	1,041	(542)	(1,468)
Net cash provided by operating activities	98,292	156,743	70,116
Investing Activities			
Purchases of property and equipment	(7,713)	(2,952)	(11,205)
Capitalization of website development costs	(6,163)	(4,579)	(3,021)
Cash paid for acquisitions, net of cash acquired	(64,273)	(21,056)	(19,139)
Investments in certificates of deposit	(120,000)	(100,000)	(177,808)
Maturities of certificates of deposit	130,000	111,692	188,916
Net cash used in investing activities	(68,149)	(16,895)	(22,257)
Financing Activities			
Proceeds from exercise of stock options	663	1,136	1,807
Payment of finance lease obligations	(39)	(37)	(30)
Payment of withholding taxes and option costs on net share settlement of restricted stock units and stock options	(15,388)	(11,184)	(16,470)
Repayment of line of credit	(14,250)	—	—
Payments received in advance from third-party payment processor	46,822	—	—
Net cash provided by (used in) financing activities	17,808	(10,085)	(14,693)
Impact of foreign currency on cash, cash equivalents, and restricted cash	(597)	440	(1)
Net increase in cash, cash equivalents, and restricted cash	47,354	130,203	33,165
Cash, cash equivalents, and restricted cash at beginning of period	200,926	70,723	37,558
Cash, cash equivalents, and restricted cash at end of period	$ 248,280	$ 200,926	$ 70,723
Supplemental cash disclosure of cash flow information:			
Cash paid for income taxes	$ 27,520	$ 2,831	$ 300
Cash paid for operating lease liabilities	$ 16,168	$ 14,941	10,906
Supplemental noncash disclosure of cash flow information:			
Unpaid purchases of property and equipment, capitalized website development, capitalized internal-use software and hosting arrangements	$ 478	$ 136	$ 647
Capitalized stock-based compensation expense in website development and capitalized internal-use software costs	$ 3,247	$ 1,906	$ 1,381
Obtaining a right-of-use asset in exchange for a finance lease liability	$ 664	$ —	$ —
Obtaining a right-of-use asset in exchange for an operating lease liability	$ 12,336	$ —	$ —
Issuance of stock for acquisition	$ 103,645	$ —	$ —
Accretion of redeemable noncontrolling interest to redemption value	$ 109,398	$ —	$ —
Distributions to redeemable noncontrolling interest holders	$ 8,701	$ —	$ —

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

1. Organization and Business Description

CarGurus, Inc. (the "Company") is a multinational, online automotive platform for buying and selling vehicles that is building upon its industry-leading listings marketplace with both digital retail solutions and the CarOffer online wholesale platform. The CarGurus marketplace gives consumers the confidence to purchase or sell a vehicle either online or in-person, and it gives dealerships the power to accurately price, effectively market, instantly acquire and quickly sell vehicles, all with a nationwide reach. The Company uses proprietary technology, search algorithms and data analytics to bring trust, transparency and competitive pricing to the automotive shopping experience.

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 the United States, it also operates as independent brands the Autolist online marketplace, which it wholly owns, and the CarOffer, LLC ("CarOffer") digital wholesale marketplace, in which it has a 51% interest. In addition to the United States, the Company operates online marketplaces under the CarGurus brand in Canada and the United Kingdom. In the United Kingdom, it also operates as an independent brand the PistonHeads online marketplace, which it wholly owns. 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.

The Company has subsidiaries in the United States, Canada, Ireland, and the United Kingdom. Additionally, it has two reportable segments, United States and International. See Note 13 and Note 15 of these consolidated financial statements for further 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").

While the Company disclosed total revenue in the consolidated income statements in the Company's Annual Report on Form 10-K for the years ended December 31, 2020 and 2019, filed with the SEC on February 12, 2021 and February 14, 2020, respectively, the accompanying consolidated income statements for the years ended December 2020 and 2019 present revenues disaggregated into marketplace, wholesale, and product revenues to conform to the current year presentation, as a result of the acquisition of a 51% interest in CarOffer.

While the Company disclosed other non-current liabilities separately in the consolidated statements of cash flows in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 14, 2020, the accompanying consolidated statements of cash flows for the year ended December 31, 2019 present other non-current liabilities with accrued expenses, accrued income taxes and other current liabilities to conform to the current year presentation, as other non-current liabilities did not meet the threshold for separate disclosure.

While the Company disclosed impairment of long-lived assets within depreciation and amortization in the consolidated statements of cash flows in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 12, 2021, the accompanying consolidated statements of cash flows for the year ended December 31, 2020 present impairment of long-lived assets separately to conform to the current year presentation, as impairments of long-lived assets are material in the current year.

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 15 of these consolidated financial statements.

Use of Estimates

The preparation of the 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 recognized in the period in which they become known.

Critical estimates relied upon in preparing the 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, intangible assets and other long-lived assets, the valuation of redeemable noncontrolling interest, the recoverability of the Company’s net deferred tax assets and related valuation allowance and the valuation of equity and liability-classified compensation awards under ASC Topic 718, Stock-based Compensation ("ASC 718"). Accordingly, the Company considers these to be its critical accounting policies, and believes that of the Company’s significant accounting policies, these policies involve the greatest 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.

The majority of the Company's accounts receivable results from the acquisition of a 51% interest in CarOffer, which uses a third-party payment vendor for wholesale revenue transactions. An increase in wholesale revenue transactions as a result of the acquisition resulted in the increase in accounts receivable, net. The Company has had no material losses related to CarOffer receivables, as it does not release the title until successfully collecting funds from the buying dealer.

For the years ended December 31, 2021, 2020, and 2019, no individual customer accounted for more than 10% of total revenue.

As of December 31, 2021, two customers accounted for 47% and 18% of net accounts receivable, respectively. As of December 31, 2020, one customer accounted for approximately 10% of net accounts receivable.

As of December 31, 2021 and 2020, included in net accounts receivable was $7,356 and $7,426, respectively, of unbilled accounts receivable relating primarily to advertising customers invoiced in the subsequent period 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, 2021 and 2020, 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, as of December 31, 2021 and 2020, investments were recognized at amortized cost. 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, 2021, 2020, and 2019, the Company did not have any premiums or discounts. Realized gains and losses from sales of the Company’s investments are included within other income, net in the consolidated income statements. For the years ended December 31, 2021, 2020 or 2019, there were no realized gains or losses on investments.

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, 2021 and 2020, the Company determined that no other-than-temporary impairments were required to be recognized in the consolidated income statements.

Restricted Cash

As of December 31, 2021 and 2020, restricted cash was $16,336 and $10,627, 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 and pass-through payments from customers related to the Company’s wholesale business. As of December 31, 2021 and 2020, portions of restricted cash were classified as short-term assets and long-term assets, as disclosed in the consolidated balance sheets.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded based on the amount due from the customer and a third-party payment processor. Accounts receivable do not bear interest.

The Company is exposed to credit losses primarily through its trade accounts receivable, which includes receivables in transit from a third-party payment processor. The third-party payment processor collects customer payments on the Company's behalf and remits them to the Company. Customer payments received, but not remitted as of period end are deemed to be receivables in transit. Additionally, the third-party payment processer provides payments in advance for certain customers to the Company. If the third-party payment processor does not receive customer payments related to the payments in advance, the balance is deducted from future remittances to the Company.

The Company offsets gross trade accounts receivable with payments received in advance from a third-party payment processer as it has the right of offset. As of December 31, 2021, gross trade accounts receivable from receivables in transit from the third-party payment processor was $18,747, offset by payments received in advance of $46,822, which resulted a net liability of $28,075 recognized within accrued expenses, accrued income taxes and other current liabilities in the consolidated balance sheets. Payments received in advance are deductible from future payments from the third-party payment processor if the third-party payment processor does not receive the payment from the customer. Payments received in advance are presented as cash flows from financing activities in the consolidated statements of cash flows. As of December 31, 2020, the Company did not have any gross trade accounts receivable from receivables in transit from the third-party payment processor.

The Company also 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. 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, the Company’s estimates of the recoverability of receivables could be further adjusted.

Provisions for allowances for doubtful accounts are recognized within general and administrative expense in the consolidated income statements. 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. Unbilled accounts receivable generally relate to services rendered in the current period, but not invoiced until the subsequent period.

As of December 31, 2021 and 2020, changes in the Company’s allowance for doubtful accounts are as follows:

	Balance at Beginning of Period	Provision	Write–offs, net of recoveries	Balance at End of Period
Year ended December 31, 2021	$ 616	$ 999	$ (1,195)	$ 420
Year ended December 31, 2020	240	1,930	(1,554)	616

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 and right-of-use assets are amortized over the lease term, or the estimated useful life of the related asset, if shorter. The estimated useful lives of the Company’s property and equipment are as follows:

	Estimated Useful Life (In Years)
Server and computer equipment	3
Capitalized internal-use software	3
Capitalized website development	3
Furniture and fixtures	5
Right-of-use assets	Lease term, or asset life if shorter
Leasehold improvements	Lease term, or asset life if shorter

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, 2021, the Company wrote off $2,481 of U.S. capitalized website development costs within operating expense in the consolidated income statements and $647 of U.S. intangible assets within cost of revenue in the consolidated income statements related to certain developed technology in which the Company has decided to cease investment. For the year ended December 31, 2020, the Company wrote off $1,151 of capitalized website development costs, of which $844 related to the exit of certain international markets in connection with the cost-savings initiative by the Company during the second quarter of 2020 (the "Expense Reduction Plan"). For the year ended December 31, 2019, the Company did not identify any impairment of long-lived assets.

Capitalized Website Development and Capitalized Internal-Use Software Costs

The Company capitalizes certain costs associated with the development of its websites and internal-use software after the preliminary project stage is complete and until the website development or 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 project with the required authority, it is probable the project will be completed, the website development or 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 website development or software 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 development and capitalized internal-use software costs are recognized within property and equipment, net in the consolidated balance sheets.

Capitalized website development and capitalized internal-use software costs are amortized on a straight-line basis over their estimated useful life of three years beginning with the time when the product is ready for intended use. Capitalized website development costs related amortization expenses are recognized within cost of revenue in the consolidated income statements. Capitalized internal-use software costs related amortization expenses are recognized within depreciation and amortization in the consolidated income statements. 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.

During the year ended December 31, 2021 and 2020, capitalized website development costs were $8,190 and $6,396, respectively. During the year ended December 31, 2021, capitalized internal-use software costs were $2,892. During the year ended December 31, 2020, no capitalized internal-use software costs were recognized.

For the year ended December 31, 2021, 2020, and 2019, amortization expense associated with its capitalized website development costs were $3,705, $3,324 and $1,643, respectively. For the year ended December 31, 2021, amortization expense associated with capitalized internal-use software costs was $272. For the years ended December 31, 2020 and 2019, no amortization expense associated with its capitalized internal-use software costs was recognized.

Capitalized Hosting Arrangements

Hosting arrangement 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.

Hosting arrangements costs are recognized within the same line item in the consolidated income statements as the expense for fees for the associated hosting arrangement. 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, 2021, 2020, and 2019, the Company launched separate initiatives designed to enhance its hosting arrangements related to its enterprise applications, each of which are ongoing. During the years ended December 31, 2021 and 2020, implementation costs were $3,842 and $332, respectively, and recognized within other non-current assets and within prepaid expenses, prepaid income taxes and other current assets, respectively, in the consolidated balance sheets.

For the years ended December 31, 2021, 2020, and 2019, amortization expense associated with its hosting arrangements was $1,761, $690, and $132, respectively, and recognized within operating expense in the consolidated income statements.

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 recognized within goodwill.

Intangible Assets

Intangible assets are recognized 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 recognized 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. 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. The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with GAAP, and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. If impairment indicators exist, the Company performs the required impairment analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values.

Goodwill

Goodwill is recognized 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.

As of and for the year ended December 31, 2021, the Company has determined that it had three reporting units, United States, International, and CarOffer. 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 2021, 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, 2021 and 2020, the Company did not identify any impairment of its goodwill.

Redeemable Noncontrolling Interest

In connection with the Company's acquisition of a 51% interest in CarOffer on January 14, 2021, the Company became a party with the noncontrolling equity holders of CarOffer to the CarOffer Operating Agreement (as defined in Note 4 of these consolidated financial statements), which, among other matters, sets forth certain put and call rights described in Note 4 of these consolidated financial statements. The CarOffer Operating Agreement provides the Company with the right to purchase, and the noncontrolling equity holders with the right to sell to the Company, the noncontrolling CarOffer equity holders' equity interests in CarOffer at a contractually defined formulaic purchase price, which is based on a multiple of earnings. As the purchase is contingently redeemable at the option of the noncontrolling equity holders, the Company classifies the carrying amount of the redeemable noncontrolling interests within the mezzanine section in the consolidated balance sheet, which is presented above the equity section and below the liabilities section. As of the date of Closing (as defined in Note 4 of these consolidated financial statements), the noncontrolling interest was recognized at fair value computed using the Least Square Monte Carlo Simulation approach. Significant inputs to the model include market price of risk, volatility, correlation and risk-free rate.

Subsequent to the Company's acquisition of the 51% interest on January 14, 2021, the redeemable noncontrolling interest is measured at the greater of the amount that would be paid if settlement occurred as of the balance sheet date based on the contractually defined redemption value and its carrying amount adjusted for net income (loss) attributable to the noncontrolling interest. Adjustments to the carrying value of the redeemable noncontrolling interest resulting from changes in the redemption value are recognized within retained earnings in the consolidated balance sheets.

Leases

In February 2016, the FASB issued ASC Topic 842, Leases ("ASC 842"), which requires a lessee to recognize most leases in the consolidated balance sheet but recognize expenses in the consolidated income statement in a manner similar to pre-existing practice, on a straight-line basis. 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.

The Company reviews all material contracts for embedded leases to determine if they have a right-of-use asset. The Company made an accounting policy election to not separate lease components from non-lease components for all leases.

The Company recognizes rent expense on a straight-line basis over the lease period. The depreciable life of assets and leasehold improvements 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 in 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.

The Company recognizes sublease income on a straight-line basis over the sublease period. The Company recognizes sublease income net as rent expense within operating expenses in the consolidated income statements as subleasing is not a primary business activity of the Company and is meant to offset occupancy costs. For the year ended December 31, 2021, the Company did not recognize any sublease income. For the years ended December 31, 2020 and 2019, the Company recognized sublease income within other income in the consolidated income statements for an immaterial amount.

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 can be reasonably estimated. 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 recognized 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. As of December 31, 2021 and 2020, the Company has no recognized liabilities for uncertain tax positions.

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. As of December 31, 2021 and 2020, there were no liabilities that were measured at fair value. 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. During the years ended December 31, 2021 and 2020, 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.

ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), 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.

As of December 31, 2021 and 2020, 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 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: (i) asset and liability accounts at period-end rates; (ii) income statement accounts at weighted-average exchange rates for the period; and (iii) stockholders' equity accounts at historical exchange rates. The resulting translation adjustments are excluded from consolidated net income and are recognized within accumulated other comprehensive (loss) income in our consolidated balance sheets.

Foreign currency transaction gains and losses are included in consolidated net income for the period. The Company's foreign subsidiaries have intercompany transactions that are eliminated upon consolidation, and these transactions expose the Company to foreign currency exchange rate fluctuations. Exchange rate fluctuations on short-term intercompany transactions are recognized in other income, net in our consolidated income statements. Exchange rate fluctuations on long-term intercompany transactions are recognized within accumulated other comprehensive (loss) income in our consolidated balance sheets.

Revenue Recognition

Sources of Revenue

The Company derives its revenue from three sources: (i) marketplace revenue, which consists primarily of dealer subscriptions to the Company's Listings packages and Real-time Performance Marketing ("RPM") digital advertising suite, advertising revenue from auto manufacturers and other auto-related brand advertisers, and revenue from partnerships with financing services companies; (ii) wholesale revenue, which consists primarily of transaction fees earned by CarOffer from facilitating the purchase and sale of vehicles between dealers; and (iii) product revenue, which consists primarily of aggregate proceeds received on the sale of vehicles.

Revenue Recognition

ASC Topic 606, Revenue from Contracts with Customers ("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 Revenue - Description

The Company offers multiple types of marketplace Listings packages to its dealers for its CarGurus U.S. platform (availability varies on the Company's other marketplaces): Restricted 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 prior to the commencement of the applicable renewal 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 the Company's assessment of the connections and return on investment ("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 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 marketed under the Company's RPM digital advertising suite. Through RPM, dealers can buy advertising that appears in the Company's marketplace, on other sites on the internet, and/or on high-converting social media platforms. Such advertisements can be targeted by the user’s geography, search history, CarGurus website activity 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 the first day of each calendar month and is recognized 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 advertising products for the PistonHeads website.

Marketplace revenue also consists of non-dealer advertising revenue from auto manufacturers and other auto-related brand advertisers sold on a cost per thousand impressions ("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 generally relate to services rendered in the current period, but 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 recognized 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.

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

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

Marketplace Revenue - Revenue Recognition

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 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 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 recognized 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.

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 generally 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.

Marketplace 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.

Wholesale Revenue - Description

Wholesale revenue includes transaction fees earned by CarOffer from facilitating the purchase and sale of vehicles between dealers, where CarOffer collects fees from both the buyer and seller. CarOffer also sells vehicles to dealers that CarOffer acquires at other marketplaces – in these instances, CarOffer collects a transaction fee from the buyer.

Wholesale revenue also includes fees earned by CarOffer from performing inspection and transportation services, where CarOffer collects fees from the buyer. Inspection and transportation service revenue is inclusive of dealer to dealer transactions, other marketplace to dealer transactions, and customer to dealer transactions.

Wholesale revenue also includes fees earned by CarOffer from certain guarantees offered to dealers, where CarOffer collects fees from the buying dealer or selling dealer, as applicable. Guarantee revenue is not accounted for under ASC 606 and is accounted for under ASC 460 as discussed further in Note 2 of these consolidated financial statements.

Wholesale Revenue - Revenue Recognition

When facilitating the purchase and sale of vehicles between dealers and for vehicles sold to dealers that are acquired at other marketplaces, CarOffer does not control the vehicle and therefore acts as an agent in the transaction. Revenue earned from the fees for facilitating these transactions is recognized at a point in time when the vehicle is sold on a net basis.

For inspection and transportation services, CarOffer leverages a network of third-party inspection service providers and transportation carriers. CarOffer controls both inspection and transportation services as it is primarily responsible for fulfillment and therefore acts as a principal in the transaction. Revenue from fees for inspection services is recognized at the point in time when the inspection is performed and revenue from fees for transportation services is recognized over time as delivery is completed. Revenue from both inspection and transportation services is recognized on a gross basis. Unearned revenue related to unsatisfied performance obligations is recognized as deferred revenue.

Wholesale revenue also includes arbitration in which, in the majority of instances, the vehicle is rematched to a new buyer and not acquired by CarOffer. Arbitration is the process by which CarOffer investigates and resolves claims from buying dealers. In these situations, CarOffer does not control the vehicle and therefore acts as an agent in the transaction.

Within wholesale transactions, 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 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 or arbitration. 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 recognized as a reduction to revenue in the consolidated income statements.

Wholesale revenue is presented net of any taxes collected from customers.

Product Revenue - Description

Product revenue includes the aggregate proceeds received on the sale of vehicles. This revenue relates to vehicles sold to dealers that CarOffer acquires directly from customers, inclusive of transaction fees collected from the buyer, and in limited situations across all CarOffer transactions, vehicles CarOffer resells after acquiring a vehicle via arbitration.

Product - Revenue Recognition

For vehicles sold to dealers that are acquired directly from consumers, CarOffer controls the vehicle and therefore acts as a principal in the transaction. Revenue earned from the fees for facilitating these transactions is recognized at a point in time when the vehicle is sold on a gross basis.

In limited situations across all CarOffer transactions, during an arbitration process, CarOffer acquires vehicles in transactions in which it controls the vehicle and therefore acts as a principal in the transaction. Revenue earned from the sale of the vehicle in these transactions is recognized at a point in time on a gross basis.

Contracts with Multiple Performance Obligations

The Company periodically enters into arrangements that include Listings and/or dealer advertising product subscriptions within marketplace 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/or dealer advertising product subscriptions, the performance obligations were satisfied over a consistent period of time and therefore the allocations did not impact the revenue recognized.

For CarOffer's arrangements that include multiple performance obligations, the Company allocates revenue based on fair value. Vehicle and inspection revenues are recognized at a point in time and transportation revenue is recognized over time.

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. 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.

As of December 31, 2021 and 2020, assets associated with costs to obtain a contract were $14,912 and $19,996, respectively. This decrease in assets recognized for costs to obtain a contract was due to amortization from prior periods' assets being greater than the capitalizable costs to obtain a contract in current period. For the years ended December 31, 2021, 2020, and 2019, amortization expense associated with costs to obtain a contract was $12,653, $11,605, and $8,416, 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 recognized as current deferred revenue and the remaining portion is recognized as noncurrent in the consolidated balance sheets. All deferred revenue was recognized as current for all periods presented.

Marketplace Cost of Revenue

Marketplace cost of revenue includes expenses related to supporting and hosting digital product offerings. These expenses include personnel and related expenses for our customer support team, including salaries, benefits, incentive compensation, and stock-based compensation, third-party service provider expenses such as advertising, data center and networking expenses, depreciation expense associated with our property and equipment, amortization of developed technology, amortization of capitalized website development and allocated overhead expenses. The Company allocates overhead expenses, such as rent and facility expenses, information technology expense, and employee benefit expense, to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating expense category.

Wholesale Cost of Revenue

Wholesale cost of revenue includes expenses related to supporting the facilitation of the purchase and sale of vehicles between dealers, the sale by CarOffer to dealers of vehicles that it acquires at other marketplaces, and net losses on vehicles related to guarantees offered to dealers. These expenses include vehicle transportation and inspection expenses, personnel and related expenses for employees directly involved in the fulfillment and support of transactions, including salaries, benefits, incentive compensation and stock-based compensation, third-party service provider expenses, amortization of developed technology, amortization of capitalized website development and allocated overhead expenses.

Product Cost of Revenue

Product cost of revenue includes expenses related to vehicles sold to dealers that CarOffer acquires directly from consumers and in limited situations across all CarOffer transactions, in which CarOffer acquires the vehicle via arbitration. These expenses include expenses for vehicles in which CarOffer controls the vehicle and therefore acts as a principal in the transaction.

Guarantees

CarOffer provides certain guarantees to dealers through its 45-Day Guaranteed Bid and OfferGuard product offerings, which are accounted for under ASC Topic 460, Guarantees ("ASC 460").

45-Day Guaranteed Bid is an arrangement through which a selling dealer lists a car on the CarOffer platform, and CarOffer provides an offer to purchase the vehicle listed at a specified price at any time over a 45-day period. This provides the seller with a put option, where they have the right, but not the obligation, to require CarOffer to purchase the vehicle during this window. OfferGuard is an arrangement through which a buying dealer purchases a car on the CarOffer platform, and CarOffer provides an offer to purchase the vehicle at a specified price between days 1 and 3, and days 42 and 45 if the dealer is not able to sell the vehicle after 42 days.

A guarantee liability is initially measured using the amount of consideration received from the dealer for the purchase of the guarantee. The initial liability is released, and guarantee income is recognized, upon the earliest of the following: the vehicle sells during the guarantee period, the seller exercises it's put option during the guarantee period, or the option expires unexercised at the end of the guarantee period. Guarantee income is recognized within wholesale revenue in the consolidated income statements. When it is probable and reasonably estimable that CarOffer will incur a loss on a vehicle that it is required to purchase, a liability, and a corresponding charge to cost of sales will be recognized for the amount of the loss in the consolidated balance sheets. Gains and losses resulting from the dealers exercise of guarantees are recognized within cost of sales in the consolidated balance sheets.

For the year ended December 31, 2021, income for guarantees purchased by dealers was $5,537. For the year ended December 31, 2021, the net loss resulting from the dealer's exercise of guarantees was immaterial.

As of December 31, 2021, the maximum potential amount of future payments that CarOffer could be required to make under these guarantees was $76,075. Of the maximum potential amount of future payments, none are considered probable. The exercise of guarantees has historically been infrequent and even when such exercises did occur the losses were immaterial. As such, as of December 31, 2021, CarOffer had no contingent loss liabilities.

As of December 31, 2020, the Company did not have any guarantees.

Inventory

The Company's inventory consists of inventory acquired directly from consumers, at other marketplaces, or in limited situations across all CarOffer transactions, during arbitrations. The inventory is recognized on the balance sheet and is valued at the lower of cost or net realizable value. Cost is determined based on specific identification.

Stock-Based Compensation

For stock-based awards granted under the Company's stock-based compensation plans, the fair value of each award is determined on the date of grant.

For restricted stock units ("RSUs") granted subject to service-based vesting conditions, the fair value is determined on the date of grant using the closing price of the Company's Class A common stock, par value $0.001 per share (the "Class A common stock"), as reported on the Nasdaq Global Select Market. RSUs granted subject to service-based vesting conditions generally vest over a four-year requisite service period.

For RSUs granted subject to market-based vesting conditions, the fair value is determined on the date of grant using the Monte Carlo simulation lattice model. The determination of the fair value using this model is affected by the Company's stock price performance relative to the companies listed on the S&P 500 as of December 31, 2021 and 2020 and a number of assumptions including volatility, correlation coefficient, risk-free interest rate and expected dividends. RSUs granted subject to market-based vesting conditions vest upon achievement of specified levels of market conditions.

For stock options granted, the fair value is determined on the date of grant using the Black-Scholes option-pricing model. The determination of the fair value is affected by the Company's stock price and a number of assumptions including volatility, term, risk-free interest rate and dividend yield. Stock options granted generally have a term of ten years from the date of grant and generally vest over a four-year requisite service period.

The weighted average assumptions utilized to determine the fair value of options granted during the year ended December 31, 2021 are as follows:

	Year Ended December 31, 2021
Expected dividend yield	—
Expected volatility	50.95 %
Risk–free interest rate	0.69 %
Expected term (in years)	6.06

During the years ended December 31, 2020 and 2019, no options were granted.

In connection with the Company's acquisition of a 51% interest in CarOffer, the then-outstanding unvested incentive units ("CO Incentive Units") of CarOffer and unvested Class CO CarOffer units (the "Subject Units") remained outstanding and will vest over the requisite service periods as discussed below.

Grants of the CO Incentive Units are subject to the CarOffer 2020 Equity Incentive Plan, adopted effective November 24, 2020 (the "2020 CO Plan"), the applicable award agreement, and the CarOffer Operating Agreement. Following the Company's acquisition of the 51% interest in CarOffer on January 14, 2021, remaining unvested CO Incentive Units will vest over a period of three (3) years, with one third having vested on January 14, 2022 and one third vesting on each of January 14, 2023 and January 14, 2024, provided that a grantee's continuous service to CarOffer has not terminated on the applicable vesting date. Under the terms of the grants, vesting of unvested CO Incentive Units is accelerated in the event of (i) a change of control of CarOffer (which, for the avoidance of doubt, does not include the Company's acquisition of the 51% interest on January 14, 2021), (ii) the death or disability of the grantee, (iii) termination of the grantee's employment with CarOffer without cause, or (iv) termination of grantee's employment by the grantee for good reason. Upon termination of a grantee's continuous service to CarOffer voluntarily by the grantee (other than for good reason) or by CarOffer for cause, all of such grantee's unvested CO Incentive Units are forfeited. In addition, if a grantee's continuous service terminates, then CarOffer has the option to repurchase any outstanding CO Incentive Units from the grantee.

In addition to the 2020 CO Plan, on December 9, 2020 CarOffer entered into a Vesting Agreement (the "Vesting Agreement") regarding the vesting of Subject Units beneficially owned by Bruce Thompson, the founder and CEO of CarOffer, and certain affiliated persons (collectively, the "T5 Holders") in connection with the Company's then-anticipated acquisition of a 51% interest in CarOffer. Pursuant to the Vesting Agreement, 432,592 Subject Units beneficially owned by the T5 Holders vest in three (3) approximately equal installments, with one third having vested on January 14, 2022 and one third vesting on each of January 14, 2023 and January 14, 2024, subject to the terms of the Vesting Agreement. As more particularly described in the Vesting Agreement, unvested Subject Units are subject to forfeiture in the event that Mr. Thompson's relationship with CarOffer terminates other than in the event of a termination without cause (as defined in the Vesting Agreement) or due to Mr. Thompson's death or disability. The Vesting Agreement also provides for acceleration of any unvested Subject Units in the event of the termination of Mr. Thompson's employment with CarOffer without cause, Mr. Thompson's death or disability, or the consummation of an eligible liquidity event (as defined in the Vesting Agreement).

In connection with the Closing, CarOffer reserved 228,571 incentive units (the "2021 Incentive Units") for purposes of establishing an employee incentive equity plan. Thereafter, CarOffer formed CarOffer Incentive Equity, LLC ("CIE"), a Delaware manager-managed limited liability company managed by the Company, and established the CIE 2021 Equity Incentive Plan (the "2021 CO Plan). The 2021 CO Plan and related documentation, including the applicable award agreement, a vesting agreement between CarOffer and CIE, and the CarOffer Operating Agreement, provide for an incentive equity grant structure whereby 2021 Incentive Units will be granted to CIE and 2021 CO Plan grantees will receive an associated equity interest in CIE (the "CIE Interest"), with back-to-back vesting between the 2021 Incentive Units and the associated CIE Interest. Subject to any modifications as may be approved by the CarOffer Board of Managers in its discretion, grants under the 2021 CO Plan will vest over a period of three (3) years from the grant date, one third each on the first, second, and third anniversaries of the applicable grant date, provided that a grantee's continuous service to CarOffer has not terminated on the applicable grant date. Upon termination of a grantee's continuous service to CarOffer, all of such grantee's unvested 2021 Incentive Units are forfeited. As of December 31, 2021, there had not been any grants of 2021 Incentive Units under the 2021 CO Plan.

CO Incentive Units, Subject Units and 2021 Incentive Units are liability-classified awards because the awards can be put to the Company at a formula price such that the holders do not bear the risks and rewards associated with equity ownership. For liability-classified awards, the fair value is determined on the date of issuance using a Least Square Monte Carlo simulation model. The determination of the fair value is affected by CarOffer's equity value, EBITDA, Excess Parent Capital (as defined in the CarOffer Operating Agreement), and revenue forecasts that drive the exercise price of future call/put rights, as well as a number of assumptions including market price of risk, volatility, correlation, and risk-free interest rate. Liability-classified awards are remeasured to fair value each period until settlement.

The Company issues shares of Class A common stock upon the vesting of RSUs and the exercise of stock options out of its shares available for issuance. The Company issues CO Incentive Units and Subject Units out of CarOffer's units available for issuance. The Company accounts for forfeitures when they occur.

The Company recognizes compensation expense 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.

The tax effect of differences between tax deductions related to stock compensation and the corresponding financial statement expense compensation are recognized within 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 the year ended December 31, 2021, the Company recognized $1,179 of tax demerits related to stock-based compensation as compared to immaterial tax demerits during the year ended December 31, 2020 and excess tax benefits of $11,115 recognized during the year ended December 31, 2019.

See Note 10 of these consolidated financial statements for a summary of the stock option, RSU and CO Incentive Unit activity for the year ended December 31, 2021.

Advertising Costs

Advertising costs are expensed as incurred and recognized within sales and marketing expense in the consolidated income statements. For the years ended December 31, 2021, 2020, and 2019, advertising expense was $151,457, $155,580, and $287,107, 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 consolidated net income and other comprehensive income (loss), which includes certain changes in equity that are excluded from consolidated net income. Specifically, cumulative foreign currency translation adjustments are included in accumulated other comprehensive (loss) income. As of December 31, 2021 and 2020, accumulated other comprehensive (loss) income is presented separately in the consolidated balance sheets and consists entirely of cumulative foreign currency translation adjustments.

Recent Accounting Pronouncements Adopted

Income Taxes

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 adopted the guidance on January 1, 2021. The adoption did not have an impact in 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. As of December 31, 2021, there are no new accounting pronouncements that the Company is considering adopting.

3. Revenue Recognition

The Company provides disaggregation of revenue based on marketplace, wholesale and product revenue classification on the face of its consolidated income statements and based on geographic region in Note 13 of these consolidated financial statements. The Company believes these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

ASC Topic 606, Revenue from Contracts with Customers ("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 of 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, 2021 was approximately $9.2 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, 2021. For performance obligations not satisfied as of December 31, 2021, 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, 2021.

For the year ended December 31, 2021 and 2020, revenue recognized from amounts included in deferred revenue at the beginning of the period was $9,137 and $9,984, 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 revenue. These fee reductions did not materially impact revenue for the year ended December 31, 2021. 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 are included in the Company's variable consideration assessment. These fee reductions did not materially impact revenue for the years ended December 31, 2021 and 2020.

4. Acquisitions

On January 14, 2021, the Company acquired a 51% interest in CarOffer, which provides an automated instant vehicle trade platform and is based in Addison, 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"). This acquisition (the "CarOffer 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 $173,155 (the "Total Consideration"), such Total Consideration consisting of (a) shares of Class A common stock in the aggregate amount of $103,645 (the "Stock Consideration") and (b) $69,510 in cash (the "Cash Consideration"). The number of shares of 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 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 retained by the then-current equity holders of CarOffer and subject to certain call and put arrangements discussed below.

Pursuant to the Purchase Agreement, the Company established a retention pool in an aggregate amount of $8,000 in the form of RSUs to be issued pursuant to the Company's standard form of RSU agreement under the 2017 Plan, (i) $6,000 of which was granted to certain CarOffer employees following the Closing in accordance with the terms of the Purchase Agreement and (ii) $2,000 of which is available for issuance to future CarOffer employees in accordance with the terms of the Purchase Agreement. RSUs issued from the retention pool will be subject to vesting based on rendering of future services.

As of December 31, 2021, the Company incurred total acquisition-related costs of $2,647 related to the CarOffer Acquisition, of which $709 was incurred for the year ended December 31, 2021 and recognized within general and administrative operating expenses in the consolidated income statements. Acquisition-related costs were excluded from the purchase price allocation as they were primarily comprised of legal, professional and consulting expenses.

Total consideration transferred consists of the following:

	Consideration Transferred
Cash paid, net of cash acquired	$ 64,273
Cash acquired	5,237
Cash consideration	69,510
Stock consideration	103,645
Total consideration transferred	$ 173,155

The CarOffer Acquisition has been accounted for as a business combination under the acquisition method and, accordingly, the total consideration is allocated to the acquired assets and assumed liabilities. The Company's 51% interest in CarOffer represents a controlling financial interest in the entity as the minority interest holders only have protective rights such that CarOffer is consolidated as of the date of Closing. The following table presents the purchase price allocation recognized in the Company's consolidated balance sheet as of the date of Closing:

	Adjusted Fair Value at Date of Acquisition
Cash and cash equivalents	$ 5,237
Accounts receivable	16,119
Inventory	2,338
Prepaid expenses, prepaid income taxes and other current assets	95
Property and equipment, net	198
Intangible assets [(1)]	104,100
Goodwill [(2)(4)]	130,451
Operating lease right-of-use assets	709
Accounts payable	(8,888)
Accrued expenses, accrued income taxes, and other current liabilities	(15,513)
Operating lease liabilities - current	(230)
Operating lease liabilities - non-current	(479)
Redeemable noncontrolling interest [(3)(4)]	(60,982)
Total purchase price	$ 173,155

(1) Identifiable definite-lived intangible assets were comprised of developed technology, brand, and customer relationships of $63,000, $23,100, and $18,000, respectively, with estimated useful lives of 3 years, 11 years, and 3 years, respectively, which will be amortized on a straight-line basis over their estimated useful lives. The fair value of the developed technology has been estimated using the multi-period excess earnings method which is a variation of the income approach. The fair value of the brand and customer relationships has been estimated using the relief from royalty method and the with/without approach, respectively.

(2) Goodwill represents the excess value of the purchase price over net assets acquired, primarily attributable to adding wholesale vehicle acquisition and selling capabilities to CarGurus' portfolio of dealer offerings. All goodwill is assigned to the United States reporting segment. For tax purposes, $28,991 of the goodwill is deductible under IRC Section 197. In connection with the transaction, the Company accelerated certain stock options deemed to be outside of consideration transferred. Therefore, for the year ended December 31, 2021, the Company recognized an additional $1,229 of stock-based compensation expense

(3) The fair value of the redeemable noncontrolling interest has been estimated using the Least Square Monte Carlo Simulation approach. Significant inputs include market price of risk, volatility, correlation and risk-free rate.

(4) The Company finalized its assessment of the significant inputs utilized in the Least Square Monte Carlo Simulation for the fair value of the redeemable noncontrolling interest and recognized an adjustment of $2,951 during the year ended December 31, 2021.

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 as of 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. On November 23, 2021, the CarOffer Operating Agreement was amended and restated for administrative purposes, including principally to recapitalize certain of the membership units thereunder without changing overall consideration payable by the Company thereunder.

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 holders of CarOffer equity securities other than the Company. 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 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 Class A common stock, as determined by the Company in its sole discretion.

The foregoing summary of the Purchase Agreement, the CarOffer Operating Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in their entirety by, the full text of the Purchase Agreement and the CarOffer Operating Agreement, which are filed as exhibits 2.1 and 10.27 to this Annual Report on Form 10-K, respectively.

The following unaudited pro forma consolidated financial information combines the unaudited results of the Company for the years ended December 31, 2021 and 2020 and the unaudited results of CarOffer for the year ended December 31, 2021 and 2020, and assumes that the CarOffer Acquisition, which closed on January 14, 2021, was completed on January 1, 2020 (the first day of fiscal year 2020). The pro forma consolidated financial information has been calculated after applying the Company's accounting policies and includes adjustments for amortization expense of acquired intangible assets, transaction-related costs, and compensation expense for ongoing share-based compensation arrangements replaced, together with the consequential tax effects. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the operating results of the Company that would have been achieved had the CarOffer Acquisition actually taken place on January 1, 2020. In addition, these results are not intended to be a projection of future results and do not reflect events that may occur after December 31, 2021, including, but not limited to revenue enhancements, cost savings or operating synergies that the combined Company may achieve as a result of the CarOffer Acquisition.

	Unaudited			
	Three Months Ended December 31		Year Ended December 31	
	2021	2020	2021	2020
Revenue	$ 339,342	$ 161,443	$ 954,312	$ 582,777
Consolidated net income [1]	$ 34,158	$ 6,626	$ 110,055	$ 28,415

(1) For the three months ended December 31, 2021 pro forma consolidated net income includes $7,275 and $12,606 related to intangibles amortization and stock-based compensation for CarOffer, respectively. For the three months ended December 31, 2020 pro forma consolidated net income includes $7,275 and $12,606 related to intangibles amortization and stock-based compensation for CarOffer, respectively. For the year ended December 31, 2021, pro forma consolidated net income includes $29,100 and $22,419 related to intangibles amortization and stock-based compensation for CarOffer, respectively. For the year ended December 31, 2020, pro forma consolidated net income includes $29,100 and $22,234 related to intangibles amortization and stock-based compensation for CarOffer, respectively.

$314,430 of revenue and $2,960 of net income attributable to CarOffer is included in our consolidated income statement from the Closing date of January 14, 2021 to December 31, 2021.

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

As of December 31, 2021 and 2020, assets measured at fair value on a recurring basis consist of the following:

	As of December 31, 2021			
	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	$ 157,525	$ —	$ —	$ 157,525
Investments:				
Certificates of deposit	—	90,000	—	90,000
Total	$ 157,525	$ 90,000	$ —	$ 247,525

	As of 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

As of December 31, 2021 and 2020, investments consist of the following:

	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Investments:				
Certificates of deposit due in one year or less	$ 90,000	$ —	$ —	$ 90,000
Total	$ 90,000	$ —	$ —	$ 90,000

	As of 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

6. Property and Equipment, Net

As of December 31, 2021 and 2020, property and equipment, net consist of the following:

	As of December 31,	
	2021	2020
Server and computer equipment	$ 8,349	$ 8,108
Capitalized internal-use software	3,041	149
Capitalized website development	22,037	16,328
Furniture and fixtures	8,615	7,320
Leasehold improvements	24,082	20,507
Construction in progress	854	1,024
Finance lease right-of-use assets	556	41
	67,534	53,477
Less accumulated depreciation and amortization	(35,324)	(25,994)
Property and equipment, net	$ 32,210	$ 27,483

For the year ended December 31, 2021, 2020, and 2019, depreciation and amortization expense, excluding amortization of intangible assets, amortization of capitalized hosting arrangements, and write offs, was $10,324, $8,198 and $7,168, respectively.

For the year ended December 31, 2021, the Company wrote off $2,481 of U.S. capitalized website development costs within operating expense in the consolidated income statements related to certain developed technology in which the Company has decided to cease investment. For the year ended December 31, 2020, the Company wrote off $1,151 of capitalized website development costs, of which $844 related to the exit of certain international markets in connection with the Expense Reduction Plan.

Capitalized website development costs increased $5,709 due to continued investment in our product offerings. Leasehold improvements costs increased $3,575 due to the costs associated with the additional leased space in 55 Cambridge Parkway, as discussed further in Note 9 of these consolidated financial statements. Capitalized internal-use software costs increased $2,892 due to additions related to internal engineering and development tools.

7. Goodwill and Other Intangible Assets

Goodwill

As of December 31, 2021, changes in the carrying value of goodwill are as follows:

	United States	International	Total
Balance as of December 31, 2020	$ 12,477	$ 16,652	$ 29,129
CarOffer acquisition [1]	130,451	—	130,451
Foreign currency translation adjustment	—	(1,293)	(1,293)
Balance as of December 31, 2021	$ 142,928	$ 15,359	$ 158,287

[1] See Note 4 of these consolidated financial statements.

The Company assessed its goodwill for impairment and did not identify any impairment as of December 31, 2021.

Other Intangible Assets

As of December 31, 2021 and 2020, intangible assets consist of the following:

	As of December 31, 2021				
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Brand	9.4	$ 32,274	$ 4,206	$ —	$ 28,068
Customer relationships	2.0	19,870	7,314	—	12,556
Developed technology	2.0	65,212	21,274	647	43,291
Total		$ 117,356	$ 32,794	$ 647	$ 83,915

	As of December 31, 2020				
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Brand	8.4	$ 9,405	$ 1,235	$ —	$ 8,170
Customer relationships	1.6	1,886	938	—	948
Developed technology	2.4	2,213	469	—	1,744
Total		$ 13,504	$ 2,642	$ —	$ 10,862

For the year ended December 31, 2021, 2020, and 2019, amortization of intangible assets was $30,152, $1,993, and $649, respectively.

For the year ended December 31, 2021, the Company wrote off $647 of U.S. intangible assets within cost of revenue in the consolidated income statements related to certain developed technology which the Company has decided to cease investment.

As of December 31, 2021, estimated amortization expense of intangible assets for future periods is as follows:

Year Ending December 31,	Amortization Expense
2022	30,782
2023	30,118
2024	4,082
2025	3,045
2026	3,045
Thereafter	12,843
Total	$ 83,915

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

As of December 31, 2021 and 2020, accrued expenses, accrued income taxes and other current liabilities consist of the following:

	As of December 31,	
	2021	2020
Accrued bonus	$ 11,777	$ 10,845
Accrued commissions	2,293	3,941
Accrued income taxes	6,344	233
Accrued advertising costs	5,583	—
Accrued distributions to redeemable noncontrolling interest holders	8,701	—
Payments received in advance from third-party payment processor	28,075	—
Other accrued expenses, accrued income taxes and other current liabilities	15,813	9,732
Total	$ 78,586	$ 24,751

Accrued distributions to redeemable noncontrolling interest holders relate to mandatory tax distributions to non-controlling interest members for the estimated tax liability on their respective taxable income. Payments received in advance from third-party payment processor relate to payments received in advance of $46,822, offset by receivables in transit from the third-party payment processor of $18,747.

As of December 31, 2021 and 2020, other non-current liabilities consist of the following:

	As of December 31,	
	2021	2020
CO Incentive Unit and Subject Unit liability-classified awards	$ 21,095	$ —
Other non-current liabilities	2,544	3,075
Total	$ 23,639	$ 3,075

CO Incentive Unit and Subject Unit liability-classified awards related to liability-classified awards that were recognized in connection with the Company’s acquisition of a 51% interest in CarOffer, as discussed further in Note 2 and Note 10 of these consolidated financial statements.

9. Commitments and Contingencies

Contractual Obligations and Commitments

As of December 31, 2021, 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, capitalized website development, capitalized internal-use software and hosting arrangements and amounts related to obligations under finance leases as disclosed in the consolidated statements of cash flows. 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; Addison, Texas; and Dublin, Ireland. The Company also has an operating lease obligation for data center space in Needham, Massachusetts.

On January 25, 2021, CarOffer entered into a sublease in Addison, Texas at 15601 Dallas Parkway for the lease of approximately 61,826 square feet of office space with a non-cancellable lease term through 2030. The sublease commenced on March 1, 2021. CarOffer's monthly base rent for the premises is payable from January 1, 2022. The lease provides for annual rent increases through the term of the lease. In connection with the sublease, CarOffer entered into a financing lease arrangement for furniture and fixtures used in connection with its operations. The term of the financing lease is for the entire period of the sublease. The monthly rent for the furniture and fixtures is included in the sublease monthly rent, with ownership of the furniture and fixtures transferring to CarOffer at the expiration of the lease term. Monthly rent payments are allocated based upon the relative fair value of the office space and furniture of 95% and 5%, respectively.

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. The Company is expecting to move into the office space in 2023. 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, and provides for variable payments related to management fees. 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 recognized as a lease modification in 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 to another party and recognized the sublease income within other income, net in the consolidated income statement. The sublease expired in August 2020. As of December 31, 2020 and 2019, sublease income was immaterial. The Company entered into a noncancelable agreement to sublease the second and third floors and a portion of the first floor to another party on December 23, 2021. The sublease provides for annual rent increases throughout the three-and-a-half-year term of the sublease. The sublease contains a sublessee option to extend the term of the sublease for three additional years, and it includes a sublessee option to expand the sublease to the fourth and fifth floors of the building. The sublease contains both lease and non-lease components in the contract. Non-lease components relate to parking and operating and utilities expenses. As a result of the practical expedient elected under ASC 842, the Company combines the lease and these non-lease components. As the sublease has not yet commenced, there is no impact to the consolidated financial statements. The sublease commenced in January 2022.

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. On October 6, 2021, the Company entered into a one-year non-cancellable sublease for the same 48,059 square feet of office space that will commence on December 1, 2022, after the expiration of the current lease term from another party, with an option to extend the sublease term for an additional period of five years. The sublease is treated as a separate contract from the current lease as the contract was separately negotiated with a new Landlord. As the lease term is 12 months, no additional right-of-use asset will be recognized in line with the Company’s policy in Note 2 of these consolidated financial statements. As the sublease has not yet commenced, there is no impact to the consolidated financial statements.

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

The leases in Boston, Massachusetts, Cambridge, Massachusetts and San Francisco, California have associated letters of credit, which are recognized within restricted cash in the consolidated balance sheets. As of December 31, 2021 and 2020, restricted cash was $16,336 and $10,627, 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 and pass-through payments from customers related to the Company's wholesale business. As December 31, 2021 and 2020, portions of restricted cash were classified as a short-term asset and long-term asset, as disclosed in the consolidated balance sheets.

For the years ended December 31, 2021, 2020, and 2019, the Company recognized $15,844, $14,157, and $10,260, respectively, of lease costs for leases that have commenced.

As of December 31, 2021 and 2020, for leases that have commenced the weighted average remaining lease term was 7.6 years and 7.7 years, respectively, and the weighted average discount rate was 5.3% and 5.3%, 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.

As of December 31, 2021, future minimum lease payments are as follows:

Year Ending December 31,	Operating Lease Commitments
2022	$ 16,573
2023	14,736
2024	13,122
2025	6,091
2026	5,540
Thereafter	32,965
Total lease payments	89,027
Less imputed interest	(18,322)
Total	$ 70,705

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, 2021. As of December 31, 2021, total estimated future minimum lease payments for leases signed but not yet commenced, which consists only of the sublease for 2 Canal Park and the 1001 Boylston Street lease and have expected commencement dates in December 2022 and in 2023, respectively, are estimated to be $256,525.

As of December 31, 2021, future minimum lease income payments are as follows:

Year Ending December 31,	Sublease Income Payments
2022	$ 882
2023	1,876
2024	1,923
2025	1,021
2026	—
Thereafter	—
Total	$ 5,702

Acquisitions

On January 14, 2021 the Company completed the acquisition of a 51% interest in CarOffer, an automated instant vehicle trade platform based in Addison, Texas, with the option to acquire portions of the remaining equity in the future. Details of this acquisition are more fully described in Note 4 of these consolidated financial statements.

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, guarantees, indemnification, and other common provisions.

CarOffer provides certain guarantees to dealers through its 45-Day Guaranteed Bid and OfferGuard product offerings, which are accounted for under ASC 460.

45-Day Guaranteed Bid is an arrangement through which a selling dealer lists a car on the CarOffer platform, and CarOffer provides an offer to purchase the vehicle listed at a specified price at any time over a 45-day period. This provides the seller with a put option, where they have the right, but not the obligation, to require CarOffer to purchase the vehicle during this window. OfferGuard is an arrangement through which a buying dealer purchases a car on the CarOffer platform, and CarOffer provides an offer to purchase the vehicle at a specified price between days 1 and 3, and days 42 and 45 if the dealer is not able to sell the vehicle after 42 days.

As of December 31, 2021, the maximum potential amount of future payments that CarOffer could be required to make under these guarantees was $76,075. Of the maximum potential amount of future payments, none are considered probable . The exercise of guarantees has historically been infrequent and even when such exercises did occur the losses were immaterial. As such, as of December 31, 2021, CarOffer had no contingent loss liabilities.

As of December 31, 2020, the Company did not have any guarantees.

10. Stock-based Compensation

CarGurus 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 Company's initial public offering ("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. On January 3, 2022, an additional 4,070,921 shares of the Company's Class A Common Stock was authorized to be issued or transferred under the 2017 Plan pursuant to the Evergreen Increase. 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.

As of December 31, 2021, 2,609,854 shares of Class A common stock were available for issuance under the 2017 Plan.

CarOffer Equity Incentive Plans

The 2020 CO Plan provides for the issuance of CO Incentive Units to CarOffer's employees, officers, managers, and consultants. The 2020 CO Plan authorized up to an aggregate of 485,714 CO Incentive Units for such issuances, all of which were issued prior to the close of the transaction.

At the time of close, 142,857 CO Incentive Units were accelerated and redeemed. The compensation relating to these CO Incentive Units was deemed to be outside of consideration transferred. Therefore, for the year ended December 31, 2021, the Company recognized an additional $1,229 of stock-based compensation expense. As of December 31, 2021, the remaining 342,857 CO Inventive Units were unvested. There was $18,640 of unrecognized stock-based compensation expense related to unvested CO Incentive Units that is expected to be recognized over a weighted-average period of 2.5 years. These CO Incentive Units are accounted for within other non-current liabilities in the consolidated balance sheets.

As of December 31, 2021, there were no CO Incentive Units available for issuance under the 2020 CO Plan.

The Vesting Agreement provides for the vesting of the Subject Units beneficially owned by the T5 Holders, which vest in accordance with the terms described in Note 2 of these consolidated financial statements. As of December 31, 2021, there were 432,592 Subject Units issued and unvested. There was $29,507 of unrecognized stock-based compensation expense related to unvested Subject Units that is expected to be recognized over a weighted-average period of 2.0 years. These Subject Units are accounted for within other non-current liabilities in the consolidated balance sheets.

As of December 31, 2021, there were no Subject Units available for issuance under the Vesting Agreement.

The 2021 CO Plan provides for an incentive equity grant structure whereby 2021 Incentive Units will be granted to CIE and 2021 CO Plan grantees will receive an associated CIE Interest, with back-to-back vesting between the 2021 Incentive Units and the associated CIE Interest. The 2021 CO Plan authorized up to an aggregate of 228,571 2021 Incentive Units for such issuances.

As of December 31, 2021, 228,571 2021 Incentive Units were available for issuance under the 2021 CO Plan.

Stock Options

During the year ended December 31, 2021, stock option activity is as follows:

	Common Stock	Weighted-Average Exercise Price for Equity	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value[(1)]
Outstanding, December 31, 2020	590,397	$ 1.99	4.0	$ 17,560
Granted	619,618	35.75		
Exercised	(222,147)	2.98		6,027
Forfeited	(38,561)	35.61		
Outstanding, December 31, 2021	949,307	22.42	6.7	$ 11,877
Options exercisable as of December 31, 2021	478,588	9.28	4.3	$ 11,877

(1) As of December 31, 2021 and 2020, the aggregate intrinsic value was calculated based on the positive difference, if any, between the estimated fair value of our common stock on December 31, 2021 and 2020, respectively, or the date of exercise, as appropriate, and the exercise price of the underlying options.

During the years ended December 31, 2020 and 2019, there were no options granted.

During the years ended December 31, 2020 and 2019, the aggregate intrinsic value for options exercised was $8,401 and $28,902, respectively.

As of December 31, 2021, there was $7,507 unrecognized stock-based compensation expense related to unvested stock options that is expected to be recognized over a weighted-average period of 3.2 years.

Restricted Stock Units

During the year ended December 31, 2021, RSU activity is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Unvested outstanding, December 31, 2020	3,483,816	$ 32.52	$ 110,538
Granted	2,969,187	33.83	
Vested	(1,575,206)	33.28	
Forfeited	(1,043,475)	33.23	
Unvested outstanding, December 31, 2021	3,834,322	33.02	$ 128,987

During the years ended December 31, 2020 and 2019, the weighted-average grant-date fair value of RSUs granted was $28.47 and $39.07 per share, respectively.

During the years ended December 31, 2020 and 2019, RSUs that vested and settled totaled 1,347,464 and 1,317,736, respectively.

During the years ended December 31, 2020 and 2019, the total fair value of RSUs vested was $40,613 and $31,533 respectively.

As of December 31, 2021, there was $106,888 of unrecognized stock-based compensation expense related to unvested RSUs that is expected to be recognized over a weighted-average period of 2.8 years.

Stock-based Compensation Expense

For the year ended December 31, 2021, 2020, and 2019, stock-based compensation expense by award type and where the stock compensation expense was recognized in the Company's consolidated income statements is as follows:

	Year Ended December 31,		
	2021	2020	2019
Options	$ 2,471	$ 17	$ 155
Restricted Stock Units	52,916	45,304	34,146
CO Incentive Units and Subject Units	22,323	—	—
Total stock-based compensation expense	$ 77,710	$ 45,321	$ 34,301

	Year Ended December 31,		
	2021	2020	2019
Cost of revenue	$ 417	$ 293	$ 354
Sales and marketing expense	12,801	10,564	9,989
Product, technology, and development expense	22,289	20,741	15,159
General and administrative expense	42,203	13,723	8,799
Total stock-based compensation expense	$ 77,710	$ 45,321	$ 34,301

For the years ended December 31, 2021, 2020, and 2019, excluded from stock-based compensation expense is $3,247, $1,906, and $1,381 of capitalized website development costs and capitalized internal-use software costs, respectively.

For the years ended December 31, 2021, 2020, and 2019, the income tax benefit from stock-based compensation expense was $5,301, $4,796, and $2,953, respectively.

During the years ended December 31, 2021, 2020, and 2019, the Company withheld 527,237, 447,160, and 452,678 shares of Class A common stock, respectively, to satisfy employee tax withholding requirements and for option exercise costs due to net share settlements and cashless exercises of options, as applicable. The shares withheld return to the authorized, but unissued, pool under the 2017 Plan and can be reissued by the Company. For the years ended December 31, 2021, 2020, and 2019, total payments to satisfy employee tax withholding requirements and for option exercise costs due to net share settlements and cashless exercises of options, were $15,388, $11,184, and $16,470, respectively, and are reflected as a financing activity in the consolidated statements of cash flows.

Common Stock Reserved for Future Issuance

As of December 31, 2021, the Company had reserved the following shares of Class A common stock for future issuance:

Common stock options outstanding	949,307
Restricted stock units outstanding	3,834,322
Shares available for issuance under the 2017 Plan	2,609,854
Total shares of authorized common stock reserved for future issuance	7,393,483

11. Earnings Per Share

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, 2021, 2020, and 2019, holders of Class B common stock converted 3,077,327 shares, 1,238,144 shares and 387,440 shares, respectively, of Class B common stock to Class A common stock.

Basic net income per share ("Basic EPS") is computed by dividing net (loss) income attributable to common stockholders and adjusted to reflect changes in the redemption value of the redeemable noncontrolling interest, if applicable, 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 plus the weighted-average of any additional shares issued and outstanding during the reporting period.

Diluted net income per share ("Diluted EPS") gives effect to all potentially dilutive securities. Diluted EPS is computed by dividing net (loss) income attributable to common stockholders and adjusted to reflect adjustments for net income (loss) attributable to the noncontrolling interest and redemption adjustments to redeemable noncontrolling interest, if applicable and dilutive, by the weighted-average number of common shares outstanding during the reporting period using (i) the number of shares of common stock used in the Basic EPS calculation as indicated above, (ii) if dilutive, the incremental weighted-average common stock that the Company would issue upon the exercise of stock options and the vesting of RSUs, (iii) if dilutive, market-based performance awards based on the number of shares that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period. The dilutive effect of these common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method. The if-converted method is used to calculate the number of shares issuable upon exercise of the 2024 Put Right, inclusive of CarOffer noncontrolling interest and incentive units, that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period.

For the years ended December 31, 2021, 2020, and 2019, a reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per share is as follows:

	Year Ended December 31,		
	2021	2020	2019
Numerator:			
Consolidated net income	$ 110,373	$ 77,553	$ 42,146
Net income attributable to redeemable noncontrolling interest	1,129	—	—
Accretion of redeemable noncontrolling interest to redemption value	109,398	—	—
Net (loss) income attributable to common stockholders	$ (154)	$ 77,553	$ 42,146
Denominator:			
Weighted-average number of shares of common stock used in computing net income per share attributable to common stockholders — basic	117,142,062	112,854,524	111,450,443
Dilutive effect of share equivalents resulting from stock options	—	674,018	1,155,906
Dilutive effect of share equivalents resulting from unvested restricted stock units (service-based and market-based)	—	321,273	825,501
Weighted-average number of shares of common stock used in computing net income per share attributable to common stockholders — diluted	117,142,062	113,849,815	113,431,850
Net (loss) income per share attributable to common stockholders:			
Basic	$ (0.00)	$ 0.69	$ 0.38
Diluted	$ (0.00)	$ 0.68	$ 0.37

For the years ended December 31, 2021, 2020, and 2019, potentially dilutive common stock equivalents that have been excluded from the calculation of diluted weighted-average shares outstanding as their effect would have been anti-dilutive are as follows:

	Year Ended December 31,		
	2021	2020	2019
Stock options outstanding	617,504	—	—
Restricted stock units outstanding	2,867,330	2,722,226	1,144,287
CO Incentive Units, Subject Units and noncontrolling interest	1,509,750	—	—

In addition, shares of Class A common stock potentially issuable under market-based performance awards of approximately 14,682 RSUs were excluded from the calculation of weighted average shares used to compute Diluted EPS for the year ended December 31, 2021 as the performance period began subsequent to the reporting period end date and as such there were zero contingently issuable shares.

12. Income Taxes

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

	Year Ended December 31,		
	2021	2020	2019
United States	$ 148,037	$ 97,120	$ 37,476
Foreign	1,323	1,990	1,229
Income before income taxes	$ 149,360	$ 99,110	$ 38,705

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

	Year Ended December 31,		
	2021	2020	2019
Current provision (benefit):			
Federal	$ 22,133	$ (3,733)	$ —
State	10,438	2,288	(220)
Foreign	253	767	513
	32,824	(678)	293
Deferred provision (benefit):			
Federal	5,698	19,539	(2,377)
State	669	2,734	(1,306)
Foreign	(204)	(38)	(51)
	6,163	22,235	(3,734)
Income tax provision (benefit)	$ 38,987	$ 21,557	$ (3,441)

The Company's effective tax rate, calculated using income before income taxes adjusted for net income attributable to redeemable noncontrolling interest, is 26.3%, greater than the U.S. federal statutory rate primarily due to state and local income taxes, shortfalls on the taxable compensation of share-based awards and the Section 162(m) excess officer compensation limitation, which became applicable in May 2021 upon the expiration of the transition period permitted following the IPO, partially offset by federal and state research and development tax credits. The Company’s effective tax rates for the year ending 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 year ending December 31, 2019 is 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,		
	2021	2020	2019
U.S. federal taxes at statutory rate	21.0%	21.0%	21.0%
State taxes, net of federal benefit	7.5	6.2	0.2
Nondeductible expenses	0.3	0.4	2.9
Stock compensation	0.3	0.2	(22.0)
Foreign rate differential	(0.2)	(0.2)	(0.3)
Federal and state credits	(2.6)	(3.2)	(10.3)
CARES Act	—	(2.4)	—
Disallowed officer compensation	1.0	—	—
Investment in partnership	(0.3)	—	—
Federal, state, and foreign provision to return differences	(0.7)	—	—
Other	(0.2)	(0.2)	(0.2)
Consolidated effective tax rate	26.1%	21.8%	(8.7)%
Effective tax rate attributable to redeemable noncontrolling interest	0.2	—	—
Effective tax rate attributable to CarGurus, Inc.	26.3%	21.8%	(8.7)%

As of December 31, 2021 and 2020, the approximate income tax effect of each type of temporary difference and carryforward is as follows:

	As of December 31,	
	2021	2020
Deferred tax assets:		
Net operating loss carryforwards	$ 1,429	$ 3,735
Credit carryforwards	4,241	17,572
Stock-based compensation	5,301	4,796
Lease liability	15,640	18,671
Investment in partnership	6,709	—
Accruals and reserves	5,942	3,249
	39,262	48,023
Valuation Allowance	(229)	(158)
	39,033	47,865
Deferred tax liabilities:		
Prepaid expenses	(1,850)	(1,482)
Deferred commissions	(3,508)	(5,144)
Right of use assets	(12,955)	(15,920)
Intangible assets	(1,111)	(1,025)
Fixed assets	(6,289)	(4,811)
	(25,713)	(28,382)
Net deferred tax assets	$ 13,320	$ 19,483

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.

As of December 31, 2021 and 2020, the Company has provided an immaterial valuation allowance against its net deferred tax assets. 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. For the years ended December 31, 2021 and 2020, the change in the valuation allowance was $71 and $96, respectively.

As of December 31, 2021, the Company has federal and state net operating loss ("NOL") carryforwards of $1,160 and $17,105, 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 South Carolina which carryforwards indefinitely, expire at various dates through 2040. As of December 31, 2021, the Company has federal and state tax credit carryforwards of $673 and $4,516, respectively, available to reduce future tax liabilities that, excluding California which carryforwards indefinitely, 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. As of December 31, 2021 and 2020, the Company had no recognized 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, 2021 and 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 for the tax years of 2017 and prior as a result of applicable statute of limitations of the Internal Revenue Service ("IRS") and state jurisdictions. The Company is currently open to examination in its foreign jurisdictions for tax years 2019 and after.

13. 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, wholesale and product revenues from customers within the United States. The International segment derives revenues from marketplace 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 recognized for statutory reporting purposes. Asset information is assessed and reviewed on a global basis.

For the years ended December 31, 2021, 2020, and 2019, information regarding the Company's operations by segment and geographical area is as follows:

	Year Ended December 31,		
	2021	2020	2019
Segment revenue:			
United States	$ 909,033	$ 519,835	$ 555,007
International	42,340	31,616	33,909
Total revenue	$ 951,373	$ 551,451	$ 588,916

	Year Ended December 31,		
	2021	2020	2019
Segment income (loss) from operations:			
United States	$ 158,532	$ 120,836	$ 73,872
International	(10,264)	(23,080)	(39,550)
Total income from operations	$ 148,268	$ 97,756	$ 34,322

The Company ceased the operations of the International segment online marketplaces in Germany, Italy, and Spain in the second quarter of 2020 in connection with the Expense Reduction Plan.

As of December 31, 2021, total assets held outside of the United States were $35,521, primarily attributable to $15,359 of goodwill. As of December 31, 2020, total assets held outside of the United States were $32,012, primarily attributable to $16,652 of goodwill.

14. Employee Benefit Plans

The Company maintains a defined contribution savings plan for all eligible U.S. employees under Section 401(k) of the Internal Revenue 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.

For the years ended December 31, 2021, 2020, and 2019, total employer contributions to the 401(k) plan were $2,960, $2,675, and $2,708, respectively.

15. Subsequent Events

Effective the first quarter of 2022, the Company revised its segment reporting from two reportable segments, United States and International, to one reportable segment. The change in segment reporting was made to align with changes made in the manner the CODM reviews the Company's operating results in assessing performance and allocating resources. The CODM now assesses the Company's performance as a whole rather than by geographical location as a result of the international segment becoming less significant relative to the overall business due to growth in wholesale revenue. The change in segment reporting does not impact the Company's consolidated financial statements.

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, 2021, 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, 2021, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013).

Our assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of CarOffer, LLC, which is included in the consolidated financial statements. As of December 31, 2021, CarOffer, LLC constituted 25% and 20% of total and net assets, respectively. For the year ended December 31, 2021, CarOffer, LLC constituted 33% and 2% of revenues and consolidated net income, respectively.

Based on this assessment and those criteria, management concluded that our internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021, 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, 2021 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, 2021, 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, 2021, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of CarOffer, LLC, which is included in the 2021 consolidated financial statements of the Company and constituted 25% and 20% of total and net assets, respectively, as of December 31, 2021 and 33% and 2% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of CarOffer, LLC.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company and our report dated February 24, 2022 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 24, 2022

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections.

Not Applicable.

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 2022 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 2022 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 2022 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 2022 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 2022 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.	10-K	001-38233	February 12, 2021	2.1	
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.	10-K	001-38233	February 12, 2021	10.4	
10.4.1#	Form of Executive Nonqualified Stock Option Grant Agreement.	10-K	001-38233	February 12, 2021	10.4.1	
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.	10-K	001-38233	February 12, 2021	10.4.3	
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.	10-K	001-38233	February 12, 2021	10.10	
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	

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#	Amendment to Separation Agreement, dated May 4, 2021, by and between the Registrant and Kyle Lomeli.	10-Q	001-38233	May 7, 2021	10.4	
10.26#	Consulting Agreement, dated November 13, 2020, by and between the Registrant and Kyle Lomeli.	8-K	001-38233	November 17, 2020	10.2	
10.27	Third Amended and Restated Limited Liability Company Agreement, dated November 23, 2021, by and among the Registrant, TopCo, the Members of TopCo, and CarOffer MidCo, LLC.					X
10.28#	Separation Agreement, dated November 16, 2021, by and between the Registrant and Sarah Welch.					X
10.29	Sublease, dated October 6, 2021, by and between the Registrant and HubSpot, Inc.					X
10.30	Sublease, dated December 23, 2021, by and between the Registrant and Amylyx Pharmaceuticals, Inc.					X
10.31#	Form of Amendment to Performance Restricted Stock Unit Agreement.					X
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
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, 2021 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 24, 2022

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 24, 2022
/s/ Scot Fredo Scot Fredo	Chief Financial Officer *(Principal Financial Officer)*	February 24, 2022
/s/ Yann Gellot Yann Gellot	Senior Vice President, Finance *(Principal Accounting Officer)*	February 24, 2022
/s/ Langley Steinert Langley Steinert	Executive Chairman and Chairman of the Board of Directors	February 24, 2022
/s/ Steven Conine Steven Conine	Director	February 24, 2022
/s/ Yvonne Hao Yvonne Hao	Director	February 24, 2022
/s/ Lori Hickok Lori Hickok	Director	February 24, 2022
/s/ Stephen Kaufer Stephen Kaufer	Director	February 24, 2022
/s/ Greg Schwartz Greg Schwartz	Director	February 24, 2022
/s/ Ian Smith Ian Smith	Director	February 24, 2022

Exhibit 10.27

CAROFFER, LLC

THIRD AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

Dated as of November 23, 2021

THE COMPANY INTERESTS REPRESENTED BY THIS THIRD AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. SUCH COMPANY INTERESTS MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER SUCH ACT AND LAWS OR EXEMPTION THEREFROM, AND COMPLIANCE WITH THE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN.

Table of Contents

Page

Page

CAROFFER, LLC

THIRD AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

THIS THIRD AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT, dated as of November 23, 2021 (the "**Effective Date**"), is entered into by and among **CarOffer, LLC**, a Delaware limited liability company, the Members and the CO Indirect Holders. Capitalized terms used herein without definition shall have the meanings assigned to such terms in Article I and Annex I.

WHEREAS, the Company was initially formed upon the filing of a Certificate of Formation with the Secretary of State of the State of Texas on February 19, 2019 pursuant to the Texas Business Organizations Code;

WHEREAS, prior to the December 9, 2020 (the "**Original Effective Date**"), the following transactions were completed (collectively, the "**Restructuring**"): (i) the Company caused CarOffer Investors Holding, LLC, a Delaware limited liability company ("**TopCo**"), to be formed; (ii) TopCo formed CarOffer MidCo, LLC, a Delaware limited liability company ("**MidCo**"); (iii) the CO Indirect Holders 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, and as provided herein, all of the outstanding membership interests of the Company were either cancelled and extinguished or recapitalized and converted into an aggregate of 4,950,118 Class CO Units and 535,596 Incentive Units (as more fully described below); (vi) TopCo contributed approximately one percent (1%) of the of the membership interests of the Company, consisting of 54,858 Class CO Units, to MidCo in exchange for 100% of the membership interests of MidCo, resulting in TopCo owning ninety-nine percent (99%) of the membership interests of the Company, consisting of 4,895,260 Class CO Units and 535,596 Incentive Units, and MidCo owning one percent (1%) of the membership interests of the Company, consisting of 54,858 Class CO Units; and (vii) the Company issued TopCo that certain Promissory Note, dated the Original Effective Date in an amount equal to the Net Closing Payment (as defined in the Purchase Agreement) (the "**Promissory Note**");

WHEREAS, pursuant to a Membership Interest Purchase Agreement, dated as of the Original Effective Date, by and among Parent, TopCo, MidCo, the CO Indirect Holders and the CO Member Representative (as amended, restated or otherwise modified from time to time, the "**Purchase Agreement**"), Parent agreed to purchase from the Company certain Class CG Units as set forth therein (the "**Transaction**");

WHEREAS, prior to the Restructuring, the CO Indirect Holders constituted all of the members of the Company and had entered into the Amended and Restated Company Agreement of the Company, effective as of March 19, 2019, and as amended by Amendment No. 1 thereto effective as of May 1, 2019, Amendment No. 2 thereto effective as of June 17, 2019, and Amendment No. 3 thereto effective as November 24, 2020 (the "**Original Agreement**");

WHEREAS, following the Restructuring and prior to the Closing, TopCo and MidCo constituted all of the members of the Company;

WHEREAS, effective as of the Original Effective Date, Parent TopCo, MidCo and the CO Indirect Holders entered into that certain Second Amended and Restated Limited Liability Company Agreement of the Company (the "**Prior Agreement**");

WHEREAS, pursuant to the terms of the Prior Agreement, each of the outstanding Class A Interests held by TopCo as of immediately prior to the Conversion was automatically cancelled and extinguished without any further action on the part of the Company or TopCo;

WHEREAS, pursuant to the terms of the Prior Agreement, each of the Class B Interests and Non-Incentive Class C Interests held by TopCo as of immediately prior to the Conversion was recapitalized and automatically converted into one (1) Class CO Unit without any further action on the part of the Company or TopCo;

WHEREAS, pursuant to the terms of the Prior Agreement, each of the Incentive Class C Interests held by TopCo as of immediately prior to the Conversion was recapitalized and automatically converted into one (1) Incentive Unit without any further action on the part of the Company or TopCo;

WHEREAS, pursuant to the Prior Agreement, TopCo and MidCo, as the CO Members, and Parent agreed to certain call and put arrangements as more fully described in Annex I, which are incorporated into this Agreement by reference as the valid and binding obligations of the parties hereto and Parent as the future CG Member;

WHEREAS, immediately following the consummation of the Transaction and the repayment of the Promissory Note, TopCo will purchased and redeemed from the members of TopCo certain membership interests of TopCo pursuant to the terms of the Membership Interest Redemption Agreements entered into on the Original Effective Date between TopCo and its members (the "**Redemption**"); and

WHEREAS, effective as of the Effective Date, Parent, TopCo and MidCo desire to amend and restate the Prior Agreement in its entirety as more fully set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree that the Prior Agreement is hereby amended and restated in its entirety as follows:

ARTICLE 1

DEFINITIONS

The following definitions shall be applied to the terms used in this Agreement for all purposes, unless otherwise clearly indicated to the contrary.

"**Additional Member**" means a Person admitted to the Company as a Member pursuant to Section 10.2.

"**Adjusted Capital Account Deficit**" means with respect to any Capital Account as of the end of any Taxable Year, the amount by which the balance in such Capital Account is less than zero. For this purpose, such Person's Capital Account balance shall be:

(i) reduced for any items described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6), and

(ii) increased for any amount such Person is obligated to contribute or is treated as being obligated to contribute to the Company pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (relating to partner liabilities to a partnership) or 1.704-2(g)(1) and 1.704-2(i) (relating to minimum gain).

"**Admission Date**" has the meaning set forth in Section 9.7.

"**Affiliate**" of any Person means any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question.

"**Aggregate Class CG Purchase Amount**" means at any time, the sum of (a) the Gross Consideration (as defined in the Purchase Agreement) plus (b) if the First Call Right is exercised, the First Call Consideration, plus (c) if the Second Call Right is exercised, the Second Call Consideration, plus (d) if the Put Right is exercised, the Put Consideration.

"**Agreement**" means this Third Amended and Restated Limited Liability Company Agreement of the Company, as may be amended from time to time.

"**Approved Sale**" has the meaning set forth in Section 12.8(a).

"**Arbitrator**" has the meaning set forth in Section 13.9(b).

"**Assignee**" means a Person to whom a Company Interest has been Transferred in accordance with the terms of this Agreement but who has not become a Substituted Member pursuant to Article 10.

"**Assumed Tax Rate**" has the meaning set forth in Section 4.1(b)(ii).

"**Base Rate**" means, on any date, a variable rate per annum equal to the rate of interest most recently published by The Wall Street Journal as the "prime rate" at large U.S. money center banks.

"**Board**" has the meaning set forth in Section 5.1.

"**Capital Account**" means the capital account maintained for a Member pursuant to Section 3.3.

"**Capital Contribution**" means any cash, cash equivalents, promissory obligations or other property (valued at Fair Market Value), which a Member contributes to the Company as described in Sections 3.2(c) and 3.2(d).

"**Capital Stock**" shall mean any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) including, without limitation, partnership or membership interests or units (including any components thereof such as capital accounts, priority returns or the like) in a limited partnership or limited liability company, and any and all warrants, rights or options to purchase any of the foregoing.

"**CG Board Member**" has the meaning set forth in Section 5.3(a)(ii).

"**Class A Interests**" means the Class A Interests of the Company as of immediately prior to the Conversion and having the rights and preferences specified in the Original Agreement.

"**Class B Interests**" means the Class B Interests of the Company as of immediately prior to the Conversion and having the rights and preferences specified in the Original Agreement.

"**Class C Interests**" means the Class C Interests of the Company as of immediately prior to the Conversion and having the rights and preferences specified in the Original Agreement.

"**Class CG Original Issue Price**" means, with respect to each Class CG Unit as of a given time, the quotient of (i) the Aggregate Class CG Purchase Amount as of such date, divided by (ii) the number of outstanding Class CG Units as of such time.

"**Class CG Units**" means the Company Interests described in Section 3.2(a)(iii) and having the rights and preferences specified herein.

"**Class CO Units**" means the Company Interests described in Section 3.2(a)(i) and having the rights and preferences specified herein.

"**Class CO-A Units**" means the Company Interests described in Section 3.2(a)(i) and having the rights and preferences specified herein.

"**Closing**" means the "Closing" of the Transaction as defined in the Purchase Agreement.

"**CO Board Member**" has the meaning set forth in Section 5.3(a)(i).

"**CO Indirect Holder**" means a Holder who is a direct or indirect beneficial holder of Capital Stock in TopCo following consummation of the Transaction.

"**CO Member**" means a Member who is a member of the Company, other than Parent and its Transferees and Parent's Affiliates (other than IncentiveCo) to whom Parent assigns any of its rights hereunder. For the avoidance of doubt, each of TopCo, MidCo and IncentiveCo shall be treated as a CO Member.

"**CO Member Representative**" has the meaning set forth in Annex I.

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Company**" means (i) prior to the Conversion, CarOffer, LLC, a Texas limited liability company, and (ii) from and after the Conversion, CarOffer, LLC, a Delaware limited liability company, as such limited liability company may be from time to time constituted, and including its successors.

"**Company Interest**" means, as at a particular time, the interest of a Member in profits, losses and Distributions and other rights, powers and authority in and with respect to the Company at such time that are specified with respect to interests in this Agreement and includes the Class CG Units, the Class CO Units, and the Incentive Units.

"**Conversion**" has the meaning set forth in the Recitals.

"**Convertible Securities**" any evidences of indebtedness or other securities directly or indirectly convertible into or exchangeable for Units, other than Options.

"**Corporate Conversion**" has the meaning set forth in Section 12.7(a).

"**Delaware Act**" means the Delaware Limited Liability Company Act, 6 Del.L. § 18-101, et seq., as it may be amended from time to time, and any successor to the Delaware Act.

"**Distribution**" means each distribution made by the Company to a Member, whether in cash, property or securities of the Company and whether by liquidating distribution or otherwise; *provided* that none of the following shall be a Distribution: (a) any redemption or repurchase by the Company of any securities, or (b) any recapitalization or exchange of securities of the Company, or any subdivision (by Unit split or otherwise) or any combination (by reverse Unit split or otherwise) of any outstanding Units.

"**Effective Date**" has the meaning set forth in the Recitals.

"**Effective Time**" means the time at which the closing of the Transaction under the Purchase Agreement occurred.

"**Election Period**" has the meaning set forth in Section 9.8(c).

"**Eligible Incentive Unit**" means an Incentive Unit, the Participation Threshold of which is zero (taking into account any adjustments described in clauses (i) and (ii) of Section 3.8(d)).

"**Equity Securities**" means (i) Units or other equity interests in the Company (including other classes or groups thereof having such relative rights, powers and duties as may from time to time be established by the Board, including rights, powers and/or duties senior to existing classes and groups of Units and other equity interests in the Company), (ii) Convertible Securities or other obligations, evidences of indebtedness or other securities or interests convertible or exchangeable into other equity interests in the Company, and (iii) Options or other rights to purchase or otherwise acquire other equity interests in the Company.

"**Event of Withdrawal**" means the death, retirement, resignation, expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event that terminates the continued membership of a Member in the Company.

"**Exempt Equity Issuance**" has the meaning set forth in Section 9.8(a).

"**Fair Market Value**" of any asset, property or equity interest means the amount which a seller of such asset, property or equity interest would receive in a sale of such asset, property or equity interest in an arms-length transaction with an unaffiliated third party consummated on a date determined by the Board (which may be the date on which the event occurred which necessitated the determination of the Fair Market Value) (and after giving effect to any transfer taxes payable in connection with such sale), in each case, as such amount is determined by the Board (or, if pursuant to Section 12.3, the liquidators) in its good faith judgment in such manner as its deems reasonable and using all factors, information and data deemed to be pertinent.

"**Family Group**" means a Holder's spouse, parents, siblings and descendants (whether by birth or adoption) and any trust or other estate planning vehicle established solely for the benefit of such Holder and/or such Holder's spouse and/or such Holder's descendants (by birth or adoption), parents, siblings or dependents, or any charitable trust the grantor of which is such Holder and/or member of such Holder's Family Group.

"**First Call Consideration**" has the meaning set forth in Annex I.

"**First Call Right**" has the meaning set forth in Annex I.

"**Fiscal Year**" means the Company's annual accounting period established pursuant to Section 7.2.

"**Fully-Diluted Unit Capitalization**" means, at any time of determination, the number of then outstanding Units (but specifically excluding the outstanding Class CO-A Units for this purpose) plus the number of Units issuable upon the exercise or conversion of any Options or Convertible Securities and irrespective of any vesting restrictions, plus the number of Incentive Units authorized herein but not issued.

"**GAAP**" means United States generally accepted accounting principles.

"**Governmental Entity**" means the United States of America or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**Holder**" means any record or beneficial holder of Equity Securities, including any Person that holds Equity Securities indirectly through one or more Subsidiaries, including the CO Indirect Holders, but specifically excluding the holders of Capital Stock in Parent.

"**Imputed Underpayment Amount**" means (i) any "imputed underpayment" within the meaning of Code Section 6225 (or any corresponding or similar provision of federal, state, local and/or foreign tax law) paid (or payable) by the Company as a result of an adjustment with respect to any Company item (including, without limitation, any "partnership-related item" within the meaning of Code Section 6241(2) (or any corresponding or similar provision of federal, state, local and/or foreign tax law)), including any costs, interest, penalties or additions to tax with respect to any such adjustment, (ii) any amount not described in clause (i) (including any costs, interest, penalties or additions to tax with respect to such amounts) paid (or payable) by the Company as a result of the application of the provisions of Code Sections 6221-6241 (or any corresponding or similar provision of federal, state, local and/or foreign tax law), and/or (iii) any amount paid (or payable) by any entity treated as a partnership for U.S. federal income tax purposes in which the Company holds (or has held) a direct or indirect interest other than through entities treated as corporations for U.S. federal income tax purposes to the extent that the Company bears the economic burden of such amounts, whether by law or agreement, as a result of the application of the provisions of Code Sections 6221-6241 (or any corresponding or similar provision of federal, state, local and/or foreign tax law), including any costs, interest, penalties or additions to tax with respect to such amounts.

"**Incentive Class C Interests**" means the Class C Interests classified as Incentive Class C Interests and having the rights and preferences specified in the Original Agreement.

"**Incentive Agreement**" means an agreement regarding, among other matters, the vesting of any Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests between the Company, IncentiveCo or TopCo, as applicable, and a Management Member as in effect from time to time.

"**Incentive Units**" means the Company Interests described in Section 3.2(a)(iv).

"**IncentiveCo**" means CarOffer Equity Incentive, LLC, a Delaware limited liability company, collectively with its successors.

"**IncentiveCo Incentive Units**" means incentive units in IncentiveCo that are intended to be "profits interests" within the meaning of IRS Revenue Procedures 93-27 and 2001-43.

"**Income Amount**" has the meaning set forth in Section 4.1(b)(i).

"**Indemnified Person**" has the meaning set forth in Section 6.4(a).

"**IPO**" has the meaning set forth in Section 12.7(a).

"**IRS Notice**" has the meaning set forth in Section 3.8(g).

"**Liquidation**" shall mean any liquidation, dissolution or winding up, voluntary or involuntary, of the Company.

"**Liquidity Event**" means, whether occurring through one transaction or a series of related transactions, any of the following: (i) a merger or consolidation of the Company the effect of which is that the Members as of immediately prior to such transaction or series of related transactions are no longer, in the aggregate, the beneficial owners, directly or indirectly, of a majority of the voting power (or economic interests) of the outstanding Capital Stock of the Company or the surviving entity (or if such surviving entity is a Subsidiary of another Person, the ultimate parent entity) after giving effect to such transaction or series of related transactions; (ii) any sale or other distribution (including by way of license) by the Company or its Subsidiaries of a material portion of their assets on a consolidated basis to a third party or a group of third parties acting in concert (other than the non-exclusive license of software in the ordinary course of business); (iii) any purchase by any party (or group of affiliated parties), of Equity Securities (either through a negotiated purchase or a tender offer), the effect of which is that the Members as of immediately prior to such transaction or series of related transactions are no longer, in the aggregate, the beneficial owners, directly or indirectly, of a majority of the voting power (or economic interests) of the outstanding Equity Securities (other than direct issuance of Equity Securities by the Company where the principal business purpose is capital raising), but expressly excluding the consummation of the Transaction at the Effective Time; (iv) the redemption or repurchase of securities representing a majority of the voting power (or economic interests) of the outstanding Equity Securities; (v) any other change of control of more than fifty percent (50%) of the outstanding voting power (or economic interests) of the Company the effect of which is that the Members as of immediately prior to such transaction or series of related transactions are no longer, in the aggregate, the beneficial owners, directly or indirectly, of a majority of the voting power (or economic interests) of the outstanding Capital Stock of the Company (other than direct issuance of Equity Securities by the Company where the principal business purpose is capital raising); or (vi) a Liquidation. Notwithstanding the foregoing, in no event will the Transaction be deemed to constitute a Liquidity Event.

"**Liquidity Event Proceeds**" means the net amounts received resulting from a Liquidity Event after deducting (a) all costs and expenses of the Company and its Subsidiaries directly related to the Liquidity Event, (b) the amount (if any) to discharge all debts and obligations of the Company required to be paid as a result of the Liquidity Event, and (c) any reasonable reserves that are required for the fixed, contingent or future liabilities or obligations of the Company and its Subsidiaries directly related to the Liquidity Event, plus any amounts attributable to any release or reduction of such reserves.

"**Management Member**" has the meaning set forth in Section 3.8(a).

"**Manager**" has the meaning set forth in Section 5.1.

"**Member**" means each Person named on the Schedule of Members as of the Original Effective Date and any Person admitted to the Company as a Substituted Member or Additional Member; but in each case, only so long as such Person is shown on the Schedule of Members as the owner of one or more Units.

"**Minimum Gain**" means the partnership minimum gain determined pursuant to Treasury Regulation Section 1.704-2(d).

"**NewCo**" has the meaning set forth in Section 12.7(a).

"**Non-Incentive Class C Interests**" means the Class C Interests classified as Non-Incentive Class C Interests and having the rights and preferences specified in the Original Agreement.

"**Options**" means any rights, options, or warrants to subscribe for, purchase or otherwise acquire any Units.

"**Original Cost**" of any Incentive Unit will means the price paid therefor (in each case, as proportionally adjusted for all Unit splits, Unit dividends, and other recapitalizations or similar adjustments affecting such Incentive Unit subsequent to any such purchase), which for the avoidance of doubt may be zero dollars ($0.00).

"**Original Agreement**" has the meaning set forth in the Recitals.

"**Original Effective Date**" has the meaning set forth in the Recitals.

"**Parent**" means CarGurus, Inc., a Delaware corporation.

"**Parent Group**" means Parent, its Affiliates (excluding the Company and its Subsidiaries) and any of their respective partners, members, managers, directors, employees, stockholders, agents, any successor by operation of law (including by merger) of any such Person, and any entity that acquires all or substantially all of the assets of any such Person in a single transaction or series of related transactions.

"**Parent Notice**" means written notice from Parent notifying the Transferring Holder that Parent intends to exercise its Right of First Refusal as to some or all of the Transfer Units with respect to any Proposed Transfer.

"**Parent Secondary Notice**" means written notice from Parent notifying the Rights Holders and the Transferring Holder that Parent does not intend to exercise its Right of First Refusal as to all Transfer Units with respect to any Proposed Transfer by a Transferring Holder and stating the number of Transfer Units, if any, with respect to which Parent intends to exercise its Right of First Refusal.

"**Participating Member**" has the meaning set forth in Section 9.3(a).

"**Participating Unit**" means, with respect to any Distribution (or other allocation of proceeds) pursuant to Section 4.1(a) hereof, any Unit other than (i) an Incentive Unit that is not an Eligible Incentive Unit, (ii) an Incentive Unit that is not a Vested Unit, and (iii) any Unit that is a Class CO-A Unit.

"**Participation Threshold**" means, with respect to certain outstanding Incentive Units, an amount determined, and adjusted from time to time, in accordance with Section 3.8 hereof.

"**Partnership Representative**" has the meaning set forth in Section 8.3.

"**Person**" means an individual or a corporation, partnership, limited liability company, trust, unincorporated organization, association or other entity.

"**Preemptive Rights Notice**" has the meaning set forth in Section 9.8(b).

"**Prior Agreement**" has the meaning set forth in the Recitals.

"**Profits**" means items of Company income and gain determined according to Section 3.3.

"**Prohibited Transfer**" has the meaning set forth in Section 9.4(c).

"**Proposed Transfer**" means a proposed Transfer of Units.

"**Proposed Transfer Notice**" means written notice from a Member setting forth the terms and conditions of a Proposed Transfer.

"**Prospective Transferee**" means any Person to whom a Member proposes to make a Proposed Transfer.

"**Purchase Agreement**" has the meaning set forth in the Recitals.

"**Put Consideration**" has the meaning set forth in Annex I.

"**Put Right**" has the meaning set forth in Annex I.

"**Recitals**" mean the recitals to this Agreement.

"**Repurchase Notice**" has the meaning set forth in Section 3.9(c).

"**Repurchase Option**" has the meaning set forth in Section 3.9(a).

"**Requisite Members**" means the holders of a majority of the outstanding Class CO Units and Class CG Units, voting together as a single class.

"**Right of Co-Sale**" means the right, but not an obligation, of a Rights Holder to participate in a Proposed Transfer by a Transferring Holder on the terms and conditions specified in the Proposed Transfer Notice.

"**Right of First Refusal**" means the right, but not an obligation, of Parent, or its permitted transferees or assigns, to purchase some or all of the Transfer Units with respect to a Proposed Transfer pursuant to Section 9.2, on the terms and conditions specified in the Proposed Transfer Notice.

"**Rights Holder**" means any Member who holds Class CO Units or Class CG Units and who is an "accredited investor" (as such term is defined in Rule 501 promulgated under the Securities Act).

"**Second Call Consideration**" has the meaning set forth in Annex I.

"**Second Call Right**" has the meaning set forth in Annex I.

"**Securities Act**" means the Securities Act of 1933, as amended, and applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Securities Act shall be deemed to include any corresponding provisions of future law.

"**Securities and Exchange Commission**" means the United States Securities and Exchange Commission, including any governmental body or agency succeeding to the functions thereof.

"**Solvent Reorganization**" means any solvent reorganization of the Company, including by merger, consolidation, recapitalization, transfer or sale of equity interests or assets, or contribution of assets and/or liabilities, or any liquidation, exchange of securities, conversion of entity, migration of entity, formation of new entity, or any other transaction or group of related transactions (in each case other than to or with a third party that is not the Company or any of its Subsidiaries or any of their respective Affiliates (which Affiliates may include an entity formed for the purpose of such Solvent Reorganization)), in which:

(i) all Members that are holders of the same class or series of Units are offered the same consideration in respect of such class or series of Units;

(ii) the pro rata indirect economic interests of the holders of Units in the business of the Company and its Subsidiaries, relative to each other and all other holders, directly or indirectly, of equity securities in the Company and its Subsidiaries (other than those held by the Company or its Subsidiaries), are preserved; and

(iii) the rights of the holders of Units under this Agreement are preserved in all material respects (it being understood by way of illustration and not limitation that the relocation of a covenant or restriction from one instrument to another shall be deemed a preservation if the relocation is necessitated, by virtue of any law or regulation applicable to the Company or any of its Subsidiaries following such Solvent Reorganization, as a result of any change in jurisdiction or form of entity in connection with the Solvent Reorganization; *provided* that such covenants and restrictions are retained in instruments that are, as nearly as reasonably practicable and to the extent consistent with business and transactional objectives, equivalent to the instruments in which such restrictions or covenants were contained prior to the Solvent Reorganization).

"**Subsidiary**" means, with respect to any Person, any corporation, limited liability company, partnership, association or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of membership, partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity (other than a corporation) if such Person or Persons control any managing member or general partner of such limited liability company, partnership, association or other business entity.

"**Substituted Member**" means a Person that is admitted as a Member of the Company pursuant to Section 10.1.

"**Tax Distributions**" has the meaning set forth in Section 4.1(b)(i).

"**Tax Estimation Period**" has the meaning set forth in Section 4.1(b)(ii).

"**Taxable Year**" means the Company's accounting period for federal income tax purposes determined pursuant to Section 7.2.

"**Termination Date**" has the meaning set forth in Section 3.9(a).

"**TopCo Incentive Interest**" means a Class C Interest in TopCo (as defined in the TopCo LLC Agreement) held by a Management Member.

"**TopCo LLC Agreement**" means that certain Limited Liability Company Agreement of TopCo dated on or about December 9, 2020, as the same may be amended and/or restated from time to time.

"**Transaction**" has the meaning set forth in the Recitals.

"**Transfer**" of Units means to sell, transfer, assign, pledge, encumber or otherwise dispose of (whether directly or indirectly (including, for the avoidance of doubt, by Transfer or issuance of any Capital Stock of any Member or of any Person that is a holder of Capital Stock of a Member, in each case, that is not a natural person), whether with or without consideration and whether voluntarily or involuntarily or by operation of law) any interest (legal or beneficial) in any Units.

"**Transfer Units**" has the meaning set forth in Section 9.2(a).

"**Transferring Holder**" has the meaning set forth in Section 9.2(a).

"**Treasury Regulations**" means the income tax regulations promulgated under the Code, as amended.

"**Unit**" means, collectively, the Class CO Units, the Class CO-A Units, the Class CG Units and the Incentive Units and such other Units evidencing Company Interests as may be authorized, designated or issued by the Board in accordance with this Agreement from time to time after the Effective Date.

"**Unvested Units**" has the meaning set forth in Section 3.8(f).

"**Vested Units**" has the meaning set forth in Section 3.8(f).

"**Withholding Payments**" has the meaning set forth in Section 3.7(a).

ARTICLE 2

ORGANIZATIONAL MATTERS

2.1 Formation of Company. The Company was formed on February 19, 2019 pursuant to the provisions of the Texas Business Organizations Code and converted to a limited liability company under the Delaware Act on the Original Effective Date.

2.2 Limited Liability Company Agreement. The Members hereby execute this Agreement for the purpose of establishing the affairs of the Company and the conduct of its business in accordance with the provisions of the Delaware Act. The Members hereby agree that during the term of the Company set forth in Section 2.6 the rights and obligations of the Members with respect to the Company will be determined in accordance with the terms and conditions of this Agreement and the Delaware Act. On any matter upon which this Agreement is silent, the Delaware Act shall control. No provision of this Agreement shall be in violation of the Delaware Act and to the extent any provision of this Agreement is in violation of the Delaware Act, such provision shall be void and of no effect to the extent of such violation without affecting the validity of the other provisions of this Agreement; *provided*, *however*, that where the Delaware Act provides that a provision of the Delaware Act shall apply "unless otherwise provided in a limited liability company agreement" or words of similar effect, the provisions of this Agreement shall in each instance control; *provided further*, that notwithstanding the foregoing, Section 18-210 of the Delaware Act shall not apply to or be incorporated into this Agreement.

2.3 Name. The name of the Company shall be "CAROFFER, LLC". The Board, subject to the limitations set forth herein, in its sole discretion may change the name of the Company at any time and from time to time. Notification of any such change shall be given to all of the Members. The Company's business may be conducted under its name and/or any other name or names deemed advisable by the Board.

2.4 Purpose. The purpose and business of the Company shall be any business which may lawfully be conducted by a limited liability company formed pursuant to the Delaware Act.

2.5 Principal Office; Registered Office. The principal office of the Company shall be at 2701 E. Plano Parkway, #100, Plano, Texas 75074, or such other place as the Board may from time to time designate. The Company may maintain offices at such other place or places as the Board deems advisable. Notification of any change in the principal office of the Company shall be given to all of the Members. The address of the registered office of the Company in the State of Delaware shall be c/o Capitol Services, Inc., 1675 South State Street, Suite B, Dover, Delaware 19901, and the registered agent for service of process on the Company in the State of Delaware at such registered office shall be Capitol Services, Inc..

2.6 Term. The term of the Company commenced upon the filing of a Certificate of Formation with the Secretary of State of the State of Texas on February 19, 2019 pursuant to the Texas Business Organizations Code and shall continue in existence until termination and dissolution thereof in accordance with the provisions of Article 12.

2.7 No State-Law Partnership. The Members intend that the Company not be a partnership (including, without limitation, a limited partnership) or joint venture for any purposes other than as set forth in Section 2.8, and that no Member be a partner or joint venturer of any other Member by virtue of this Agreement, and neither this Agreement nor any other document entered into by the Company or any Member relating to the subject matter hereof shall be construed to suggest otherwise.

2.8 Tax Treatment. The Members intend that the Company shall be treated as a partnership for federal and applicable state or local income tax purposes, and that each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with, and actions necessary, to obtain such treatment (unless contrary treatment is intended pursuant to Section 12.7).

ARTICLE 3

CAPITALIZATION; CAPITAL CONTRIBUTIONS

3.1 Recapitalization.

(a) Effective as of the Original Effective Date:

(i) each of the Class A Interests held by the CO Members was cancelled and extinguished without any further action on the part of the Company or the holder thereof;

(ii) each of the Class B Interests held by the CO Members was recapitalized and converted into one (1) Class CO Unit without any further action on the part of the Company or the holder thereof;

(iii) each of the Non-Incentive Class C Interests held by the CO Members was recapitalized and converted into one (1) Class CO Unit without any further action on the part of the Company or the holder thereof; and

(iv) each of the Incentive Class C Interests held by the CO Members was recapitalized and converted into one (1) Incentive Unit without any further action on the part of the Company or the holder thereof.

(b) After giving effect to the Restructuring and this Section 3.1, the outstanding capitalization of the Company is as set forth on the Schedule of Members and as described in Section 3.2.

(c) Immediately following the consummation of the Transaction, and concurrently with the repayment of the Promissory Note and the closing of the Redemption, the Class CO Units and the Incentive Units were recapitalized (the "**Closing Recapitalization**") such that 2,721,546 Class CO Units and 192,739 Incentive Units will be cancelled and extinguished without any further action on the part of the Company or the holder thereof; and

(d) On the Effective Date, each outstanding Class CO Unit held by TopCo shall be recapitalized and converted into (1) Class CO Unit and 0.80507371 Class CO-A Unit (totaling 1,750,000 Class CO-A Units in the aggregate and disregarding any fractional Class CO-A Units), and thereafter, the outstanding capitalization of the Company will be as set forth on the Schedule of Members and described in Section 3.2.

Notwithstanding anything contained in this Agreement to the contrary, from and after the Effective Time, (i) each Class CO Unit purchased by Parent or its Affiliates from a CO Member pursuant to the First Call Right, the Second Call Right or the Put Right will, effective as of immediately following the closing of such purchase, automatically be recapitalized and converted into one (1) Class CG Unit without any further action on the part of the Company or the holder thereof, and (ii) each Class CO-A Unit purchased by Parent or its Affiliates from a CO Member pursuant to the First Call Right, the Second Call Right or the Put Right will, effective as of immediately following the closing of such purchase, automatically be cancelled and extinguished without any further action on the part of the Company or the holder thereof.

3.2 Capitalization.

(a) Each Member shall hold a Company Interest. Each Member's Company Interest shall be denominated in Units, and the relative rights, privileges, preferences and obligations with respect to each Member's Company Interest and Units shall be determined under this Agreement and the Delaware Act based upon the number and the class of Units held by such Member with respect to his, her or its Company Interest. The number and the class of Units held by each Member on the Effective Date is set forth opposite each Member's name on the Schedule of Members. The classes of Units as of the Effective Date are as follows: Class CO Units, Class CO-A Units, Class CG Units and Incentive Units. The Members shall have no right to vote on any matter, except as specifically set forth in this Agreement, or as may be required under the Delaware Act. Any such vote shall be at a meeting of the Members entitled to vote or in writing as provided herein.

(i) Class CO Units. Class CO Units shall have all the rights, privileges and obligations as are specifically provided for in this Agreement for Class CO Units, and as may otherwise be generally applicable to all classes of Units, unless such application is specifically limited to one or more other classes of Units. Each holder of Class CO Units shall have one (1) vote per Class CO Unit in respect of each matter on which the holders of Class CO Units are entitled vote. The Company shall initially be authorized to issue up to 4,950,118 Class CO Units, and from and after the Closing Recapitalization, the Company shall be authorized to issue up to 2,228,572 Class CO Units.

(ii) Class CO-A Units. Class CO-A Units shall have all the rights, privileges, preferences, and obligations as are specifically provided for in this Agreement for the Class CO-A Units. Notwithstanding anything to the contrary contained herein no holder of Class CO-A Units shall be entitled to any vote in respect of such Class CO-A Units on any matter subject to a vote of the Members, except as otherwise required by non-waivable provision

of applicable law. The Company shall initially be authorized to issue up to 1,750,000 Class CO-A Units.

(iii) Class CG Units. Class CG Units shall have all the rights, privileges and obligations as are specifically provided for in this Agreement for Class CG Units, and as may otherwise be generally applicable to all classes of Units, unless such application is specifically limited to one or more other classes of Units. Each holder of Class CG Units shall have one (1) vote per Class CG Unit in respect of each matter on which the holders of Class CG Units are entitled vote. The Company shall initially be authorized to issue up to 5,714,285 Class CG Units.

(iv) Incentive Units. Incentive Units shall consist of those Units issued or to be issued under Section 3.8 and the applicable Incentive Agreements relating to such Incentive Units. Incentive Units shall have all the rights, privileges, preferences, and obligations as are specifically provided for in such Incentive Agreements and in this Agreement for Incentive Units, and as may otherwise be generally applicable to all classes of Units, unless such application is specifically limited to one or more other classes of Units. Notwithstanding anything to the contrary contained herein or in such Incentive Agreements, no holder of Incentive Units shall be entitled to any vote in respect of such Incentive Unit on any matter subject to a vote of the Members, except as otherwise required by non-waivable provision of applicable law. The Company was authorized to issue up to 535,596 Incentive Units, and from and after the Closing Recapitalization, the Company is authorized to issue up to 571,428 Incentive Units.

(b) All Units issued hereunder shall be uncertificated unless otherwise determined by the Board. The Company shall maintain and keep at its principal office or such other place approved by the Board a schedule of Members (the "**Schedule of Members**"), which shall set forth (i) the name and address of each Member, (ii) the aggregate amount of Capital Contributions that have been made (or deemed made) by each Member in respect of the Units, (iii) the aggregate number of Units of each class held by each Member and, (iv) in the case of a Member that holds Incentive Units, the Participation Threshold applicable to such Incentive Units. Upon any change in the number or ownership of outstanding Units (whether upon an issuance, Transfer, repurchase, redemption, recapitalization or cancellation of Units or otherwise) or the amount of the Capital Contributions made (or deemed made) by any Member, the Company shall as promptly as practicable update and amend the Schedule of Members to reflect any of the foregoing (and any such amendment or update shall not be deemed an amendment of this Agreement for any purpose and shall not require the consent of any Person). Absent manifest error, the Schedule of Members as of any determination time (subject to any required updates and amendments pursuant to the immediately preceding sentence) shall be the conclusive record of the outstanding Units and the record owners thereof. No Member, other than Parent and the CO Member Representative, shall have the right to review or inspect the Schedule of Members without the approval of the Board; provided, however, that upon request by a Member, the Company will confirm that information contained on the Schedule of Members as it pertains solely to such Member.

(c) Each Member named on the Schedule of Members has made Capital Contributions (or deemed Capital Contributions) to the Company as set forth on the Schedule of Members in exchange for the Units specified thereon.

(d) Each Member who is issued Units by the Company pursuant to the authority of the Board pursuant to Section 5.1 shall make the Capital Contributions to the Company determined by the Board in exchange for such Units.

(e) No Member shall be required to make any Capital Contribution in excess of its commitment as set forth on the Schedule of Members.

3.3 Capital Accounts. A separate capital account (each, a "**Capital Account**") shall be established for each Member and shall be maintained in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv) and this Section 3.3 shall be interpreted and applied in a manner consistent with such regulations. No Member shall have any obligation to restore any portion of any deficit balance in such Member's Capital Account, whether upon liquidation of its interest in the Company, liquidation of the Company or otherwise. In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), the Company may adjust the Capital Accounts of its Members to reflect revaluations (including any unrealized income, gain or loss) of the Company's property (including intangible assets such as goodwill), whenever it issues additional interests in the Company (including any interests issued with a zero initial Capital Account), or whenever the adjustments would otherwise be permitted under such Treasury Regulation. In the event that the Capital Accounts of the Members are so adjusted, (i) the Capital Accounts of the Members shall be adjusted in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g) for allocations of depreciation, depletion, amortization and gain or loss, as computed for book purposes, with respect to such property and (ii) the Members' distributive shares of depreciation, depletion, amortization and gain or loss, as computed for tax purposes, with respect to such property shall be determined so as to take account of the variation between the adjusted tax basis and book value of such property in the same manner as under Section 704(c) of the Code. In the event that Code Section 704(c) applies to property of the Company, the Capital Accounts of the Members shall be adjusted in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g) for allocations of depreciation, depletion, amortization, and gain and loss, as computed for book purposes with respect to such property. The Capital Accounts shall be maintained for the sole purpose of allocating items of income, gain, loss and deduction among the Members and shall have no effect on the amount of any Distributions to any Members in liquidation or otherwise. In connection with the transactions contemplated by this Agreement and the Purchase Agreement, the Capital Accounts of the Members were determined as of the Original Effective Date and the Capital Account of each Member shall be reflected on the Schedule of Members.

3.4 Negative Capital Accounts. No Member shall be required to pay to any other Member or the Company any deficit or negative balance which may exist from time to time in such Member's Capital Account (including upon and after dissolution of the Company).

3.5 No Withdrawal. No Person shall be entitled to withdraw any part of such Person's Capital Contribution or Capital Account or to receive any Distribution from the Company, except as expressly provided herein.

3.6 Loans from Members. Loans by Members to the Company shall not be considered Capital Contributions. If any Member shall advance funds to the Company in excess of the amounts required hereunder to be contributed by such Member to the capital of the Company, the making of such advances shall not result in any increase in the amount of the Capital Account of such Member. The amount of any such advances shall be a debt of the Company to such Member and shall be payable or collectible in accordance with the terms and conditions upon which such advances are made.

3.7 Withholding.

(a) The Company shall at all times be entitled to make payments as required to discharge any obligation of the Company to any Governmental Entity with respect to any foreign, federal, state or local tax or any other withholding liability arising as a result of or attributable to a Member's interest in the Company or on account of any transfer of such Member's interest in the Company (including any amounts payable under Code Section 1446(f) to the extent attributable, in the Board's reasonable discretion, to a

Member or former Member's interest in the Company) (collectively, "**Withholding Payments**"). Any Withholding Payment made from funds withheld upon a Distribution to a Member will be treated as distributed to such Member for all purposes of this Agreement. Any other Withholding Payment will be deemed to be a recourse loan by the Company to the relevant Member. The amount of any Withholding Payment treated as a loan, plus interest thereon from the date of each such Withholding Payment until such amount is repaid to the Company at an interest rate per annum equal to the Base Rate plus five percent (5%), shall be repaid to the Company, as reasonably determined by the Board in its discretion, in whole or in part, (i) upon demand by the Company or (ii) by deduction from any Distributions payable to such Member pursuant to this Agreement (with the amount of such deduction treated as distributed to the Member). If the proceeds to the Company from an investment are reduced on account of taxes withheld at the source or otherwise imposed on the Company or any Subsidiary (or any other entity in which it invests), and such taxes are imposed on, or with respect to, one or more of the Members in the Company, the amount of the reduction shall be borne by the relevant Members and treated as if it were paid by the Company as a Withholding Payment with respect to such Members. Taxes imposed on the Company or its Subsidiaries (or any other entity in which it invests) where the rate of tax varies depending on characteristics of the Members shall be treated as taxes imposed on or with respect to the Members for purposes of this Section 3.7. Subject to the two preceding sentences, if the proceeds to the Company from an investment are reduced on account of taxes withheld at the source, and such taxes are imposed on the Company, then the amount of the reduction shall be treated as an expense of the Company. Each Member agrees to indemnify and hold harmless the Company from and against any and all liability with respect to Withholding Payments required on behalf of, or with respect to, such Member. A Member's obligation to so indemnify shall survive the transfer or assignment of such Member's interest in the Company, and the liquidation or dissolution of the Company or the Member's interest therein, and the Company may pursue and enforce all rights and remedies it may have against each such Member under this Section 3.7.

(b) Any Imputed Underpayment Amount shall be treated as if it were paid by the Company as a Withholding Payment with respect to the appropriate Members. The Board shall reasonably determine the portion of an Imputed Underpayment Amount attributable to each Member or former Member. The portion of the Imputed Underpayment Amount that the Board attributes to a Member shall be treated as a Withholding Payment with respect to such Member. The portion of the Imputed Underpayment Amount that the Board attributes to a former Member of the Company shall be treated as a Withholding Payment with respect to both such former Member and such former Member's transferee(s) or assignee(s), as applicable, and the Board may in its discretion exercise the Company's rights pursuant to this Section in respect of either or both of the former Member and its transferee or assignee.

3.8 Incentive Units.

(a) As consideration for the contribution of the Class C Interests in the Company to TopCo in connection with the Restructuring, each CO Indirect Holder contributing such Class C Interests received one TopCo Incentive Interest in exchange for each such Class C Interest in the Company so contributed. Each TopCo Incentive Interest is deemed to "correspond to" one Incentive Unit. From time to time after the Effective Date, the Board shall have the power and discretion to approve the issuance of Incentive Units to any manager, employee, officer or consultant of the Company or its Subsidiaries (each such person, a "**Management Member**"). In addition, from time to time after the Effective Date, the Board shall have the power and discretion to cause IncentiveCo to issue IncentiveCo Incentive Units to any Management Member, and if the Board so determines to cause IncentiveCo to issue IncentiveCo Incentive Units to any Management Member, contemporaneously with such issuance, the Company shall issue a corresponding number of Incentive Units to IncentiveCo. The Board shall have power and discretion to approve which managers, employees, officers or consultants of the Company or its Subsidiaries shall be offered and issued such Incentive Units or IncentiveCo Incentive Units, the number of Incentive Units or

IncentiveCo Incentive Units to be offered and issued to each Management Member and the purchase price, if any, and other terms and conditions with respect thereto.

(b) The provisions of this Section 3.8 are designed to provide incentives to managers, employees, officers or consultants of the Company or its Subsidiaries. This Section 3.8, together with the other terms of this Agreement and the Incentive Agreements relating to Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests, are intended to be a compensatory benefit plan within the meaning of Rule 701 of the Securities Act, and, unless and until the Company's Equity Securities are publicly traded, the issuance of Incentive Units are, to the extent permitted by applicable federal and state securities laws, intended to qualify for the exemption from registration under Rule 701 of the Securities Act and applicable state registration requirements.

(c) On the date of each grant of Incentive Units to a Management Member or to IncentiveCo, the Board will establish (and document in the applicable Incentive Agreement) an initial "**Participation Threshold**" amount with respect to each such Incentive Unit granted on such date. The Participation Threshold with respect to each Incentive Unit will be at least equal to the amount a Class CO Unit would receive on the date of issuance of such Incentive Unit in a hypothetical liquidation of the Company on the date of issuance of such Incentive Unit in which the Company sold its assets for their Fair Market Value, satisfied its liabilities (excluding any non-recourse liabilities to the extent the balance of such liabilities exceeds the fair market value of the assets that secure them) and distributed the net proceeds to the holders of Units in liquidation of the Company; provided, however, that the Participation Threshold for each Incentive Unit held by TopCo as of immediately following the Closing Recapitalization is as set forth on the Schedule of Members. Notwithstanding the Participation Threshold set forth in any Incentive Agreement, the Participation Threshold with respect to outstanding Incentive Units shall automatically (and without any further action of the parties) be equitably increased to take into account any capital contribution made to the Company after the issuance of such outstanding Incentive Units. The determination by the Board of each Participation Threshold shall be final, conclusive and binding on all Members. Each Incentive Unit, IncentiveCo Incentive Unit and each TopCo Incentive Interest is intended to be a "profits interest" within the meaning of IRS Revenue Procedures 93-27 and 2001-43 and is issued with the intention that under current interpretations of the Code the recipient will not realize income upon the issuance of such Incentive Unit, IncentiveCo Incentive Unit or TopCo Incentive Interest, and that neither the Company nor any Member is entitled to any deduction either immediately or through depreciation or amortization as a result of the issuance of such Incentive Unit. This Section 3.8 shall be interpreted consistently with such intent.

(d) The Participation Threshold for each Incentive Unit with a Participation Threshold greater than zero shall be adjusted after the grant of such Incentive Unit as follows:

(i) In the event of any Distribution pursuant to Section 4.1(a) or Section 12.2(d), the Participation Threshold of each Incentive Unit outstanding at the time of such Distribution shall be reduced (but not below zero) by the amount distributable to the holder of a single Class CO Unit in connection with such Distribution (determined pursuant to Section 4.1(a) and Section 12.2(d) and taking into account all Incentive Units that are entitled to participate in such Distribution by reason of the last paragraph of Section 4.1(a)); and

(ii) If following the Closing Recapitalization, the Company at any time subdivides (by any Unit split, Unit dividend or otherwise) its outstanding Units into a greater number of Units, the Participation Threshold of each Incentive Unit in effect immediately prior to such subdivision shall be proportionately reduced, and if the Company at any time combines (by reverse Unit split or otherwise) its outstanding Units into a smaller number

of Units, the Participation Threshold of each Incentive Unit in effect immediately prior to such combination shall be proportionately increased.

(e) In connection with any approved issuance after the Effective Date of Incentive Units to a Management Member hereunder, such Management Member shall execute a counterpart to this Agreement (or a joinder to this Agreement in a form acceptable to the Company), accepting and agreeing to be bound by all terms and conditions hereof, and shall enter into such other documents and instruments to effect such purchase (including, without limitation, an Incentive Agreement) as are required by the Board. In connection with any approved issuance after the Effective Date of IncentiveCo Incentive Units to a Management Member hereunder, IncentiveCo shall cause such Management Member to execute a counterpart to this Agreement (or a joinder to this Agreement in a form acceptable to the Company), accepting and agreeing to be bound by all terms and conditions hereof as a CO Indirect Holder and a Management Member, and shall cause such Management Member to enter into such other documents and instruments to effect such purchase (including, without limitation, an Incentive Agreement) as are required by the Board.

(f) If the Board so determines, the Incentive Units or IncentiveCo Incentive Units issued to any Management Member shall become vested in accordance with the vesting schedule determined by the Board in connection with the issuance of such Incentive Units or the IncentiveCo Incentive Units (and reflected in the relevant Incentive Agreement). TopCo Incentive Interests shall become vested in accordance with vesting schedule set forth in the applicable Incentive Agreement for such TopCo Incentive Interests. Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests that are subject to vesting and that are vested per such vesting schedule are referred to herein as "**Vested Units**". Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests that are subject to vesting and that are not yet vested per such vesting schedule are referred to herein as "**Unvested Units**". Notwithstanding any other provision in this Section 3.8, each recipient of an Incentive Unit or an IncentiveCo Incentive Unit hereby agrees that such recipient shall make a valid and timely election in respect of such Unit, upon receipt thereof, pursuant to Section 83(b) of the Code and promptly provide evidence of such election to the Company. Notwithstanding anything contained in this Agreement or in any applicable Incentive Agreement to the contrary, Unvested Units shall automatically be forfeited and extinguished without any further action on the part of TopCo, IncentiveCo, the Company or the holder thereof immediately prior to the earliest to occur of the consummation of the Second Call Closing, the consummation of the Put Closing or immediately prior to the consummation of a Liquidity Event. To the extent any TopCo Incentive Interests or IncentiveCo Incentive Units are forfeited and extinguished in accordance with the terms and conditions of this Agreement and/or the applicable Incentive Agreement to the contrary, the corresponding Incentive Units that were issued to TopCo or IncentiveCo, as applicable, in connection with the issuance of such TopCo Incentive Units shall also be forfeited and become extinguished.

(g) By executing this Agreement, each Member authorizes and directs the Company to elect to have the "Safe Harbor" described in the proposed revenue procedure set forth in Internal Revenue Service Notice 2005-43 (the "**IRS Notice**") apply to any interest in the Company transferred to a service provider by the Company on or after the effective date of such revenue procedure in connection with services provided to the Company, including the Incentive Units. For purposes of making such Safe Harbor election, the Partnership Representative is hereby designated as the "member who has responsibility for federal income tax reporting" by the Company and, accordingly, execution of such Safe Harbor election by the Partnership Representative constitutes execution of a "Safe Harbor Election" in accordance with Section 3.03(1) of the IRS Notice. The Company and each Member hereby agree to comply with all requirements of the Safe Harbor described in the IRS Notice, including, without limitation, the requirement that each Member shall prepare and file all federal income tax returns reporting the income tax effects of each "Safe Harbor Partnership Interest" issued by the Company in a manner consistent with the requirements of the IRS Notice. A Member's obligations to comply with the requirements of this Section 3.8(g), shall survive

such Member's ceasing to be a Member of the Company and/or the termination, dissolution, liquidation and winding up the Company, and, for purposes of this Section 3.8(g), the Company shall be treated as continuing in existence.

(h) Incentive Units that have been repurchased by the Company pursuant to Section 3.9 or forfeited to the Company may be reissued subject to the terms of this Agreement.

3.9 Repurchase Option. In addition to any forfeiture provisions contained in a Management Member's Incentive Agreement or set forth herein:

(a) If a Management Member ceases to be engaged as a service provider to the Company or its Subsidiaries for any reason, including resignation (the date of such cessation of service, the "**Termination Date**"), the Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests issued to such Management Member (whether held by such Management Member or one or more transferees of such Management Member, other than the Company) will be subject to repurchase by the Company, IncentiveCo or TopCo (solely in the Company's option) pursuant to the terms and conditions set forth in this Section 3.9 (the "**Repurchase Option**").

(b) Subject to Section 3.9(c), commencing on the Termination Date of a Management Member, the Company may elect to repurchase all or any portion of the Incentive Units (or, if applicable, require that TopCo or Incentive Co repurchase all or any portion of the TopCo Incentive Interests or IncentiveCo Incentive Units) held by such Management Member or transferee(s) at a price per Unit equal to the lower of Original Cost (which for the avoidance of doubt may be zero dollars ($0.00)) or Fair Market Value (determined by the Board as of the Termination Date).

(c) The Company may elect to exercise the Repurchase Option as to some or all such Incentive Units by delivering written notice (the "**Repurchase Notice**") to the holder or holders of the Incentive Units no later than twenty-four (24) months after the Termination Date of such Management Member. The Repurchase Notice will set forth the number of Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests to be acquired from such holder(s), the aggregate consideration, if any, to be paid for such Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests and the time and place for the closing of the transaction. If any Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests are held by any transferees of the applicable Management Member, the Company, IncentiveCo or TopCo, as applicable, will purchase the Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests elected to be purchased from all such holder(s) of Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests, pro rata according to the number of Incentive Units held by each such holder(s) at the time of delivery of such Repurchase Notice (rounded as nearly as practicable to the nearest whole Incentive Unit).

(d) The closing of a repurchase transaction pursuant to this Section 3.9(d) will take place on the date designated in the applicable Repurchase Notice, which date will not be more than sixty (60) days after the delivery of such notice (provided such period may be extended to the extent necessary to comply with any regulatory filings or other applicable legal requirements, including any applicable antitrust requirements). The Company, IncentiveCo or TopCo, as applicable, will pay the purchase price, if any, for the repurchased Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Interests by, at the option of the Company, either a check payable to the holder of such Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Units and delivered to such holder's address on file with the Company, IncentiveCo and/or TopCo, or a wire transfer of immediately available funds to an account designated in writing by such holder. In connection with the repurchase of IncentiveCo Incentive Units or TopCo Incentive Interests by IncentiveCo or TopCo pursuant to this Section 3.9, the Company, contemporaneously therewith, will be deemed to have automatically and without any further action on the part of the parties be deemed to have

repurchased the corresponding Incentive Units that were issued to IncentiveCo or TopCo, as applicable, for the same purchase price paid by IncentiveCo or TopCo to repurchase such IncentiveCo Incentive Units or TopCo Incentive Interests. Notwithstanding anything to the contrary contained herein, all repurchases of Incentive Units by the Company will be subject to applicable restrictions under all applicable laws and in the Company's and its Subsidiaries' debt and equity financing agreements. If any such restrictions prohibit the repurchase of Incentive Units hereunder which the Company is otherwise entitled to make, the Company may make such repurchases as soon as it is permitted to do so under such restrictions, and during such period of time, the purchase price payable to the holder shall accrue interest at a rate per annum equal to 5%. The Company, IncentiveCo or TopCo, as applicable, will receive customary representations and warranties from each seller regarding the sale of the Incentive Units, IncentiveCo Incentive Units or TopCo Incentive Units, including, but not limited to, representations that such seller has good and marketable title to the Incentive Units to be transferred free and clear of all liens, claims and other encumbrances.

(e) This Section 3.9 expressly supersedes the repurchase provisions of any "Incentive Agreement" with respect to Incentive Units entered into by the Company and a Management Member prior to the Original Effective Date.

ARTICLE 4

DISTRIBUTIONS AND ALLOCATIONS

4.1 Distributions.

(a) Distributions Other than Tax Distributions.

(i) The Board may in its sole discretion, subject to (i) any restrictions contained in the financing agreements to which the Company or any of its Subsidiaries is a party, and (ii) having available cash (after setting aside appropriate reserves), make Distributions at any time and from time to time. Subject to the last paragraph of this Section 4.1(a) with respect to Incentive Units, to Section 4.1(a)(ii) in the case of Liquidity Event Distributions and to Section 4.1(b) with respect to Tax Distributions, all Distributions by the Company shall be made, and all proceeds received (whether received by the Company or directly by the Members) except in connection with any Liquidity Event shall be allocated, to the Members then holding Participating Units pro rata based on the number of Participating Units then held by each such Member.

(ii) Subject to the last paragraph of this Section 4.1(a) with respect to Incentive Units, all Liquidity Event Proceeds by the Company or the Members), in connection with any Liquidity Event, shall be made or allocated (as applicable):

(A) first, to the Members holding Class CG Units, pro rata in accordance with the then unreturned Class CG Original Issue Price of the Class CG Units held by each such Members, until each such Member has received cumulative distributions pursuant to this Section 4.1(a)(ii)(A) in an amount equal to the aggregate Class CG Original Issue Price of such Member's Class CG Units; and

(B) second, to the Members holding Class CO-A Units, pro rata based on the number of Class CO-A Units held by each such Member until each such Member received cumulative distributions pursuant to this Section 4.1(a)(ii)(B) in an amount equal to $10.00 in respect of each Class CO-A Unit.

(C) third, to the Members holding Participating Units, pro rata based on the number of Participating Units held by each such Member; *provided, however*, that Distributions shall not be made or allocated in respect of Class CG Units pursuant to this Section 4.1(a)(ii)(C) until an amount equal to the difference of (I) Class CG Original Issue Price minus (II) the quotient of (x) the aggregate amount distributed in respect of the Class CO-A Units pursuant to the foregoing Section 4.1(a)(ii)(B) (whether or not such Class CO-A Units are then outstanding) divided by (y) the aggregate number of Class CO Units then outstanding, has been distributed or allocated under this Section 4.1(a)(ii)(C) in respect of each Participating Unit that is a Class CO Unit (but thereafter, any remaining amounts to be distributed under this Section 4.1(a)(ii)(C) shall be distributed pro rata in respect of all Participating Units, including Class CG Units and Class CO Units).

For the avoidance of doubt, if the amount to be distributed pursuant to this Section 4.1(a) with respect to any particular Distribution would cause the amount of any outstanding Incentive Unit's Participation Threshold to be reduced to zero, then such Incentive Unit shall constitute an Eligible Incentive Unit for purposes of this Section 4.1(a) only after the portion of the amount to be distributed in such Distribution that would cause such Incentive Unit's Participation Threshold to be reduced to (but not below) zero has first been distributed to the holders of outstanding Participating Units (taking into account outstanding Incentive Units that have lesser Participation Thresholds (determined, with respect to such outstanding Incentive Units, by adding the Participation Threshold with respect to such Incentive Units to amounts received in respect of such Incentive Units for purposes of calculating whether such Incentive Units have received an amount equal to other Participating Units, and calculated immediately prior to such Distribution)). Notwithstanding anything in this Agreement to the contrary, if any Incentive Unit is an Unvested Unit as of the date of any Distribution, such Unvested Unit shall not participate in such Distribution (but such Distribution may reduce the Participation Threshold of such Unvested Unit).

(b) Tax Distributions.

(i) Unless otherwise determined by the Board in its reasonable discretion, within fifteen (15) days following the end of each Tax Estimation Period, the Company shall distribute to each Member an amount in cash equal to the excess of (x)(A) the Income Amount allocated or allocable to such Member for the Tax Estimation Period in question and for all preceding Tax Estimation Periods, if any, within the Taxable Year containing such Tax Estimation Period multiplied by (B) the Assumed Tax Rate over (y) the aggregate amount of all prior Tax Distributions in respect of such Taxable Year and any Distributions made to such Member pursuant to Section 4.1(a), with respect to the Tax Estimation Period in question and any previous Tax Estimation Period falling in the Taxable Year containing the applicable Tax Estimation Period referred to in (x)(A) (amounts distributed pursuant to this Section 4.1(b) are herein referred to as "**Tax Distributions**"). For purposes of this Agreement, the "**Income Amount**" for a Tax Estimation Period shall equal, with respect to any Member, an amount, if positive, equal to the net taxable income of the Company allocated or allocable to such Member for such Tax Estimation Period (excluding any guaranteed payments for services or any other compensation paid to a Member outside of this Agreement), minus any net taxable loss of the Company allocated or allocable to such Member for any prior Tax Estimation Period to the extent the Board determines in good faith after consulting with such Member that such net taxable loss (x) is usable by such Member to offset net taxable income of the Company allocated or allocable to such Member for the current Tax Estimation Period (or would be so usable if such net taxable loss had not been previously used by such Member to offset the net taxable income from other sources) and (y) has not previously been determined to be usable by such Member to

offset net taxable income of the Company allocated or allocable to such Member for any prior Tax Estimation Period. For purposes of calculating the Income Amount for a Member with respect to any Tax Estimation Period or a net taxable loss for a Member in any prior Taxable Year, any allocation of income, gain, loss and deduction under Section 704(c) of the Code shall be taken into account. Tax Distributions pursuant to this Section 4.1(b) shall be treated as advances of Distributions under Section 4.1(a), and shall reduce or offset amounts otherwise distributable pursuant to Section 4.1(a).

(ii) For purposes of this Agreement, the "**Assumed Tax Rate**" for a Tax Estimation Period shall be the maximum effective tax rate for ordinary income or long-term capital gains (as applicable) in effect from time to time with respect to an individual resident and working in New York City, New York. Accordingly, as of the date hereof, (1) the Assumed Tax Rate for ordinary income will be 53.5%, which is 40.8% (the highest marginal U.S. federal ordinary income tax rate applicable to individuals, plus the 3.80% tax on net investment income) plus 12.70% (the increase for New York State and New York City taxes); and (2) the Assumed Tax Rate for long-term capital gains will be 36.5%, which is 23.80% (the highest marginal U.S. federal long-term capital gains tax rate applicable to individuals, plus the 3.80% tax on net investment income) plus 12.70% (the increase for New York State and New York City taxes). The Board shall have the authority, in its reasonable discretion, to make appropriate adjustments to the Assumed Tax Rates; *provided*, that, without the prior written consent of the CO Member Representative, the Assumed Tax Rate shall in no event be less than the maximum effective tax rate for ordinary income or long-term capital gains (as applicable) in effect from time to time with respect to an individual resident and working in the jurisdiction of the CO Member with the highest effective combined state and local tax rate. For purposes of this Agreement, "**Tax Estimation Period**" shall mean each period from January 1 through March 31, from April 1 through June 30, from July 1 through September 30, and from October 1 through December 31 of each Taxable Year; *provided, however*, that the Company's first Tax Estimation Period shall begin on the day immediately following the Original Effective Date.

(iii) Notwithstanding anything to the contrary herein, no Tax Distributions will be required to be made with respect to any Liquidity Event, although any unpaid Tax Distributions with respect to any Tax Estimation Period, or portion thereof, ending before a Liquidity Event shall continue to be required to be paid prior to any Distributions being made under Section 4.1(a).

(c) Each Distribution pursuant to Section 4.1(a) and each Distribution pursuant to Section 4.1(b) shall be made to the Persons shown on the Company's books and records as Members as of the date of such Distribution; *provided*, *however*, that any transferor and transferee of Units may mutually agree as to which of them should receive payment of any Distribution under Section 4.1(b).

4.2 Allocations. Except as otherwise provided in Section 4.3, net Profits or net losses (if any) for any Taxable Year shall be allocated among the holders of Units in such a manner that, as of the end of

such Taxable Year, the sum of (i) the Capital Account of each holder, (ii) such holder's share of Minimum Gain (as determined according to Treasury Regulation Section 1.704-2(g)) and (iii) such holder's partner nonrecourse debt minimum gain (as defined in Treasury Regulation Section 1.704-2(i)(3)) shall be as close as possible to the respective net amounts, positive or negative, which would be distributed to them or for which they would be liable to the Company under this Agreement, determined as if the Company were to (x) liquidate the assets of the Company for an amount equal to their book values (as maintained pursuant to the capital account maintenance provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)) and (y) distribute the proceeds of liquidation pursuant to Section 12.2 (limiting payment in respect of nonrecourse liabilities to the fair market value of collateral securing or available to satisfy such liabilities), treating all unvested Incentive Units as vested for this purpose.

4.3 Special Allocations.

(a) Losses attributable to partner nonrecourse debt (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated in the manner required by Treasury Regulation Section 1.704-2(i). If there is a net decrease during a Taxable Year in partner nonrecourse debt minimum gain (as defined in Treasury Regulation Section 1.704-2(i)(3)), Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) shall be allocated to the holders of Units in the amounts and of such character as determined according to Treasury Regulation Section 1.704-2(i)(4). This Section 4.3(a) is intended to be a minimum gain chargeback provision that complies with the requirements of Treasury Regulation Section 1.704-2(i)(4), and shall be interpreted in a manner consistent therewith.

(b) Nonrecourse deductions (as determined according to Treasury Regulation Section 1.704-2(b)(1)) for any Taxable Year shall be allocated to each holder of Units based upon each such holder's pro rata based on the number of Units held by each Member. Except as otherwise provided in Section 4.3(a), if there is a net decrease in the Minimum Gain during any Taxable Year, each holder of Units shall be allocated Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) in the amounts and of such character as determined according to Treasury Regulation Section 1.704-2(f). This Section 4.3(b) is intended to be a minimum gain chargeback provision that complies with the requirements of Treasury Regulation Section 1.704-2(f), and shall be interpreted in a manner consistent therewith.

(c) If any holder of Units that unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) has an Adjusted Capital Account Deficit as of the end of any Taxable Year, computed after the application of Sections 4.3(a) and 4.3(b) but before the application of any other provision of this Article 4, then Profits for such Taxable Year shall be allocated to such holder in proportion to, and to the extent of, such Adjusted Capital Account Deficit. This Section 4.3(c) is intended to be a qualified income offset provision as described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith.

4.4 Tax Allocations.

(a) Except as provided in Sections 4.4(b), (c) and (d), the income, gains, losses, deductions and credits of the Company will be allocated, for federal, state and local income tax purposes, among the holders of Units in accordance with the allocation of such income, gains, losses, deductions and credits among the holders of Units for book purposes.

(b) Items of Company taxable income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall be allocated among the holders of Units in accordance with Code Section 704(c) so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its book value, using such permissible method as the Board may select in its sole discretion.

(c) If the book value of any Company asset is adjusted pursuant to Section 3.3, subsequent allocations of items of taxable income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its book value in the same manner as under Code Section 704(c).

(d) Allocations of tax credits, tax credit recapture, and any items related thereto shall be allocated to the holders of Units according to their interests in such items as determined by the Board taking into account the principles of Treasury Regulation Section 1.704-1(b)(4)(ii).

(e) The Company and the Members shall not treat any of the rights of the Members holding Class CG Units with respect to their Class CG Units as giving rise to any guaranteed payments within the meaning of Section 707(c) of the Code.

(f) Allocations pursuant to this Section 4.4 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any holder's Capital Account or share of book income, gain, loss or deduction, Distributions or other Company items pursuant to any provision of this Agreement.

ARTICLE 5

MANAGEMENT

5.1 Authority of Board. Except for situations in which the approval of one or more of the Members is specifically required by the express terms of this Agreement or a non-waivable provision of the Delaware Act, and subject to the other provisions of this Article 5, (i) all management powers over the business and affairs of the Company shall be exclusively vested in a board of managers (the "**Board**"), (ii) the Board shall conduct, direct and exercise full control over all activities of the Company, and (iii) the Board shall have the sole power to bind or take any action on behalf of the Company, or to exercise any rights and powers (including, without limitation, the rights and powers to take certain actions, give or withhold certain consents or approvals, or make certain determinations, opinions, judgments or other decisions) granted to the Company under this Agreement or any other agreement, instrument or other document to which the Company is a party. Each member of the Board is referred to herein as a "**Manager**." The Managers shall be the "managers" of the Company for the purposes of the Delaware Act. The Managers are hereby designated as authorized persons, within the meaning of the Delaware Act, to execute, deliver and file the certificate of formation of the Company and all other certificates (and any amendments and/or restatements hereof) required or permitted by the Delaware Act to be filed in the Office of the Secretary of State of the State of Delaware. The Managers are hereby authorized to execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business. Any Manager so designated shall have such authority and perform such duties as the Board may, from time to time, delegate to them.

5.2 Actions of the Board. Unless otherwise provided in this Agreement, any decision, action, approval or consent required or permitted to be taken by the Board may be taken by the Board (i) through meetings and written consents pursuant to Section 5.5 and (ii) through any Person or Persons to whom authority and duties have been delegated pursuant to Section 5.6.

5.3 Composition.

(a) The Board shall consist of three (3) Managers. Such Managers shall be appointed as follows:

(i) so long as TopCo owns, either directly or indirectly, at least 1,428,570 Class CO Units (which number is subject to appropriate adjustment for any Unit splits, Unit dividends and other recapitalizations or similar adjustments), TopCo shall have the right to appoint one (1) Manager (the "**CO Board Member**"), initially Bruce Thompson; and

(ii) so long as Parent owns any Class CG Units, Parent shall have the right to appoint the other Managers (each, a "**CG Board Member**"), initially Jason Trevisan and Samuel Zales.

(b) A Manager designated under Section 5.3(a) may only be removed from the Board (with or without cause) by the Person(s) who are entitled to appoint such Manager pursuant to Section 5.3(a).

(c) In the event that any Manager designated under Section 5.3(a) ceases to serve as a Manager as a result of death, disability, resignation, removal or other termination of such Manager for any reason, the resulting vacancy on the Board shall be filled only by the Person(s) who are entitled to appointed such Manager pursuant to Section 5.3(a).

5.4 Proxies. A Manager may vote at a meeting of the Board or any committee thereof either in person or by proxy executed in writing by such Manager. An email or similar transmission by the Manager, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the Manager, shall (if stated thereon) be treated as a proxy executed in writing for purposes of this Section 5.4. Proxies for use at any meeting of the Board or any committee thereof or in connection with the taking of any action by written consent shall be filed with the Board, before or at the time of the meeting or execution of the written consent as the case may be. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by the majority of the Board, who shall decide all questions concerning the qualification of voters, the validity of the proxies and the acceptance or rejection of votes. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and that the proxy is coupled with an interest. Should a proxy designate two or more Persons to act as proxies, unless that instrument shall provide to the contrary, a majority of such Persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, the Company shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the votes that are the subject of such proxy are to be voted with respect to such issue.

5.5 Meetings, etc.

(a) Meetings of the Board and any committee thereof shall be held at the principal office of the Company or at such other place as may be determined by the Board or such committee. A majority of the Managers then serving on the Board, present in person or through their duly authorized attorneys-in-fact, shall constitute a quorum at any meeting of the Board. Business may be conducted once a quorum is present. Regular meetings of the Board shall be held on such dates and at such times as shall be determined by the Board. Special meetings of the Board may be called by a majority of the Managers then serving on the Board (or, in the case of a special meeting of any committee of the Board, by a majority of the members thereof) or (ii) any CG Board Member, in each case, on at least 24 hours' prior written notice to the other Managers, which notice shall state the purpose or purposes for which such meeting is being called. Participation or attendance of a Manager at any meeting or committee meeting, as the case may be, constitutes presence in person at the meeting and waiver of notice of such meeting, if required, except where a Manager participates in or attends the meeting or committee meeting, as the case may be, for the express

purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. When any notice is required to be given to any Manager, a waiver thereof in writing signed by the Person entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice (if any is required) or waiver of notice of such meeting. The actions by the Board or any committee thereof may be taken by vote of the Board or any committee at a meeting of the members thereof or by written consent (without a meeting, without notice and without a vote) so long as such consent is signed by at least the minimum number of Managers that would be necessary to authorize or take such action at a meeting of the Board or such committee in which all members thereof were present. Prompt notice of the action so taken without a meeting shall be given to those Managers who have not consented in writing. A meeting of the Board or any committee may be held by conference telephone or similar communications equipment by means of which all individuals participating in the meeting can be heard.

(b) Each Manager shall have one vote on all matters submitted to the Board or any committee thereof (whether the consideration of such matter is taken at a meeting, by written consent or otherwise). Except as provided in this Section 5.5(b), the affirmative vote (whether by proxy or otherwise) of a majority of the Managers then serving on the Board shall be the act of the Board. Except as otherwise provided by the Board when establishing any committee, the affirmative vote (whether by proxy or otherwise) of a majority of the members then serving on such committee shall be the act of such committee. For so long as there is a CO Board Member, any loans to or from Affiliates by the Company shall require the affirmative of a majority of the Managers then serving on the Board, including the CO Board Member, and no such action shall be taken if there is a vacancy in the CO Board Member position until reasonable opportunity has been given for such vacancy to be filled in accordance with Section 5.3(a)(i).

(c) Except as otherwise determined by the Board, the Managers shall not be compensated for their services as members of the Board.

5.6 Delegation of Authority. The Board may, from time to time, delegate to one or more Persons (including any Manager, officer of the Company or other Person, and including through the creation and establishment of one or more committees) such authority and duties as the Board may deem advisable. The Board may set forth the powers and purpose of any committee it creates in a written charter, or in a resolution adopted by the Board.

5.7 Limitation of Liability.

(a) Except as otherwise provided herein or in an agreement entered into by such Person and the Company, no Manager or any of such Manager's Affiliates shall be liable to the Company or to any Member for any act or omission performed or omitted by such Manager in its capacity as a member of the Board (or any committee thereof) pursuant to authority granted to such Person by this Agreement; *provided* that, except as otherwise provided herein, such limitation of liability shall not apply to the extent the act or omission was attributable to such Person's acts or omissions as an officer or employee or gross negligence, willful misconduct or knowing violation of law or for any present or future breaches of any representations, warranties or covenants by such Person or its Affiliates contained herein or in any other agreements between such Person or its Affiliates and the Company. The Board may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and no Manager or any of such Manager's Affiliates shall be responsible for any misconduct or negligence on the part of any such agent appointed by the Board (so long as such agent was selected in good faith and with reasonable care). The Board shall be entitled to rely upon the advice of legal counsel, independent public accountants and other experts, including financial advisors, and any act of or failure to

act by the Board in good faith reliance on such advice shall in no event subject the Board or any Manager thereof to liability to the Company or any Member.

(b) Whenever in this Agreement or any other agreement contemplated herein the Board is permitted or required to take any action or to make a decision in its "sole discretion" or "discretion," with "complete discretion" or under a grant of similar authority or latitude, the Board shall be entitled to consider such interests and factors as it desires, *provided* that the Board shall act in good faith.

(c) Whenever in this Agreement the Board is permitted or required to take any action or to make a decision in its "good faith" or under another express standard, the Board shall act under such express standard and, to the extent permitted by applicable law, shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein, and, notwithstanding anything contained herein to the contrary, so long as the Board acts in good faith, the resolution, action or terms so made, taken or provided by the Board shall not constitute a breach of this Agreement or any other agreement contemplated herein or impose liability upon the Board, any Manager thereof or any of such Manager's Affiliates.

5.8 Limitation of Liability. Except as provided in this Agreement or in the Delaware Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Manager shall be obligated personally for any such debts, obligations or liabilities solely by reason of acting as a Manager. A Manager (in his or her capacity as such) shall not be personally liable for the Company's obligations, liabilities and losses. Notwithstanding anything contained herein to the contrary, the failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business and affairs under this Agreement or the Delaware Act shall not be grounds for imposing personal liability on the Managers for liabilities of the Company.

5.9 Fiduciary Duties. Each Manager shall, to the fullest extent permitted by the Delaware Act, have no duties of any kind or nature (at law, in equity, under this Agreement or otherwise, including any fiduciary duties or any similar duties) to the Company, to any Member or holder of Units, to any Affiliate of any Member or holder of Units, to any creditor of the Company or any of its Subsidiaries, or to any other Person; *provided*, that the implied contractual covenant of good faith and fair dealing shall be applicable only to the limited extent as required by the Delaware Act. The provisions of this Agreement, to the extent that they restrict the duties (including fiduciary duties) and liabilities of a Manager otherwise existing at law or in equity or by operation of the preceding sentence, are agreed by the Members to replace such duties and liabilities of such Manager. For the avoidance of doubt, nothing in this Section 5.9 shall eliminate or restrict the duties of any officer or employee of the Company to the Company, its Subsidiaries, their creditors and any other person to whom such duties are owed by officers under applicable law acting in their capacity as such.

ARTICLE 6

RIGHTS AND OBLIGATIONS OF MEMBERS

6.1 Limitation of Liability. Except as provided in this Agreement or in the Delaware Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company and no Member shall be obligated personally for any such debts, obligations or liabilities solely by reason of being a Member. Except as otherwise provided in this Agreement, a Member's liability (in its capacity as such) for Company obligations, liabilities and losses shall be limited to the Company's assets; *provided* that a Member shall be required to return to the Company any Distribution made to it in clear and manifest accounting or similar error. The

immediately preceding sentence shall constitute a compromise to which all Members have consented within the meaning of the Delaware Act. Notwithstanding anything contained herein to the contrary, the failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business and affairs under this Agreement or the Delaware Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

6.2 Lack of Authority. No Member in its capacity as such (other than in its capacity as a Manager or as a Person delegated authority pursuant to Section 5.6) has the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company or to make any expenditures on behalf of the Company. The Members hereby consent to the exercise by the Board and the Managers of the powers conferred on them by law and this Agreement.

6.3 No Right of Partition. No Member shall have the right to seek or obtain partition by court decree or operation of law of any Company property, or the right to own or use particular or individual assets of the Company.

6.4 Indemnification.

(a) The Company hereby agrees to indemnify and hold harmless any Person (each an "**Indemnified Person**") to the fullest extent permitted under the Delaware Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits the Company to provide broader indemnification rights than the Company is providing immediately prior to such amendment, substitution or replacement), against all reasonable expenses, liabilities and losses (including judgments, fines, excise taxes or penalties and reasonable attorneys' fees) incurred or suffered by such Person (or one or more of such Person's Affiliates) by reason of the fact that such Person is or was a Manager or a member of a committee of the Board, or if such indemnification is approved by the Board, such Person is or was a Member, officer, employee, Partnership Representative or other agent of the Company or is or was serving at the request of the Company as a manager, officer, director, principal, member, employee or agent of another corporation, partnership, joint venture, limited liability company, trust or other enterprise; *provided* that (unless the Board otherwise consents) no Indemnified Person shall be indemnified for any expenses, liabilities and losses suffered that are attributable to such Indemnified Person's or its Affiliates' gross negligence, willful misconduct or knowing violation of law. Expenses, including reasonable attorneys' fees, incurred by any such Indemnified Person in defending a proceeding related to any such indemnifiable matter shall be paid by the Company in advance of the final disposition of such proceeding, including any appeal therefrom, upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amounts if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified by the Company.

(b) The right to indemnification and the advancement of expenses conferred in this Section 6.4 shall not be exclusive of any other right which any Person may have or hereafter acquire under any statute, agreement, vote of the Board or otherwise.

(c) The Company will maintain directors' and officers' liability insurance, at its expense, for the benefit of the Managers and officers of the Company and of any other Persons to whom the Board has delegated its authority pursuant to Section 5.6.

(d) Notwithstanding anything contained herein to the contrary (including in this Section 6.4), any indemnity by the Company relating to the matters covered in this Section 6.4 shall be provided out of and to the extent of Company assets only and no Member (unless such Member otherwise agrees in writing or is found in a final decision by a court of competent jurisdiction to have personal liability on

account thereof) shall have personal liability on account thereof or shall be required to make additional capital contributions or otherwise provide funding to help satisfy such indemnity of the Company.

(e) If this Section 6.4 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Indemnified Person pursuant to this Section 6.4 to the fullest extent permitted by any applicable portion of this Section 6.4 that shall not have been invalidated and to the fullest extent permitted by applicable law.

6.5 Members' Right to Act. For matters that require the approval of the Members generally (rather than the approval of the Board on behalf of the Members or the approval of a particular group of Members), the Members shall act through meetings and written consents as described in paragraphs (a) and (b) below:

(a) Except as otherwise expressly provided by this Agreement or as required by non-waivable provision of the Delaware Act, acts by the Requisite Members shall be the act of the Members. Any Member entitled to vote at a meeting of Members or to express consent or dissent to Company action in writing without a meeting may authorize another person or persons to act for it by proxy. An email or similar transmission by the Member, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the Member, shall (if stated thereon) be treated as a proxy executed in writing for purposes of this Section 6.5(a). No proxy shall be voted or acted upon after eleven months from the date thereof, unless the proxy provides for a longer period. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and that the proxy is coupled with an interest. Should a proxy designate two or more Persons to act as proxies, unless that instrument shall provide to the contrary, a majority of such Persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or, if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, the Company shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the votes that are the subject of such proxy are to be voted with respect to such issue.

(b) The actions by the Members permitted hereunder may be taken at a meeting called by the Board or by the Requisite Members on at least twenty-four (24) hours' prior written notice to the other Members entitled to vote, which notice shall state the purpose or purposes for which such meeting is being called. Participation or attendance of a Member at any meeting of Members constitutes presence in person at the meeting and waiver of notice of such meeting, if required, except where a Member participates in or attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. When any notice is required to be given to any Member, a waiver thereof in writing signed by the Person entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice. The actions by the Members entitled to vote or consent may be taken by vote of the Members entitled to vote or consent at a meeting or by written consent (without a meeting, without notice and without a vote) so long as such consent is signed by the Members having not less than the minimum number of Units that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted. Prompt notice of the action so taken without a meeting shall be given to those Members entitled to vote or consent who have not consented in writing. Any action taken pursuant to such written consent of the Members shall have the same force and effect as if taken by the Members at a meeting thereof.

6.6 Conflicts of Interest.

(a) In recognition of the fact that the Company and its Subsidiaries, on the one hand, and the members of the Parent Group, separately on the other hand, may currently or in the future engage in the

same or similar activities or lines of business and have an interest in the same areas and types of corporate opportunities, and in recognition of the benefits to be derived by the Company and its Subsidiaries through their continued contractual, corporate and business relations with the members of the Parent Group (including possible service of directors, officers and employees of the members of the Parent Group as Managers, directors, officers and employees of the Company and its Subsidiaries), the provisions of this Section 6.6(a) are set forth to regulate and define the conduct of members of the Parent Group, and the powers, rights, duties and liabilities of the Company and its Subsidiaries, as well as its Managers, officers, employees and members in connection therewith. To the fullest extent permitted by law: (i) each member of the Parent Group shall have the right to, and shall have no duty (contractual or otherwise) not to, directly or indirectly: (A) engage or otherwise participate in any manner whatsoever in the same, similar or competing business activities or lines of business as the Company or its Subsidiaries, (B) do business with any client or customer of the Company or its Subsidiaries, or (C) make investments in competing businesses of the Company or its Subsidiaries, and such acts shall not be deemed wrongful or improper; (ii) no member of the Parent Group shall be liable to the Company for breach of any duty (contractual or otherwise), including without limitation fiduciary duties, by reason of any such activities or of such Person's participation therein; and (iii) in the event any member of the Parent Group acquires knowledge of a potential transaction or matter that may be a corporate opportunity for the Company or its Subsidiaries, on the one hand, and any member of the Parent Group, on the other hand, as the case may be, or any other Person, no member of the Parent Group shall have any duty (contractual or otherwise), including without limitation fiduciary duties, to communicate, present or offer such corporate opportunity to the Company or its Subsidiaries and shall not be liable to the Company or its Subsidiaries for breach of any duty (contractual or otherwise), including without limitation fiduciary duties, by reason of the fact that any member of the Parent Group directly or indirectly pursues or acquires such opportunity for itself, directs such opportunity to another Person, or does not present or communicate such opportunity to the Company or its Subsidiaries, even though such corporate opportunity may be of a character that, if presented to the Company or its Subsidiaries, could be taken by the Company or its Subsidiaries. The Company, on behalf of itself and each of its current or future Subsidiaries, hereby renounces any interest, right, or expectancy in any such opportunity not offered to it by the Parent Group, to the fullest extent permitted by law, and the Company, on behalf of itself and each of its current or future Subsidiaries, and each Member hereby waives any claim against each member of the Parent Group and/or any CG Board Member or any of their respective direct or indirect beneficial owners based on the corporate opportunity doctrine, any alleged unfairness to the Company or such Member or otherwise that would require any CG Board Member or any of their respective direct or indirect beneficial owners to offer any opportunity relating thereto to the Company or the Board. Notwithstanding anything in this Section 6.6(a) to the contrary, the implied contractual covenant of good faith and fair dealing shall continue be applicable to CG Board Members to the limited extent as required by the Delaware Act.

(b) Neither the alteration, amendment or repeal of Section 6.6(a) nor the adoption of any provision of this Agreement inconsistent with Section 6.6(a) shall eliminate or reduce the effect of Section 6.6(a) in respect of any matter occurring, or any cause of action, suit or claim that, but for Section 6.6(a), would accrue or arise, prior to such alteration, amendment, repeal or adoption.

ARTICLE 7

BOOKS, RECORDS, ACCOUNTING AND REPORTS

7.1 Records and Accounting. The Company shall keep, or cause to be kept, appropriate books and records with respect to the Company's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided pursuant to Section 7.3 or pursuant to applicable laws. All matters concerning (i) the determination of the relative amount of allocations and Distributions among the Members pursuant to Article 3 and Article 4 and (ii) accounting procedures and

determinations, and other determinations not specifically and expressly provided for by the terms of this Agreement, shall be determined by the Board, whose determination shall be final and conclusive as to all of the Members absent manifest clerical error.

7.2 Fiscal Year. The Fiscal Year of the Company shall be such annual accounting period as is established by the Board from time to time. The Taxable Year of the Company shall be the annual period ending on December 31, unless otherwise required by law.

7.3 Reports. The Company shall use reasonable best efforts to deliver or cause to be delivered, (i) as soon as reasonably possible after the end of each Tax Estimation Period, such information concerning the Company as is reasonably required to enable the Members (or their beneficial owners) to pay estimated federal and state income taxes and (ii) as soon as practicable following the completion of each Taxable Year, but in all events within sixty (60) days after the end of each Taxable Year, to each Person who was a holder of Units at any time during such Taxable Year all information from the Company necessary for the preparation of such Person's United States federal and state income tax returns; provided, however, that the Company shall not be obligated under this Section 7.3 to provide information (A) that the Company reasonably determines in good faith to be a trade secret or highly confidential information or (B) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel or result in a conflict of interest. Except as set forth in the immediately preceding sentence, Sections 2 or 3 of Annex I or any separate written agreement between the Company and any Member, no Member shall have the right to any other information from the Company, except as may be required by non-waivable provision of the Delaware Act.

7.4 Transmission of Communications. Each Person that owns or controls Units on behalf of, or for the benefit of, another Person or Persons shall be responsible for conveying any report, notice or other communication received from the Company to such other Person or Persons.

7.5 Confidentiality. Each CO Member and each CO Indirect Holder agrees, for so long as such Person owns any direct or indirect beneficial interest in any Units and for a period of three (3) years thereafter, to keep confidential any non-public information provided to such Person by the Company and to use any such confidential, non-public information, only in connection with the business of the Company or the internal administration of such CO Member's membership interest (or such CO Indirect Holder's indirect membership interest) in the Company; *provided*, *however*, that nothing herein will limit the disclosure of any information (i) to the extent required by law, statute, rule, regulation, judicial process, subpoena or court order or requested by any governmental agency or other regulatory authority; (ii) that is in the public domain or becomes generally available to the public other than as a result of the disclosure by the parties in violation of this Agreement; or (iii) to such Person's advisors, representatives and Affiliates; *provided* that such Affiliates shall have been advised of this Agreement and shall have expressly agreed to be bound by the confidentiality provisions hereof, or shall otherwise be bound by comparable obligations of confidentiality, and the applicable CO Member or CO Indirect Holder shall be responsible for any breach of this Agreement by any of its Affiliates and such Person agrees, at its sole expense, to take reasonable measures (including but not limited to court proceedings) to restrain its Affiliates from prohibited or unauthorized disclosure or use of any confidential information.

ARTICLE 8

TAX MATTERS

8.1 Preparation of Tax Returns. The Company shall arrange for the preparation and timely filing of all tax returns required to be filed by the Company. Each Member will, upon request, supply to the Company all reasonably accessible, pertinent information in its possession relating to the operations of

the Company necessary to enable the Company's tax returns to be prepared and filed. The Company shall provide drafts of the Company's U.S. federal income tax returns to TopCo at least twenty (20) days prior to the due date for the filing of such returns, and shall consider in good faith any comments that TopCo makes to such drafts.

8.2 Tax Elections. The Board shall in its reasonable discretion exercised in good faith determine whether to make or revoke any available election or decision relating to tax matters, including any controversy described in Section 8.3, pursuant to the Code. The Board in its sole discretion may direct the Partnership Representative to elect the application of Code Section 6226 (or any similar provision of state, local or non-U.S. law) with respect to any Imputed Underpayment Amount but is not required to do so. Each Member will upon request supply any information necessary to give proper effect to such election. The Company will (and if applicable, will cause any Subsidiaries to) make and maintain a Section 754 election on its Tax Return for any taxable year that includes purchase of Class CO Units and/or Incentive Units by Parent pursuant to the First Call Right, the Second Call Right, or the Put Right if such an election has not previously been made for the Company (and any applicable Subsidiary).

8.3 Tax Controversies. Unless and until another Member is designated as the partnership representative by the Board, the partnership representative of the Company as provided in the Treasury Regulations under Code Section 6223 and any analogous provisions of state or local law shall be as specified by the Board, and in such capacity is referred to as the "**Partnership Representative**". The Partnership Representative shall initially be Parent. On behalf of the Company, the Partnership Representative (or its designee) shall subject to the approval of the Board be permitted to appoint any "designated individual" permitted under Treasury Regulations Sections 301.6223-1 and 301.6223-2 or any successor regulations or similar provisions of tax law, and unless the context otherwise requires, any reference to the Partnership Representative in this Agreement includes any such designated individual. The Partnership Representative and the designed individual shall be entitled to be reimbursed by the Company for all out-of-pocket costs and expenses incurred as a result of acting as the Partnership Representative and designated individual in connection with any proceeding involving the Company and to be indemnified by the Company (solely out of Company assets) with respect to any action brought against it as a result of acting as Partnership Representative or designated individual in connection with the resolution or settlement of any such proceeding. Notwithstanding the preceding sentence, the Partnership Representative or designated representative shall not be entitled to indemnification for such costs and expenses if such person has not acted in good faith. Each Member hereby agrees (i) to take such actions as may be required to effect Parent's designation as the Partnership Representative, and on behalf of the Company, the Partnership Representative's appointment(s) (and replacements) of any applicable "designated individual," (ii) to cooperate to provide any information or take such other actions as may be reasonably requested by the Partnership Representative in order to determine whether any Imputed Underpayment Amount may be modified pursuant to Code Section 6225(c) and any corresponding provision of applicable state or local law, and (iii) to, upon the request of the Partnership Representative, either file any amended U.S. federal income tax return and pay any tax due in connection with such tax return, or undertake the alternative "pull-in" procedure, in accordance with Code Section 6225(c)(2) and any corresponding provision of applicable state or local law. The provisions of this Section 8.3 and a Member's obligation to comply with this Section 8.3 shall survive any liquidation and dissolution of the Company and the transfer, assignment or liquidation of such Member's Company Interest. Notwithstanding the foregoing, the Partnership Representative (including, for the avoidance of doubt, any designated individual) shall not: (a) settle disputes with the Internal Revenue Service, (b) extend the statute of limitations for any taxes, or (c) take any other significant action affecting the tax liability of the Company and the Members (including, without limitation, undertaking the "pull-in procedure" in accordance with Code Section 6225(c)(2)) without the prior consent of the Board.

8.4 Tax Treatment of Transaction. The Company and each Member shall treat the transactions contemplated by the Purchase Agreement for U.S. federal (and applicable state and local) income tax purposes in a manner required by Section 1.8 of the Purchase Agreement and all tax returns shall be prepared in a manner consistent therewith.

8.5 Tax Communications. The Partnership Representative shall use reasonable efforts to inform the Members of all material tax matters that come to its attention in its capacity as Partnership Representative, including, without limitation, any matter that could materially affect the tax liability of the Members, within ten (10) days after the Partnership Representative becomes aware of such matters, and shall consider in good faith any input provided by the Members in respect of such matters.

ARTICLE 9

RESTRICTIONS ON TRANSFER OF UNITS; PREEMPTIVE RIGHTS; REDEMPTION

9.1 Transfers of Units.

(a) Except as otherwise provided in this Section 9.1(a), no Holder may Transfer any Units without the prior written consent of the Board. Except as provided in Section 9.1(b) below, all Transfers are subject to compliance with Sections 9.2 and 9.3. The restrictions set forth in this Section 9.1(a) shall continue with respect to each Unit until the first to occur of (i) the consummation of an IPO or (ii) the consummation of an Approved Sale.

(b) The restrictions contained in Sections 9.1(a), 9.2 and 9.3 shall not apply to any Transfer of Units by any Holder (i) pursuant to Section 12.7 or Section 12.8, (ii) by any Holder to a member of such Holder's Family Group or a trust solely for the benefit of such Holder and such Holder's Family Group (or a re-Transfer of such Units back to such Holder by such Family Group member or by such trust) or pursuant to the applicable laws of descent or distribution among such Holder's Family Group, (iii) pursuant to Section 3.9 or (iv) to Parent pursuant to Section 4, Section 5 or Section 6 of Annex I; *provided* that the restrictions contained in this Agreement will continue to apply to the Units after any Transfer pursuant to clause (ii) and each transferee of Units shall agree in writing, prior to and as a condition precedent to the effectiveness of such Transfer, to be bound by the provisions of this Agreement, without modification or condition, subject only to the consummation of such Transfer. Upon the Transfer of Units pursuant to clause (ii) of the first sentence of this Section 9.1(b), the transferor will deliver written notice to the Company, which notice will disclose in reasonable detail the identity of such transferee(s) and shall include original counterparts of this Agreement signed on behalf of the transferee in a form acceptable to the Company.

(c) Any Imputed Underpayment Amount that is properly allocable to an assignor of an interest, as reasonably determined by the Board, shall be treated as a Withholding Payment with respect to the applicable assignee in accordance with Section 3.7. Furthermore, as a condition to any assignment, each assignor shall be required to agree (i) to continue to comply with the provisions of Section 8.3 notwithstanding such assignment and (ii) to indemnify and hold harmless the Company from and against any and all liability with respect to the assignee's Withholding Payments resulting from Imputed Underpayment Amounts attributable to the assignor.

(d) If the Company is obligated to pay any taxes (including penalties, interest, costs, any addition to tax, Withholding Payments or other tax withholdings or other amounts in the nature of a tax) to any Governmental Entity that are specifically attributable to a Member or such Member's transferor or that are a result of any Transfer of a Company Interest, including, without limitation, on account of Sections 864 or 1446 of the Code, then (x) such Persons shall indemnify the Company

in full for the entire amount paid or payable, (y) the Board may offset future Distributions to which such Person is otherwise entitled under this Agreement against such Person's obligation to indemnify the Company under this Section 9.1(d) and (z) such amounts shall be treated as a Withholding Payment pursuant to Section 3.7 with respect to both such former Member and such former Member's transferee(s), in each case, without duplication of any indemnification for Withholding Payments made under Section 3.7.

(e) Notwithstanding anything in this Agreement to the contrary, except as otherwise agreed by the Board in its sole discretion, as a condition to any Proposed Transfer:

(i) if the Member who proposes to Transfer its Company Interest (or if such Member is a disregarded entity for U.S. federal income tax purposes, the first direct or indirect beneficial owner of such Member that is not a disregarded entity (the "**Member's Owner**")) is a "United States person" as defined in Section 7701(a)(30) of the Code, then such Member (or the Member's Owner, if applicable) shall complete and provide to both of the transferee and the Company, a duly executed affidavit in the form provided to such transferor by the Company, certifying, under penalty of perjury, that the Member (or Member's Owner, if applicable) is not a foreign person, nonresident alien, foreign corporation, foreign partnership, foreign trust, or foreign estate (as such terms are defined under the Code and applicable Treasury Regulations, including for purposes of Code Sections 1445 and 1446) and the Member's (or Member's Owner's, if applicable) United States taxpayer identification number, or

(ii) if the Member who proposes to Transfer its Company Interest (or if such Member is a disregarded entity for U.S. federal income tax purposes, the Member's Owner) is not "United States person" as defined in Section 7701(a)(30) of the Code, then such transferor and transferee shall jointly provide to the Company written proof reasonably satisfactory to the Board that any applicable Withholding Payment or any other withholding tax that may be imposed on such transfer or assignment (including, but not limited to, pursuant to Sections 864 and 1446 of the Code) and any related tax returns or forms that are required to be filed, have been, or will be, timely paid and filed, as applicable.

9.2 Right of First Refusal.

(a) Each Holder hereby unconditionally and irrevocably grants to Parent a Right of First Refusal to purchase all or any portion of any Units that such Holder may propose to Transfer ("**Transfer Units**"), at the same price and on the same terms and conditions as those offered to the Prospective Transferee. Each Holder proposing to make a Proposed Transfer (each such Holder, a "**Transferring Holder**") must deliver a Proposed Transfer Notice to Parent and each Rights Holder not later than forty-five (45) days prior to the consummation of such Proposed Transfer. Such Proposed Transfer Notice shall contain the material terms and conditions (including price and form of consideration) of the Proposed Transfer and the identity of the Prospective Transferee. To exercise its Right of First Refusal under this Section 9.2(a), Parent must deliver a Parent Notice to the Transferring Holder within fifteen (15) days after delivery of the Proposed Transfer Notice. In the event of a conflict between this Agreement and any other agreement that may have been entered into by a Transferring Holder with Parent that contains a preexisting right of first refusal, Parent and such Transferring Holder acknowledge and agree that the terms of this Agreement shall control and the preexisting right of first refusal shall be deemed satisfied by compliance with this Section 9.2. If Parent elects to exercise its Right of First Refusal with respect to part but not all of the Transfer Units subject to a Proposed Transfer by a Transferring Holder, Parent must deliver a Parent Secondary Notice to the Transferring Holder and to each other Rights Holder to that effect no later than fifteen (15) days after the Transferring Holder delivers the Proposed Transfer Notice to Parent. If Parent

does not timely deliver a Parent Notice or a Parent Secondary Notice as set forth in this Section 9.2(a), then Parent shall be deemed to have waived its Right of First Refusal with respect to the Proposed Transfer.

(b) If the consideration proposed to be paid for the Transfer Units is in property, services or other non-cash consideration, the Fair Market Value of such non-cash consideration shall be as determined by the Board and as set forth in the Parent Notice. If Parent cannot for any reason pay for the Transfer Units in the same form of non-cash consideration, Parent may pay the Fair Market Value of such consideration in cash. The closing of the purchase of Transfer Units by Parent shall take place, and all payments from Parent shall have been delivered to the Transferring Holder, by the later of (i) the date specified in the Proposed Transfer Notice as the intended date of the Proposed Transfer, (ii) forty-five (45) days after delivery of the Proposed Transfer Notice, and (iii) five (5) business days after such date on which all regulatory (including antitrust) or competition notices or clearances required by applicable law with respect to such purchase by Parent have been obtained.

(c) Parent shall be entitled to assign (in whole or in part) its rights under this Section 9.2 to any Affiliate of Parent. The provisions of this Section 9.2 shall continue with respect to each Unit until the first to occur of (i) the consummation of an IPO, or (ii) the consummation of an Approved Sale.

9.3 Right of Co-Sale.

(a) If any Transfer Units subject to a Proposed Transfer by a Transferring Holder are not purchased by Parent or an Affiliate of Parent pursuant to Section 9.2 above and thereafter are to be sold to a Prospective Transferee, then each Rights Holder (other than the Rights Holder that is also the Transferring Holder, if applicable) may elect to exercise its Right of Co-Sale and participate on a pro rata basis in the Proposed Transfer as set forth in this Section 9.3 and otherwise on the same terms and conditions specified in the Proposed Transfer Notice. Each Rights Holder who desires to exercise its Right of Co-Sale (each, a "**Participating Member**") must give the Transferring Holder written notice to that effect within fifteen (15) days after the deadline for delivery of the Parent Secondary Notice described above, and upon giving such notice such Rights Holder shall be deemed to have effectively exercised the Right of Co-Sale.

(b) Each Participating Member may include in the Proposed Transfer all or any part of such Participating Member's Units equal to the product obtained by multiplying (i) the aggregate number of Transfer Units subject to the Proposed Transfer by (ii) a fraction, the numerator of which is the number of Units that are not Unvested Units owned by such Participating Member immediately before consummation of the Proposed Transfer and the denominator of which is the total number of Units that are not Unvested Units owned in the aggregate, by all Participating Members immediately prior to the consummation of the Proposed Transfer, plus, without duplication, the number of Transfer Units held by the Transferring Holder. To the extent one or more of the Participating Members exercise such right of participation in accordance with the terms and conditions set forth herein, the number of Transfer Units that the Transferring Holder may sell in the Proposed Transfer shall be correspondingly reduced.

(c) The parties hereby agree that the terms and conditions of any sale pursuant to this Section 9.3 will be memorialized in, and governed by, a written purchase and sale agreement with customary terms and provisions for such a transaction and the parties further covenant and agree to enter into such an agreement as a condition precedent to any sale or other transfer pursuant to this Section 9.3. Neither the Transfer of Transfer Units by the Transferring Holder nor the Transfer of Units by a Participating Member shall be effective, unless, contemporaneously with such Transfer, the Prospective Transferee executes a counterpart to this Agreement, thereby agreeing to be bound to all the terms and conditions of this Agreement. If any Prospective Transferee or Transferees refuse(s) to purchase securities subject to the Right of Co-Sale from any Participating Member exercising its Right of Co-Sale hereunder, no Transferring Holder may sell any Transfer Units to such Prospective Transferee or Transferees unless

and until, simultaneously with such sale, such Transferring Holder purchases all securities subject to the Right of Co-Sale from such Participating Member on the same terms and conditions (including the proposed purchase price) as set forth in the Proposed Transfer Notice.

(d) If any Proposed Transfer by a Transferring Holder is not consummated within forty-five (45) days after receipt of the Proposed Transfer Notice by Parent (other than by reason of any failure of Parent or any Participating Member to comply with their respective obligations under Section 9.2 or this Section 9.3), the Transferring Holder proposing the Proposed Transfer may not sell any Transfer Units unless such Holder first complies in full with each provision of Section 9.2 and this Section 9.3. The exercise or election not to exercise any right by any Rights Holder hereunder shall not adversely affect its right to participate in any other sales of Transfer Units subject to this Section 9.3.

(e) The provisions of this Section 9.3 shall not apply to the Class CO-A Units and shall continue with respect to each other Unit until the first to occur of (i) the consummation of an IPO or (ii) the consummation of an Approved Sale.

9.4 Effect of Failure to Comply with Right of First Refusal and Right of Co-Sale.

(a) Any Proposed Transfer not made in compliance with the requirements of this Agreement shall be null and void ab initio, shall not be recorded on the books of the Company or its transfer agent and shall not be recognized by the Company. Each party hereto acknowledges and agrees that any breach of this Agreement would result in substantial harm to the other parties hereto for which monetary damages alone could not adequately compensate. Therefore, the parties hereto unconditionally and irrevocably agree that any non-breaching party hereto shall be entitled to seek protective orders, injunctive relief and other remedies available at law or in equity (including, without limitation, seeking specific performance or the rescission of purchases, sales and other transfers of Transfer Units not made in strict compliance with this Agreement).

(b) If any Transferring Holder becomes obligated to sell any Transfer Units to Parent under this Agreement and fails to deliver such Transfer Units in accordance with the terms of this Agreement, Parent may, at its option, in addition to all other remedies it may have, send to such Transferring Holder (as applicable) the purchase price for such Transfer Units as is herein specified and transfer to the name of Parent (or request that the Company effect such transfer in the name of Parent) on the Company's books the Transfer Units to be sold.

(c) If any Transferring Holder purports to sell any Transfer Units in contravention of the Right of Co-Sale (a "**Prohibited Transfer**"), each Rights Holder who desires to exercise its Right of Co-Sale under Section 9.3 may, in addition to such remedies as may be available by law, in equity or hereunder, require such Transferring Holder to purchase from such Rights Holder the type and number of Units that such Rights Holder would have been entitled to sell to the Prospective Transferee under Section 9.3 had the Prohibited Transfer been effected pursuant to and in compliance with the terms of Section 9.3. The sale will be made on the same terms and subject to the same conditions as would have applied had the Transferring Holder not made the Prohibited Transfer, except that the sale (including, without limitation, the delivery of the purchase price) must be made within ninety (90) days after the Rights Holder learns of the Prohibited Transfer, as opposed to the timeframe prescribed in Section 9.3. Such Transferring Holder shall also reimburse each Rights Holder for any and all reasonable and documented out-of-pocket fees and expenses, including reasonable legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of its rights under Section 9.3.

9.5 Additional Transfer Restrictions; Lock-Up.

(a) In connection with the Transfer of any Units, the holder thereof shall deliver written notice to the Company describing in reasonable detail the Transfer or proposed Transfer, which shall, if so requested by the Company, be accompanied by (i) an opinion of counsel which (to the Company's reasonable satisfaction) is knowledgeable in securities law matters to the effect that such Transfer of Units may be effected without registration of such Units under the Securities Act or (ii) such other evidence reasonably satisfactory to the Company to the effect that such Transfer of Units may be effected without registration of such Units under the Securities Act. The holder thereof shall not effect any Transfer of the same until the Prospective Transferee has confirmed to the Company in writing its agreement to be bound by the conditions contained in this Agreement.

(b) Each Holder hereby agrees that it will not, directly or indirectly, without the prior written consent of the Company or its successor and the managing underwriter(s), (i) during the period commencing on the date of the final prospectus relating to an IPO and ending on the date specified by the Company or its successor and the managing underwriter(s) (such period not to exceed one hundred eighty (180) calendar days) and (ii) during the period commencing on the date of the final prospectus relating to any subsequent underwritten public offering by the Company or its successor of its Capital Stock to the public effected pursuant to an effective registration under the Securities Act (other than a registration on Form S-4 or Form S-8 or any successor forms) and ending on the date specified by the Company or its successor and managing underwriter(s) (such period not to exceed ninety (90) calendar days): (x) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Capital Stock in the Company or its successor or in Person that is not an individual that holds Capital Stock in the Company or its successor (whether such shares or any such securities are then owned by the holder of Capital Stock or are thereafter acquired), or (y) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Capital Stock, whether any such transaction described in clauses (x) or (y) above is to be settled by delivery of such Capital Stock, in cash or otherwise. The foregoing provisions of this Section 9.5(b) shall not apply to the sale of any Capital Stock to an underwriter pursuant to an underwriting agreement.

9.6 Assignee's Rights.

(a) A Transfer of a Company Interest in accordance with this Agreement shall be effective as of the date of assignment and compliance with the conditions to such Transfer and such Transfer shall be shown on the books and records of the Company. Income, loss and other Company items shall be allocated between the transferor and the Assignee according to Code Section 706 as determined by the Board. Distributions made before the effective date of such Transfer shall be paid to the transferor, and Distributions made after such date shall be paid to the Assignee.

(b) Unless and until an Assignee becomes a Member pursuant to Article 10, the Assignee shall not be entitled to any of the rights granted to a Member hereunder or under applicable law, other than the rights granted specifically to Assignees pursuant to this Agreement; *provided* that without relieving the Transferring Holder from any such limitations or obligations as more fully described in Section 9.5, such Assignee shall be bound by any limitations and obligations of a Member contained herein by which a Member would be bound on account of such Company Interest (including the obligation to make Capital Contributions on account of such Company Interest).

9.7 Assignor's Rights and Obligations. Any Member who shall Transfer any Company Interest in accordance with this Agreement shall cease to be a Member with respect to such Company Interest and shall no longer have any rights or privileges, or, except as set forth in this Section 9.7, duties, liabilities or obligations, of a Member with respect to such Company Interest, except that unless and until the Assignee is admitted as a Substituted Member in accordance with the provisions of Article 10 (the

"**Admission Date**"), (i) such assigning Member shall retain all of the duties, liabilities and obligations of a Member with respect to such Company Interest, including, without limitation, the obligation (together with its Assignee pursuant to Section 9.6(b)) to make and return Capital Contributions on account of such Company Interest pursuant to the terms of this Agreement and (ii) the Board may, in its sole discretion, reinstate all or any portion of the rights and privileges of such Member with respect to such Company Interest for any period of time prior to the Admission Date. Nothing contained herein shall relieve any Member who Transfers any Company Interest from any liability of such Member to the Company with respect to such Company Interest that may exist on the Admission Date or that is otherwise specified in the Delaware Act and incorporated into this Agreement or from any liability to the Company or any other Person for any materially false statement made by such Member (in its capacity as such) or for any present or future breaches of any representations, warranties or covenants by such Member (in its capacity as such) contained herein or in the other agreements between such Member and the Company.

9.8 Preemptive Rights.

(a) Except for the issuance or sale of Equity Securities (i) to officers, employees, managers, directors or consultants of the Company or its Subsidiaries or to TopCo or IncentiveCo pursuant to an incentive equity plan, agreement or arrangement approved by the Board, (ii) pursuant to an IPO, (iii) in connection with the reclassification, recapitalization, or conversion of any of the Company's outstanding Equity Securities into another class of Equity Securities on terms made available to all holders of the same class of such outstanding Equity Securities, (iv) in connection with an acquisition of another company or business (whether by merger, recapitalization, consolidation, reorganization, combination or otherwise) by the Company or any of its Subsidiaries, (v) upon the exercise or conversion of any Options or Convertible Securities outstanding on the Original Effective Date or issued after the Original Effective Date in compliance with the provisions of this Section 9.8, (vi) any Unit split, Unit dividend or similar recapitalization (including, for avoidance of doubt the recapitalization of the Class CO Units into Class CO Units and Class CO-A Units pursuant to this Agreement, (vii) to a commercial lender or other financial institution in connection with a loan to the Company, or (viii) to any investment banking firm or placement agent for *bona fide* services rendered to the Company (collectively, "**Exempt Equity Issuances**" and each an "**Exempt Equity Issuance**"), if the Company authorizes the issuance or sale of any Equity Securities to any Person, the Company shall offer to sell to each Rights Holder a portion of such Equity Securities equal to the quotient determined by dividing (x) the number of Class CO Units and Class CG Units then held by such Rights Holder by (y) the Fully-Diluted Unit Capitalization. Each Rights Holder shall be entitled to purchase such Equity Securities at the same price and on the same terms as such Equity Securities are to be offered to such Person.

(b) In connection with the issuance or sale of any Equity Securities to which the preemptive rights described in this Section 9.8 apply, the Company will deliver to each Rights Holder, as soon as reasonably practicable under the circumstances giving rise to the preemptive rights described in this Section 9.8, a written notice (the "**Preemptive Rights Notice**") describing (i) the Equity Securities being offered, (ii) the purchase price and the payment terms of the Equity Securities being offered (including the date the Company is requesting delivery of funds with respect thereto), and (iii) such Rights Holder's percentage allotment determined in accordance with Section 9.8(a).

(c) In order to exercise its preemptive rights under this Section 9.8, each Rights Holder must deliver a written notice to the Company describing its election hereunder (which election may be with respect to all or any portion of the Equity Securities it has a right to purchase hereunder) no later than ten (10) days after receipt of the Preemptive Rights Notice (the "**Election Period**").

(d) Notwithstanding anything to the contrary set forth herein, in lieu of offering to any Rights Holder any Equity Securities to which the preemptive rights described in this Section 9.8 apply at

the time such Equity Securities are offered to any Person, the Company may comply with the provisions of this Section 9.8 by making an offer to sell to each such Rights Holder, at the same price and on the same terms as such Equity Securities were sold to such Person, the number of such Equity Securities that such Rights Holder would be entitled to purchase under Section 9.8(b) promptly after a sale to such Person is effected. In such event, for all purposes of this Section 9.8, the number of such Equity Securities that each such Rights Holder shall be entitled to purchase under Section 9.8(b) shall be determined taking into consideration the actual number of Equity Securities sold to such Person so as to achieve the same economic effect as if such offer were made prior to such sale. In order to exercise its rights under this Section 9.8(d), the Company shall give notice to the Rights Holders within ten (10) days after the issuance of Equity Securities to such Person, describing (i) the Equity Securities being offered, (ii) the purchase price and the payment terms of the Equity Securities being offered (including the date the Company is requesting delivery of funds with respect thereto), and (iii) such Rights Holder's percentage allotment determined in accordance with this Section 9.8(d). Each Rights Holder shall have twenty (20) days from the date such notice is given to elect to purchase all or any portion of the Equity Securities so offered to such Rights Holder.

(e) During the one hundred twenty (120)-day period following the expiration of the Election Period, the Company shall be entitled to sell such Equity Securities which any Rights Holder has not elected to purchase prior to the expiration of the Election Period on terms and conditions (including price) no more favorable to the purchasers thereof than those offered to such Rights Holder. Any Equity Securities offered or sold by the Company to any Person after such one hundred twenty (120)-day period must be reoffered to each Rights Holder pursuant to the terms of this Section 9.8.

(f) Each Rights Holder shall be entitled to assign (in whole or in part) its rights under this Section 9.8 to any Affiliate of such Rights Holder. The rights under this Section 9.8 will terminate upon the earlier to occur of (i) the consummation of an IPO and (ii) the consummation of an Approved Sale.

9.9 Counterparts; Joinder. Prior to Transferring any Units (other than pursuant to Section 12.7 or Section 12.8 or any Transfer to the Company pursuant to Section 3.9 or to Parent pursuant to Section 4, Section 5 or Section 6 of Annex I) and as a condition precedent to the effectiveness of such Transfer, the Transferring Holder will cause the Prospective Transferee(s) (including, if applicable, any Person that would be deemed a Holder but not a Member) to execute and deliver to the Company counterparts of this Agreement and any other agreements relating to such Units, if any, reasonably requested by the Company, or executed joinders to such agreements, in each case, in a form acceptable to the Company. Notwithstanding anything herein to the contrary, any Person who acquires in any manner whatsoever any Units or other Company Interest, irrespective of whether such Person has accepted and adopted in writing the terms and conditions of this Agreement, shall be deemed by the acceptance of the benefits of the acquisition thereof to have agreed to be subject to and bound by all of the terms and conditions of this Agreement to which any predecessor in such Units or Company Interest was subject or by which such predecessor was bound.

9.10 Ineffective Transfer. Any Transfer or attempted Transfer of any Units in violation of any provision of this Agreement shall be void, and the Company will not record such Transfer on its books or treat any purported transferee of such Units as the owner of such securities for any purpose.

9.11 Other Transfer Restrictions. No holder of any Company Interest may transfer all or any portion of such holder's Company Interest without the prior written consent of the Board if such transfer would (a) cause the Company to have more than 90 partners within the meaning of Treasury Regulation Section 1.7704-1(h), including the look-through rule in Treasury Regulation Section 1.7704-1(h)(3), or otherwise cause the Company to be a publicly traded partnership within the meaning of Section 7704 of the Code, (b) cause the Company to be required to register as an "investment company" under the Investment

Company Act of 1940, as amended or (c) violate any federal securities laws or any state securities or "blue sky" laws (including any investor suitability standards) applicable to the Company or the Company Interest to be transferred.

9.12 Certain Matters Regarding TopCo and MidCo. Each of the CO Indirect Holders and TopCo hereby agrees that, except with the prior written approval of Parent, (a) each of such Co Indirect Holders, TopCo and MidCo will not, either directly or indirectly by amendment, merger, consolidation, recapitalization, reclassification, or otherwise, without the prior written consent of the Company, (i) create, or authorize the creation of, or issue or obligate itself to issue, any Capital Stock of TopCo or MidCo or amend, waive or modify, or consent to the amendment, waiver or modification of, any provision of the TopCo LLC Agreement or the limited liability company agreement of MidCo, (ii) cause or permit any Transfer of Capital Stock in TopCo or MidCo (except as otherwise expressly permitted under this Agreement), (iii) amend or waive, or consent to the amendment or waiver of the terms any Incentive Agreement regarding TopCo Incentive Interests, (iv) remove or replace Bruce Thompson as the sole manager of Topco (except in the case of his death, disability or voluntary resignations), and (b) in the event that the First Call Right, the Second Call Right and/or the Put Right is exercised, the First Call Consideration, the Second Call Consideration and/or the Put Consideration payable or distributable to TopCo, as applicable, shall not be distributed by TopCo, except to the CO Indirect Holders in the manner and in the proportions described on Exhibit A or as otherwise consented to in writing by Parent. TopCo agrees that it shall take such actions are necessary or appropriate to effectuate the terms and conditions of Sections 3.8 and 3.9 with respect to (i) any TopCo Incentive Units that are forfeited and/or repurchased or required to be so forfeited and/or repurchased in accordance with the terms and conditions thereof, and (ii) the holders of any such TopCo Incentive Units. Each of TopCo and the CO Indirect Holders agree that Parent shall have the right, in addition to any rights and remedies that it may have at law or in equity, to require repayment of any amounts distributed to any Persons by TopCo or MidCo other than in compliance with this Section 9.12.

ARTICLE 10

ADMISSION OF MEMBERS

10.1 Substituted Members. Subject to the provisions of Article 9 hereof, in connection with the permitted Transfer of a Company Interest of a Member, the transferee shall become a Substituted Member on the effective date of such Transfer, which effective date shall not be earlier than the date of compliance with the conditions to such Transfer, and such admission shall be shown on the books and records of the Company.

10.2 Additional Members. Subject to the provisions of Article 9 hereof, a Person may be admitted to the Company as an Additional Member only upon furnishing to the Company (a) counterparts of this Agreement or an executed joinders to this Agreement in a form acceptable to the Company and (b) such other documents or instruments as the Board may deem necessary or appropriate to effect such Person's admission as a Member. Such admission shall become effective on the date on which the Board determines in its sole discretion that such conditions have been satisfied and when any such admission is shown on the books and records of the Company.

ARTICLE 11

WITHDRAWAL AND RESIGNATION OF MEMBERS

No Member shall have the power or right to withdraw or otherwise resign as a Member of the Company prior to the dissolution and winding up of the Company pursuant to Article 12 without the prior

written consent of the Board, except as otherwise expressly permitted by this Agreement. Upon a Transfer of all of a Member's Units in a Transfer permitted by this Agreement, subject to the provisions of Article 9, such Member shall cease to be a Member.

ARTICLE 12

DISSOLUTION AND LIQUIDATION; CORPORATE CONVERSION; APPROVED SALE

12.1 Dissolution. The Company shall not be dissolved by the admission of Additional Members or Substituted Members or the attempted withdrawal or resignation of a Member. The Company shall dissolve, and its affairs shall be wound up, only upon:

(a) the approval of a majority of the members of the Board and the affirmative vote or written consent of the Requisite Members; or

(b) the entry of a decree of judicial dissolution of the Company under Section 18-802 of the Delaware Act.

Except as otherwise set forth in this Article 12, the Company is intended to have perpetual existence. An Event of Withdrawal shall not cause a dissolution of the Company and the Company shall continue in existence subject to the terms and conditions of this Agreement.

12.2 Liquidation and Termination. On dissolution of the Company, the Board shall act as liquidator or may appoint one or more Persons as liquidator. The liquidators shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Delaware Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the liquidators shall continue to operate the Company properties with all of the power and authority of the Board. The steps to be accomplished by the liquidators are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the liquidators shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the liquidators shall cause the notice described in the Delaware Act to be mailed to each known creditor of and claimant against the Company in the manner described thereunder;

(c) the liquidators shall pay, satisfy or discharge from Company funds all of the debts, liabilities and obligations of the Company (including, without limitation, all expenses incurred in liquidation) or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash fund for contingent liabilities in such amount and for such term as the liquidators may reasonably determine); and

(d) all remaining assets of the Company shall be distributed to the Members in accordance with Section 4.1(a)(ii), by the end of the taxable year of the Company during which the liquidation of the Company occurs (or, if later, by ninety (90) days after the date of the liquidation).

The Distribution of cash and/or property to Members in accordance with the provisions of this Section 12.2 and Section 12.3 constitutes a complete return to the Members of their Capital Contributions and a complete Distribution to the Members of their interest in the Company and all the Company's property and constitutes a compromise to which all Members have consented within the meaning of the Delaware

Act. To the extent that a Member returns funds to the Company, it has no claim against any other Member for those funds.

12.3 Deferment; Distribution in Kind. Notwithstanding the provisions of Section 12.2, but subject to the order of priorities set forth therein, if upon dissolution of the Company the liquidators determine that an immediate sale of part or all of the Company's assets would be impractical or would cause undue loss (or would otherwise not be beneficial) to the Members, the liquidators may, in their sole discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy Company liabilities (other than loans to the Company by Members) and reserves. Subject to the order of priorities set forth in Section 12.2, the liquidators may, in their sole discretion, distribute to the Members, in lieu of cash, either (i) all or any portion of such remaining Company assets in-kind in accordance with the provisions of Section 12.2(d), (ii) as tenants in common and in accordance with the provisions of Section 12.2(d), undivided interests in all or any portion of such Company assets or (iii) a combination of the foregoing. Any such Distributions in kind shall be subject to (x) such conditions relating to the disposition and management of such assets as the liquidators deem reasonable and equitable and (y) the terms and conditions of any agreements governing such assets (or the operation thereof or the holders thereof) at such time. Any Company assets distributed in kind will first be written up or down to their Fair Market Value (as determined by the liquidators rather than the Board), thus creating Profit or loss (if any), which shall be allocated in accordance with Sections 4.2 and 4.3.

12.4 Cancellation of Certificate. On completion of the Distribution of Company assets as provided herein, the Company is terminated (and the Company shall not be terminated prior to such time), and the Board (or such other Person or Persons as the Delaware Act may require or permit) shall file a certificate of cancellation with the Secretary of State of Delaware, cancel any other filings made pursuant to this Agreement that are or should be canceled and take such other actions as may be necessary to terminate the Company. The Company shall be deemed to continue in existence for all purposes of this Agreement until it is terminated pursuant to this Section 12.4.

12.5 Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to Section 12.2 and Section 12.3 in order to minimize any losses otherwise attendant upon such winding up.

12.6 Return of Capital. The liquidators shall not be personally liable for the return of Capital Contributions or any portion thereof to the Members (it being understood that any such return shall be made solely from Company assets).

12.7 Public Offering.

(a) In the event that at any time after the Effective Date, the Board shall approve an offering of Equity Securities of the Company or a successor through an initial public offering and sale of any of the Equity Securities of the Company pursuant to an effective registration statement under the Securities Act (an "**IPO**"), then, to facilitate such offering, the Board shall have the power to cause the Company to be reorganized as a corporation (such corporation being hereinafter referred to as "**NewCo**") under the General Corporation Law of the State of Delaware by incorporation, merger, conversion, contribution, recapitalization, reorganization or exchange or other permissible manner (a "**Corporate Conversion**"), and the Members shall cooperate in good faith to effectuate such Corporate Conversion and IPO. The Corporate Conversion and NewCo shall be structured to, and the charter, bylaws, shareholder and other agreements for NewCo shall, provide in the aggregate all Members and Units with the same rights, obligations, economic interests, protections and other terms as they have or enjoy in the Company, or as close thereto as is reasonably possible. Without limiting the generality of the foregoing, each holder of Units hereby waives any dissenter's rights, appraisal rights or similar rights in connection with any such

incorporation, merger, conversion, contribution, recapitalization, reorganization or exchange. The provisions of this Section 12.7 and all references to the defined term "**IPO**" in this Agreement will apply, *mutatis mutandis*, to any Solvent Reorganization approved by the Board.

(b) Each holder of Units shall receive, in exchange for its Units of a particular class, shares of capital stock in NewCo of the relevant class having the same relative seniority, preference, voting, board rights and consent rights, economic interest and other rights and obligations in NewCo as are set forth for such Units in Sections 3.2, 4.1(a) and 12.2(d) and the other provisions of this Agreement, subject to any modifications deemed appropriate by the Board (with the consent of the Requisite Members) as a result of the Corporate Conversion.

(c) NewCo and the Members (in their capacities as stockholders of NewCo) shall enter into a stockholders' agreement providing for such terms and conditions as are necessary for the rights and obligations and provisions of this Agreement to continue to apply to NewCo, the stockholders of NewCo and the Capital Stock of NewCo, including, but not limited to, (A) an agreement to vote all shares of Capital Stock held by such stockholders to elect the board of directors of NewCo in accordance with the substance of Section 5.3, and (B) the rights and obligations of the Members contained in herein.

(d) Except as provided in this Section 12.7, no Member will have the right or power to veto, vote for or against, amend, modify or delay a Corporate Conversion. In furtherance of the foregoing, each Member hereby makes, constitutes and appoints the Company, with full power of substitution and resubstitution, its true and lawful attorney, for it and in its name, place and stead and for its use and benefit, to act as its proxy in respect of any vote or approval of Members required to give effect to this Section 12.7, including any vote or approval required under Section 18-209 of the Delaware Act. The proxy granted pursuant to this Section 12.7 is a special proxy coupled with an interest and is irrevocable.

(e) The Company and the Members hereby agree to cause any such Corporate Conversion to be structured, to the extent reasonably achievable, to maximize the ability of the Members to aggregate (or "tack") the period during which they hold their Units together with the period during which they hold shares of Capital Stock of NewCo for purposes of the United States securities and tax laws, including Rule 144 under the Securities Act.

12.8 Approved Sale.

(a) Subject to any other limitations set forth herein, if at any time following December 31, 2024, the Board and Parent approve (and, in the case of any sale or other fundamental change which requires the approval of the Board pursuant to the Delaware Act, the Board shall have approved such sale or other fundamental transaction) a Liquidity Event (collectively an "**Approved Sale**"), each holder of Equity Securities will vote for, consent to and raise no objections against such Approved Sale. If the Approved Sale is structured as (i) a merger or consolidation or asset sale or other transaction for which dissenter's, appraisal or similar rights are available under applicable law, each holder of Equity Securities will waive any dissenter's rights, appraisal rights or similar rights in connection with such transaction, or (ii) a sale of Units (including by recapitalization, consolidation, reorganization, combination or otherwise), each holder of Equity Securities will agree to sell all of its Units and rights to acquire Units on the terms and conditions approved by the Board and Parent. Each holder of Equity Securities will take all necessary and appropriate actions in connection with the consummation of the Approved Sale as requested by Parent and the Company, including without limitation voting such holder's Units that are voting units and any other voting securities of the Company over which such holder has voting control in favor of such Approved Sale. In order to secure the performance by such holder of his, her or its obligations under this Section 12.8, such holder hereby appoints each CG Board Member as his, her or its true and lawful proxy and attorney-in-fact, with full power of substitution, to vote all of his, her or its Units that are voting units and

any other voting securities of the Company over which such holder has voting control in favor of an Approved Sale and such other matters as provided for in this Section 12.8. Each CG Board Member may exercise the proxy granted to it hereunder by such holder at any time (and from time to time) if such holder fails to comply with its obligations under this Section 12.8. The proxies and powers granted by such holder pursuant to this Section 12.8 are coupled with an interest and are given to secure the performance obligations under this Section 12.8 and are irrevocable and shall survive the death, incompetency, disability, bankruptcy or dissolution of such holder and any subsequent holder of his, her or its Units or right to acquire Units. No holder of Units and no holder of rights to acquire Units shall grant any proxy or become party to any voting trust or other agreement (whether written or oral) that is inconsistent with, conflicts with or violates any provision of this Section 12.8.

(b) The obligations of each holder of Equity Securities with respect to an Approved Sale are subject to the satisfaction of the following conditions: (i) upon the consummation of the Approved Sale and subject to the provisions of this Agreement, each holder of Equity Securities shall receive the same portion of the aggregate consideration from such transaction that such holder would have received if such aggregate consideration had been distributed by the Company in a complete liquidation pursuant to the rights and preferences set forth in this Agreement as in effect immediately prior to such transaction, (ii) each holder of a class or series of Units shall receive the same form of consideration as other holders in such class or series, and, if any holder of a class or series of Units is given an option as to the form of consideration to be received, each holder of such class or series of Units will be given the same option; *provided, however*, that, notwithstanding the foregoing provisions of this Section 12.8(b), if the consideration to be paid in exchange for the Equity Securities held by such Holder pursuant to this Section 12.8(b) includes any securities and due receipt thereof by any Holder would require under applicable law (x) the registration or qualification of such securities or of any Person as a broker or dealer or agent with respect to such securities; or (y) the provision to any Holder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act, the Company may cause to be paid to any such Holder or in lieu thereof, an amount in cash equal to the Fair Market Value (as determined in good faith by the Board) of the securities which such Holder would otherwise receive as of the date of the issuance of such securities in exchange for the Equity Securities held by such Holder, (iii) in no event shall a holder of Equity Securities be liable, in connection with any indemnification obligations relating to an Approved Sale, for an amount in excess of the consideration received or receivable by such holder of Equity Securities in connection with such Approved Sale (including the payment of a proportionate piece of the Company's then outstanding indebtedness), and (iv) no holder of Equity Securities shall be required to make any representations and warranties not made by all the other holders of Equity Securities in connection with an Approved Sale (except as to such holder's title to its Equity Securities, its authority to enter into such Approved Sale and the enforceability of its obligations thereunder).

(c) If the Company or the holders of the Company's securities enter into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities and Exchange Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), the holders of Equity Securities that are not "accredited investors" (as such term is defined in Rule 501 promulgated under the Securities Act) will, at the request of the Company, appoint a "purchaser representative" (as such term is defined in Rule 501 promulgated by the Securities and Exchange Commission) reasonably acceptable to the Company. If any such holder of Equity Securities appoints a purchaser representative designated by the Company, the Company will pay the fees of such purchaser representative, but if any such holder of Equity Securities declines to appoint the purchaser representative designated by the Company, such holder will appoint another purchaser representative, and such holder will be responsible for the fees of the purchaser representative so appointed.

(d) The provisions of this Section 12.8 will terminate on the first to occur of (i) the consummation of an IPO and (ii) the consummation of an Approved Sale (except as such provisions relate to any such Approved Sale).

ARTICLE 13

GENERAL PROVISIONS

13.1 Power of Attorney.

(a) Each holder of Units hereby constitutes and appoints each CG Board Member and the liquidators, with full power of substitution, as his, her or its true and lawful agent and attorney-in-fact, with full power and authority in his, her or its name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) this Agreement, all certificates and other instruments and all amendments thereof which the Board deems appropriate or necessary to form, qualify, or continue the qualification of, the Company as a limited liability company in the State of Delaware and in all other jurisdictions in which the Company may conduct business or own property; (B) all instruments which the Board deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (C) all conveyances and other instruments or documents which the Board deems appropriate or necessary to reflect the dissolution and liquidation of the Company pursuant to the terms of this Agreement, including a certificate of cancellation; and (D) all instruments relating to the admission, withdrawal or substitution of any Member pursuant to Article 10 or Article 11; and

(ii) sign, execute, swear to and acknowledge all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the reasonable judgment of the Board, to evidence, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the holders of Units hereunder or is consistent with the terms of this Agreement and/or appropriate or necessary (and not inconsistent with the terms of this Agreement), in the reasonable judgment of the Board, to effectuate the terms of this Agreement.

(b) The foregoing power of attorney is irrevocable and coupled with an interest, and shall survive the death, disability, incapacity, dissolution, bankruptcy, insolvency or termination of any holder of Units and the Transfer of all or any portion of his, her or its Company Interest and shall extend to such holder’s heirs, successors, assigns and personal representatives.

13.2 Amendments.

(a) The Board (pursuant to its power of attorney from the holders of Units as provided in Section 13.1), without the consent of any holder of Units, may amend any provision of this Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(i) a change in the name of the Company or the location of the principal place of business of the Company;

(ii) admission, substitution, removal or withdrawal of Members or Assignees in accordance with this Agreement or any update to the Schedule of Members in accordance with Section 3.2(b);

(iii) a change that does not adversely affect any holder of Units in any material respect in its capacity as an owner of Units and is necessary or desirable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any United States federal or state agency or judicial authority or contained in any United States federal or state statute; or

(iv) a change that does not adversely affect any holder of Units in any material respect in its capacity as an owner of Units and cures any ambiguity.

(b) In all other cases this Agreement may be amended, modified or waived upon the consent of the Board and the consent or approval of the Requisite Members; *provided*, that Sections 3.2(a)(i), 3.2(a)(ii), 3.2(a)(iii), Annex I and Section 12.8 may not be amended, modified or waived in a manner that by its terms adversely and disproportionately affects the rights of the CO Members (as compared to the other Members), without the consent or approval of the holders of a majority of the outstanding Class CO Units. For the avoidance of doubt, without any action or requirement of consent by any Member, the Company shall update the Schedules to this Agreement to remove a Member's name therefrom once such Member no longer holds any Equity Securities, following which such Person shall cease to be a "Member" or have any rights or obligations under this Agreement.

13.3 Title to Company Assets. The assets of the Company shall be deemed to be owned by the Company as an entity, and no Holder, individually or collectively, shall have any ownership interest in such assets or any portion thereof. Legal title to any or all assets of the Company may be held in the name of the Company, the Board or one or more nominees, as the Board may determine. Any assets of the Company for which legal title is held in the name of the Board or the name of any nominee shall be held in trust by the Board or such nominee for the use and benefit of the Company in accordance with the provisions of this Agreement. All assets of the Company shall be recorded as the property of the Company on its books and records, irrespective of the name in which legal title to such assets is held.

13.4 Addresses and Notices. Any notice provided for in this Agreement will be in writing and will be either personally delivered, or received by certified mail, return receipt requested, sent by reputable overnight courier service (charges prepaid) or facsimile to the Company at the address set forth below and to any other recipient and to any Holder at such address as indicated by the Company's records, or at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally or sent by facsimile (provided confirmation of transmission is received), by electronic mail for which a "read receipt" or other written confirmation of receipt is obtained, three days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service. The Company's address is:

To the Company:

CarOffer, LLC
2701 E. Plano Parkway, #100
Plano, TX 75074
Attention: Bruce Thompson
Email: [EMAIL]

and to Parent:

CarGurus, Inc.
2 Canal Park, 4th Floor
Cambridge, Massachusetts 02141
Attention: General Counsel
Email: [EMAIL]

13.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

13.6 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company or any of its Affiliates, and no creditor who makes a loan to the Company or any of its Affiliates may have or acquire (except pursuant to the terms of a separate agreement executed by the Company in favor of such creditor) at any time as a result of making the loan any direct or indirect interest in Profits, losses, Distributions, capital or property other than as a secured creditor.

13.7 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement or condition.

13.8 Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which together shall constitute one and the same agreement binding on all the parties hereto.

13.9 Applicable Law; Venue; Arbitration.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

(b) Except as provided in sub-paragraph (g) herein, all disputes, claims, or controversies arising out of or relating to this, or any other agreement executed and delivered pursuant to this Agreement or the negotiation, breach, validity or performance hereof and thereof or the transactions contemplated hereby and thereby, including claims of fraud or fraud in the inducement, and including as well the determination of the scope or applicability of this agreement to arbitrate, shall be resolved solely and exclusively by binding arbitration administered by JAMS in New York, New York, before a single arbitrator (the "**Arbitrator**"). Except as modified in this Section, the arbitration shall be administered pursuant to JAMS Comprehensive Arbitration Rules & Procedures and the Federal Arbitration Act, 9 U.S.C. Ch. 1. The parties further agree that this arbitration shall apply equally to requests for temporary, preliminary or permanent injunctive relief, except that in the case of temporary or preliminary injunctive relief any party may proceed in court without prior arbitration for the purpose of avoiding immediate and irreparable harm or to enforce its rights under any non-competition covenants.

(c) Any final arbitration hearing shall be completed within 180 days of the filing of a demand for arbitration and the Arbitrator shall issue a reasoned award within 30 days thereafter. There shall be no interrogatories or requests for admissions.

(d) The Arbitrator's award shall be binding and final as between the parties, and any proceedings with respect to confirming, vacating, modifying or correcting the award shall be conducted in

the venue set forth in sub-paragraph (a); *provided*, *however*, that for purposes of enforcing any award confirmed in the venue set forth in sub-paragraph (a), a party may initiate an additional confirmation proceeding or domesticate the judgment confirming the award in any court having jurisdiction thereof. The Arbitrator's decision shall set forth a reasoned basis for any award of damages or finding of liability.

(e) The parties covenant and agree that they will participate in the arbitration in good faith and that they will (i) bear their own attorneys' fees, costs and expenses in connection with the arbitration, and (ii) share equally in the fees and expenses charged by the Arbitrator *provided*, *however*, that the prevailing party shall be awarded its share of the Arbitrator's fees and expenses and all other costs and expenses, including attorneys' and experts' fees, and *provided further* that any party unsuccessfully refusing to comply with the award or an order of the Arbitrator shall be liable for costs and expenses, including attorneys' and experts' fees, incurred by the other party in enforcing the award or order. If the Arbitrator determines a party to be the prevailing party under circumstances where the prevailing party won on some but not all of the claims and counterclaims, the Arbitrator may award the prevailing party an appropriate percentage of the costs and expenses incurred by the prevailing party.

(f) The parties covenant and agree that the arbitration shall be confidential and that no party shall disclose to any person who is not an officer, director, employee or limited partner of a party any document filed at JAMS or exchanged between the parties or testimony adduced (or any summaries or quotations thereof) in connection with the arbitration that is designated either on the document or on the testimonial record as "Confidential" (the "**Confidential Information**"). If, in connection with any judicial proceedings to modify, vacate or confirm any order or award, Confidential Information must be filed with any court, the party submitting such Confidential Information shall file such Confidential Information under seal and shall also file a motion with the court requesting that the Confidential Information remain under seal and no party shall oppose such request.

(g) This section shall not apply to, and the Arbitrator shall not have authority to determine, disputes involving discrepancies or disagreements to be resolved by the Independent Accounting Firm as set forth in Sections 2(b) and 3(b) of Annex I to this Agreement; *provided*, *however*, that this section shall apply to, and the Arbitrator shall have authority to determine, (i) whether there was manifest error or fraud in connection with the decision of the Independent Accounting Firm, and (ii) disputes concerning the existence and amount of Extraordinary Losses as set forth in Section 10(a) of Annex I.

13.10 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

13.11 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking such actions as may be necessary or appropriate to achieve the purposes of this Agreement.

13.12 Electronic Delivery. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or electronic transmission (i.e., in portable document format), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other

party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or electronic transmission to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

13.13 Offset. Whenever the Company is to pay any sum to any holder of Units or any Affiliate or related Person thereof, any amounts that such holder of Units or such Affiliate or related Person owes to the Company which are not the subject of a good faith dispute may be deducted from that sum before payment.

13.14 Entire Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral (including the Prior Agreement), which may have related to the subject matter hereof in any way. The Company and the Members hereby agree to the terms and conditions of Annex I, which are expressly incorporated into this Agreement by reference and deemed to be part of this Agreement as though they were included in the body of this Agreement.

13.15 Remedies. Each holder of a Company Interest shall have all rights and remedies set forth in this Agreement and all rights and remedies which such Person has been granted at any time under any other agreement or contract and all of the rights which such Person has under any law. Any Person having any rights under any provision of this Agreement or any other agreements contemplated hereby shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.

13.16 Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. All references in this Agreement to a Section, Schedule, Annex or Exhibit are intended to refer to a Section, Schedule, Annex, or Exhibit of this Agreement unless otherwise specifically provided. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. The use of the word “including” in this Agreement shall be by way of example rather than by limitation. Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Wherever required by the context, references to a Fiscal Year shall refer to a portion thereof. The use of the words “or,” “either” and “any” shall not be exclusive. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Wherever a conflict exists between this Agreement and any other agreement by which a party is bound, this Agreement shall control but solely to the extent of such conflict.

13.17 Spousal Consent. Each Member and each CO Indirect Holder who is married severally represents that true and complete copies of this Agreement and all documents to be executed by such Member or CO Indirect Holder hereunder have been furnished to his or her spouse; represents and warrants to the Company and to the other Members and CO Indirect Holders that such spouse has read this Agreement and all related documents applicable to such Member or CO Indirect Holder, is familiar with each of their terms, and has agreed to be bound to the obligations of such Member or CO Indirect Holder hereunder and thereunder.

* * * * *

IN WITNESS WHEREOF, the undersigned have executed this Third Amended and Restated Limited Liability Company Agreement as of the date first written above.

COMPANY:

CAROFFER, LLC

By: /s/ Bruce Thompson
Name: Bruce Thompson
Title: Manager and Chief Executive Officer

[Signature Page to Third Amended and Restated Limited Liability Company Agreement]

MEMBERS:

CARGURUS, INC.

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

[Signature Page to Third Amended and Restated Limited Liability Company Agreement]

CAROFFER INVESTORS HOLDING, LLC

By: /s/ Bruce Thompson
Name: Bruce Thompson
Title: Chief Executive Officer

[Signature Page to Third Amended and Restated Limited Liability Company Agreement]

CAROFFER MIDCO, LLC

By: /s/ Bruce Thompson
Name: Bruce Thompson
Title: Chief Executive Officer

[Signature Page to Third Amended and Restated Limited Liability Company Agreement]

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 Third Amended and Restated Limited Liability Company Agreement]

SCHEDULE OF MEMBERS

As of the Effective Date

Member	Class CG Units	Class CO Units	Class CO-A Units	Incentive Units	Actual Ownership Percentage	Fully Diluted Ownership Percentage
TopCo	—	2,173,714	1,750,000	342,857*	45.875%	44.04%
MidCo	—	54,858	—	—	1.00%	0.96%
Parent	2,914,285	—		—	53.125%	51.00%
Authorized and Reserved	—	—		228,571	—	4.00%
TOTALS	**2,914,285**	**2,228,572**		**571,428**	**100.00%**	**100.00%**

* Each outstanding Incentive Unit held by TopCo shall have a participation threshold amount equal to $50.1302.

Legend

TopCo	CarOffer Investors Holding, LLC, a Delaware limited liability company
MidCo	CarOffer MidCo, LLC, a Delaware limited liability company
Parent	CarGurus, Inc., a Delaware corporation

[Signature Page to Third Amended and Restated Limited Liability Company Agreement]

Annex I

Call and Put Provisions

Section 1. Definitions. Unless otherwise expressly provided herein, capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement. In addition, the following terms have the following meanings:

(a) "Adjusted Cost of Sales" means (i) the cost of sales of the Company (excluding the Excluded Expenses) determined in accordance with GAAP as applied by Parent in Parent's most recent audited financial statements for the twelve (12)-month period ending as of the First Determination Date minus (ii) the lesser of (a) an amount equal to sixteen percent (16%) of the revenue of the Company determined in accordance with GAAP as applied by Parent in Parent's most recent audited financial statements for the twelve (12)-month period ending as of the First Determination Date, and (b) the amount of the following expenses items that are included in costs of sales of the Company for such period solely to the extent such expenses would not be included in cost of goods of sales in accordance with the historical accounting principles used by the Company prior to the closing of the transaction contemplated by the Purchase Agreement, consistently applied: BuyTeam Expense; Title Transfer/Correction Expense; Contract Expense – Operations; Personnel Expense; Commissions, Rent & Related Expenses; Software Expense; Other Expenses; and Dealer Rewards & Rebates from Ally and Manheim.

(b) "Allocable Share" means, with respect to each CO Member, the quotient of (i) the number of Qualifying Units held by such CO Member, divided by (ii) the number of Qualifying Units held by all CO Members, in each case, determined as of the applicable Determination Date.

(c) "Applicable Reference Price" means the volume-weighted average closing price per share of Parent Common Stock for the twenty-eight (28) consecutive trading days ending on the third Business Day preceding (i) the First Determination Date in the case of the shares of Parent Common Stock comprising the First Call Consideration, and (ii) the Second Determination Date, in the case of shares of Parent Common Stock comprising the Second Call Consideration or the Put Consideration.

(d) "Business" means the business as presently conducted, or under active development, by the Company as of the Effective Date.

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

(f) "Call/Put Period Requirements" has the meaning set forth in Section 7.

(g) "Closing" means the First Call Closing, the Second Call Closing or the Put Closing, as applicable.

(h) "CO Member Representative" has the meaning set forth in Section 9(a).

(i) "Determination Date" means the First Determination Date or the Second Determination Date, as applicable.

(j) "Excess Parent Capital" means any funds made available to the Company, whether in the form of loans, capital contributions or the guaranty of Third Party Debt by Parent or its Affiliates, in excess of Ten Million Dollars ($10,000,000) in the aggregate (but specifically excluding a loan in the aggregate amount of up to Fifteen Million Dollars ($15,000,000) made available to the Company by Parent to fund

the Company's buy center operations pursuant to a Loan and Security Agreement entered into between the parties on or about the date of the closing of the transactions contemplated by the Purchase Agreement) determined as of the applicable Determination Date, together with interest on the balance thereof, accruing daily at the rate per annum equal to the then current mid-term applicable federal on the date of funding of such amounts rate plus three percent (3%).

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and applicable rules and regulations thereunder, and any successor to such statute, rules or regulations.

(l) "Excluded Expenses" means any costs for the efforts of sales team members of Parent to direct leads to the Company that would otherwise be allocable to the Company, and internal costs and expenses (i.e., excluding amounts owed or owing to third parties) associated with the collection and provision to the Company of first party, proprietary data owned by Parent.

(m) "Extraordinary Losses" means (i) Losses sustained or anticipated to be sustained by the Company, Parent or any of their respective Affiliates directly or indirectly arising out of, related to, or incurred in connection with, the Company's failure to comply with Schedule I or the fraud, gross negligence or wilful misconduct of the Company or its employees, agents or representatives, in each case, whether accrued, unaccrued, absolute, contingent or otherwise, including, with limitation, any such Losses that are foreseeable but not yet matured as of the applicable Determination Date, and (ii) all other Liabilities of the Company as of the applicable Determination Date not arising in the ordinary course of business.

(n) "First Call Closing" has the meaning set forth in Section 4(a).

(o) "First Call Closing Date" has the meaning set forth in Section 4(a).

(p) "First Call Consideration" means the aggregate First Determination Date Per Unit Price of the First Call Units being purchased by Parent at the First Call Closing.

(q) "First Call Notice" has the meaning set forth in Section 4(a).

(r) "First Call Period" means the thirty (30)-day period following the date on which the First Determination Date Calculations are finally resolved in accordance with Section 2.

(s) "First Call Right" has the meaning set forth in Section 4(a).

(t) "First Call Units" means all of the then outstanding Class CO-A Units and an aggregate number of then outstanding Class CO Units and Incentive Units designated by Parent as First Call Units in the First Call Notice, which shall not exceed twenty-five percent (25%) of the number of Fully Diluted Units as of the First Determination Date.

(u) "First Determination Date" means June 30, 2022.

(v) "First Determination Date Calculations" has the meaning set forth in Section 2(a).

(w) "First Determination Date Company Value" means the difference of (i) the product of (A) First Determination Date TTM Gross Profit, multiplied by (B) seven (7), minus (ii) the sum of (X) the amount of any outstanding Third Party Indebtedness, plus (Y) the amount of any Extraordinary Losses, plus (Z) the aggregate First Determination Date Per Unit Price of the Class CO-A Units then outstanding in each case, determined as of the First Determination Date.

(x) "First Determination Date Dispute Notice" has the meaning set forth in Section 2(b).

(y) "First Determination Date Per Unit Price" means in the case of the Class CO-A Units, $10.00 per Unit, and in the case of the other First Call Units, the difference of (i) the quotient of (A) First Determination Date Company Value, divided by (B) the number of Fully Diluted Units as of the First Determination Date, minus (ii) the Per Unit Reduction Amount, determined as of the First Determination Date; provided, however, in the case of each Incentive Unit that is a Vested Unit as of the First Determination Date, the First Determination Date Per Unit Price will be reduced by the applicable Participation Threshold of such Vested Unit, if any, but not below $0.00.

(z) "First Determination Date TTM Gross Profit" means the difference of (i) the revenue of the Company (excluding money market account income and revenue from Dealer Rewards & Rebates from Ally and Manheim) determined in accordance with GAAP as applied by Parent in Parent's most recent audited financial statements for the twelve (12)-month period ending as of the First Determination Date, minus (ii) Adjusted Cost of Sales. Notwithstanding anything to the contrary contained herein, (A) in the event that Parent, the Company, its Subsidiaries or any of their respective Affiliates acquires any business or Person, by way of merger, consolidation, other business combination or otherwise, First Determination Date TTM Gross Profit shall not include any revenue, costs or expenses associated with such business or Person, and (B) First Determination Date TTM Gross Profit shall not include any revenue attributable to the products or services of Parent or its Affiliates (other than the Company).

(aa) "Fully Diluted Units" means the sum of (i) the aggregate number of outstanding Class CO Units as of the applicable Determination Date, plus (ii) the aggregate number of outstanding Class CG Units as of the applicable Determination Date, plus (iii) the aggregate number of outstanding Incentive Units, whether or not vested, as of the applicable Determination Date, plus (iv) any Incentive Units that are then authorized under Section 3.2(a)(iv) of the Agreement but are not outstanding as of the applicable Determination Date.

(bb) "GAAP" means United States generally accepted accounting principles and practices, consistently applied.

(cc) "Indebtedness" means, determined as of the applicable Determination Date, 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 the Company's financial statements as of the Determination Date without giving effect to FASB ASU 842; (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 clauses (i) through (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 clauses (i) through (viii) above; (xi) all

liabilities for Taxes attributable to the period of time prior to the applicable Determination Date; and (xii) all Liabilities for reserves for any of the foregoing.

(dd) "Independent Accounting Firm" means BDO USA, LLP.

(ee) "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.

(ff) "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.

(gg) "Loss" and "Losses" means any and all losses, Liabilities, claims, suits, obligations, judgments, liens, penalties, fines, lost profits, Taxes, damages (other than punitive damages unless such punitive damages are owed to a third party), diminution in value 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.

(hh) "Parent Common Stock" means the shares of Class A Common Stock of Parent, par value $0.001 per share.

(ii) "Parent Indemnified Parties" has the meaning set forth in Section 8.

(jj) "Paying Agent" means Acquiom Financial LLC or any successor paying agent designated by the CO Member Representative upon ten (10) days' prior written notice to Parent, subject to the approval in writing by Parent, not to be unreasonably withheld, conditioned or delayed.

(kk) "Per Unit Reduction Amount" means the quotient of (i) the sum of (A) the Excess Parent Capital plus (B) the Seller Expenses, each determined as of the applicable Determination Date, divided by, (ii) the number of First Call Units that are not Class CO-A Units if determined as of the First Determination Date, or the number of Second Call/Put Units that are not Class CO-A Units if determined as of the Second Determination Date.

(ll) "Put Closing" has the meaning set forth in Section 6(a).

(mm) "Put Closing Date" has the meaning set forth in Section 6(a).

(nn) "Put Consideration" means the aggregate Second Determination Date Per Unit Put Price of the Second Call/Put Units being purchased by Parent at the Put Closing.

(oo) "Put Notice" has the meaning set forth in Section 6(a).

(pp) "Put Period" means the thirty (30)-day period following the date on which the Second Determination Date Calculations are finally resolved in accordance with Section 3.

(qq) "Put Right" has the meaning set forth in Section 6(a).

(rr) "Qualifying Units" means the sum of (i) the aggregate number of outstanding Class CO Units that are vested as of the applicable Determination Date, plus (ii) the aggregate number of outstanding Incentive Units that are Vested Units as of the applicable Determination Date. For avoidance of doubt, the Qualifying Units shall specifically exclude outstanding Class CG Units or outstanding Class CO Units or Incentive Units that are not vested as of the Determination Date, any outstanding Class CO-A Units and any Incentive Units that are then authorized under Section 3.2(a)(iv) of the Agreement but are not outstanding as of the applicable Determination Date.

(ss) "Second Call Closing" has the meaning set forth in Section 5(a).

(tt) "Second Call Closing Date" has the meaning set forth in Section 5(a).

(uu) "Second Call Consideration" means the aggregate Second Determination Date Per Unit Call Price of the Second Call/Put Units being purchased by Parent at the Second Call Closing.

(vv) "Second Call Notice" has the meaning set forth in Section 5(a).

(ww) "Second Call Period" means the sixty-day (60) day period following the date on which the Second Determination Date Calculations are finally resolved in accordance with Section 3.

(xx) "Second Call/Put Units" means all, and not less than all, of the all of the Class CO-A Units (if any) and Qualifying Units outstanding and not held by the Parent Group as of the Second Determination Date.

(yy) "Second Call Right" has the meaning set forth in Section 5(a).

(zz) "Second Determination Date" means June 30, 2024.

(aaa) "Second Determination Date Calculations" has the meaning set forth in Section 3(a).

(bbb) "Second Determination Date Company Call Value" means the greater of (i) the Second Determination Date Company Floor Value and (ii) the difference of (A) the product of (1) Second Determination Date TTM EBITDA, multiplied by (2) twelve (12), minus (B) the sum of (1) the amount of any outstanding Third Party Indebtedness, plus (2) the amount of any Extraordinary Losses, plus (3) the aggregate Second Determination Date Per Unit Call Price of the Class CO-A Units then outstanding, in each case, determined as of the Second Determination Date.

(ccc) "Second Determination Date Company Floor Value" means the lesser of (i) One Hundred Million Dollars ($100,000,000), minus the sum of (A) the amount of any outstanding Third Party Indebtedness plus (B) the amount of any Extraordinary Losses (each determined as of the Second Determination Date), and (ii) the First Determination Date Company Value.

(ddd) "Second Determination Date Company Put Value" means the difference of (i) the product of (A) Second Determination Date TTM EBITDA, multiplied by (B) twelve (12), minus (ii) the sum of (A) the amount of any outstanding Third Party Indebtedness, plus (B) the amount of any Extraordinary Losses, plus (C) the aggregate Second Determination Date Per Unit Put Price of the Class CO-A Units then outstanding, in each case, determined as of the Second Determination Date.

(eee) "Second Determination Date Dispute Notice" has the meaning set forth in Section 3(b).

(fff) "Second Determination Date Per Unit Call Price" means in the case of the Class CO-A Units, $10.00 per Unit, and the case of the other Second Call/Put Units, the difference of (i) the quotient of (A) the Second Determination Date Company Call Value, divided by (B) the number of Fully Diluted Units as of the Second Determination Date, minus (ii) the Per Unit Reduction Amount determined as of the Second Determination Date; provided, however, in the case of each Incentive Unit that is a Vested Unit, the Second Determination Date Per Unit Call Price will be reduced by the applicable Participation Threshold of such Vested Unit, but not below $0.00.

(ggg) "Second Determination Date Per Unit Put Price" means in the case of the Class CO-A Units, $10.00 per Unit, and the case of the other Second Call/Put Units, the difference of (i) the quotient of (A) the Second Determination Date Company Put Value, divided by (B) the number of Fully Diluted Units as of the Second Determination Date, minus (ii) the Per Unit Reduction Amount determined as of the Second Determination Date; provided, however, in the case of each Incentive Unit that is a Vested Unit, the Second Determination Date Per Unit Put Price will be reduced by the applicable Participation Threshold of such Vested Unit, but not below $0.00.

(hhh) "Second Determination Date TTM EBITDA" means the sum of (i) the net income of the Company, plus (ii) interest expense of the Company, plus (iii) income taxes of the Company, plus (iv) depreciation expense of the Company, plus (v) amortization expense of the Company, plus (vi) the amount of the Excluded Expenses, in each case, determined in accordance with GAAP for the twelve (12)-month period ending as of the Second Determination Date. Notwithstanding anything to the contrary contained herein, (A) in the event that Parent, the Company, its Subsidiaries or any of their respective Affiliates acquires any business or Person, by way of merger, consolidation, other business combination or otherwise, Second Determination Date TTM EBITDA shall not include the net revenue associated with such business or Person, and (B) Second Determination Date TTM EBITDA shall not include any revenue attributable to the products or services of Parent or its Affiliates (other than the Company).

(iii) "Seller Expenses" means (i) amounts payable or to become payable to legal counsel or to any financial advisor, broker, accountant or other Person 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 transactions contemplated by this Annex I, including any brokerage fees, commissions, finders' fees, or financial advisory fees, and, in each case, related costs and expenses; (ii) unless approved by the Board, 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 this Annex I, 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 any of the transactions contemplated by this Annex I; (iii) 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 this Annex I; and (iv) expenses incurred or to be incurred by or on behalf of any CO Member or service provider to the Company in connection with the transactions contemplated by this Annex I that the Company is or will be obligated to pay or reimburse; *provided*, *however*, that the fees and expenses of the Paying Agent shall not be considered a Seller Expenses even if paid or to be paid directly by the Company.

(jjj) "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 Entity 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.

(kkk) "Third Party Indebtedness" means the amount of Indebtedness of the Company that has not been funded, made available or guaranteed by Parent or any of its Affiliates, determined as of the applicable Determination Date.

Section 2. **First Determination Date Calculations.**

(a) No later than sixty (60) days following the First Determination Date, Parent shall deliver to the CO Member Representative (i) a balance sheet of the Company dated as of the First Determination Date prepared in accordance with GAAP, (ii) an income statement of the Company for the twelve (12)-month period ending on the First Determination Date, prepared in accordance with GAAP, and (iii) Parent's calculation (the "First Determination Date Calculations") of (A) First Determination Date TTM Gross Profit, (B) the First Determination Date Company Value, and (C) the First Determination Date Per Unit Price for each class or series of outstanding Qualifying Units, in each case together with reasonably detailed supporting calculations demonstrating each component thereof.

(b) The CO Member Representative shall have thirty (30) days after delivery of the Company financial statements and the First Determination Date Calculations in accordance with Section 2(a) in which to notify Parent in writing (such notice, a "First Determination Date Dispute Notice") of any discrepancy in, or disagreement with, the items reflected on the First Determination Date Calculations (and specifying the amount in dispute and setting forth in reasonable detail the basis for such discrepancy or disagreement), and upon agreement by Parent regarding the adjustment requested by the CO Member Representative, an appropriate adjustment shall be made thereto. If the CO Member Representative does not deliver a First Determination Date Dispute Notice to Parent during such thirty (30)-day period, the First Determination Date Calculations shall be deemed to be accepted in the form presented to the CO Member Representative. If the CO Member Representative timely delivers a First Determination Date Dispute Notice, and Parent and the CO Member Representative do not agree, within thirty (30) days after timely delivery of the First Determination Date Dispute Notice, to resolve any discrepancy or disagreement therein, either the CO Member Representative or Parent may submit the discrepancy or disagreement (other than any discrepancy or disagreement regarding the existence or amount of any Extraordinary Losses, which shall be resolved pursuant to Section 13.9 of the Agreement) 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 First Determination Date Dispute Notice and a single written submission to the Independent Accounting Firm by each of Parent and the CO Member 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 First Determination Date Calculations by the Independent Accounting Firm shall be (i) in writing, (ii) made in accordance with the terms and conditions hereof, (iii) with respect to any specific discrepancy or disagreement, no greater than the higher amount calculated by Parent or the CO Member Representative, as the case may be, and no lower than the lower amount calculated by Parent or the CO Member Representative, as the case may be, (iv) made as promptly as practical 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 Parent and the CO Member Representative 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 CO Member Representative's position and $400 in favor of Parent's position, then sixty percent (60%) of the costs of its review would be borne by Parent and forty percent (40%) of such costs would be borne by the CO Member Representative (on behalf of the CO Members and the CO Indirect Holders). Within five (5) Business Days of the resolution of all matters set forth in the First Determination Date Dispute Notice, by mutual agreement of Parent and the CO Member Representative or by the Independent Accounting Firm, Parent shall prepare a revised version of the First Determination Date Calculations reflecting such resolution and shall deliver a copy thereof to the CO Member Representative, and such revised version (and all amounts set forth therein) shall be considered final and binding on the parties.

Section 3. **Second Determination Date Calculations.**

(a) No later than sixty (60) days following the Second Determination Date, Parent shall deliver to the CO Member Representative (i) a balance sheet of the Company dated as of the Second Determination Date prepared in accordance with GAAP, (ii) an income statement of the Company for the twelve (12)-month period ending on the Second Determination Date prepared in accordance with GAAP, and (iii) Parent's calculation (the "Second Determination Date Calculations") of (A) Second Determination Date TTM EBITDA, (B) the Second Determination Date Company Call Value, (C) the Second Determination Date Company Put Value, (D) the Second Determination Date Per Unit Call Price for each class or series of outstanding Qualifying Units, and (E) the Second Determination Date Per Unit Put Price for each class or series of outstanding Units, in each case together with reasonably detailed supporting calculations demonstrating each component thereof.

(b) The CO Member Representative shall have thirty (30) days after delivery of the Company financial statements and the Second Determination Date Calculations in accordance with Section 3(a) in which to notify Parent in writing (such notice, a "Second Determination Date Dispute Notice") of any discrepancy in, or disagreement with, the items reflected on the Second Determination Date Calculations (and specifying the amount in dispute and setting forth in reasonable detail the basis for such discrepancy or disagreement), and upon agreement by Parent regarding the adjustment requested by the CO Member Representative, an appropriate adjustment shall be made thereto. If the CO Member Representative does not deliver a Second Determination Date Dispute Notice to Parent during such thirty (30)-day period, the Second Determination Date Calculations shall be deemed to be accepted in the form presented to the CO Member Representative. If the CO Member Representative timely delivers a Second Determination Date Dispute Notice, and Parent and the CO Member Representative do not agree, within thirty (30) days after timely delivery of the Second Determination Date Dispute Notice, to resolve any discrepancy or disagreement therein, either the CO Member Representative or Parent may submit the discrepancy or disagreement (other than any discrepancy or disagreement regarding the existence or amount of any Extraordinary Losses, which shall be resolved pursuant to Section 13.9 of the Agreement) 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 Second Determination Date Dispute Notice and a single written submission to the Independent Accounting Firm by each of Parent and the CO Member 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 Second Determination Date Calculations by the Independent Accounting Firm shall be (i) in writing, (ii) made in accordance with the terms and conditions hereof, (iii) with respect to any specific discrepancy or disagreement, no greater than the higher amount calculated by Parent or the CO Member Representative, as the case may be, and no lower than the lower amount calculated by Parent or the CO Member Representative, as the case may be, (iv) made as promptly as practical 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 Parent and the CO Member Representative 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 CO Member Representative's position and $400 in favor of Parent's position, then sixty percent (60%) of the costs of its review would be borne by Parent and forty percent (40%) of such costs would be borne by the CO Member Representative (on behalf of the CO Members and the CO Indirect Holders). Within five (5) Business Days of the resolution of all matters set forth in the First Determination Date Dispute Notice, by mutual agreement of Parent and the CO Member Representative or by the Independent Accounting Firm, Parent shall prepare a revised version of the First Determination Date Calculations reflecting such resolution and shall deliver a copy thereof to the CO Member Representative, and such revised version (and all amounts set forth therein) shall be considered final and binding on the parties.

Section 4. **First Call Right.**

(a) During the First Call Period, Parent shall have the right to purchase from each CO Member (the "First Call Right") all of such CO Member's Class CO-A Units and such CO Member's Allocable Share of the First Call Units that are not Class CO-A Units at a price per Unit equal to the applicable First Determination Date Per Unit Price of such Units to be sold and Transferred by such CO Member. In order to exercise the First Call Right, Parent shall deliver a notice in writing (the "First Call Notice") to the CO Member Representative of such election, specifying the date on which the closing of the purchase and sale of the First Call Units (the "First Call Closing") shall occur (the "First Call Closing Date"), which shall not be more than sixty (60) days after the date of the First Call Notice, the number of each class or series of Units to be purchased from each CO Member, and the applicable aggregate First Determination Date Per Unit Price payable to each CO Member in respect of the First Call Units to be sold by such CO Member at the First Call Closing. Notwithstanding the foregoing, Parent may elect, by delivering written notice to the CO Member Representative, to delay the First Call Closing Date to the extent Parent deems it reasonably necessary pursuant to advice of counsel to comply with any applicable law (including Rule 14e-1 under the Exchange Act or any antitrust or competition laws) and in such case the First Call Closing Date shall be a date that is no later than five (5) Business Days after such date on which all applicable legal or regulatory approvals have been obtained or waiting periods have elapsed. Parent may revoke the First Call Notice by delivering a notice of revocation in writing to the CO Member Representative at any time on or prior to the First Call Closing Date. At the First Call Closing, Parent shall purchase from each CO Member, and each CO Member shall be required to sell (and shall be deemed to have sold automatically and without any further action of the parties) to Parent, all of such CO Member's Class CO-A Units and such CO Member's Allocable Share of the First Call Units that are not Class CO-A Units free and clear of all Liens (other than restrictions on Transfer set forth in the Agreement) at a price per Unit equal to the applicable First Determination Date Per Unit Price of such Units sold and Transferred by such CO Member at the First Call Closing, and the Company shall promptly thereafter update the Schedule of Members to reflect such purchase and sale of the First Call Units at the First Call Closing.

(b) Parent may elect, in its sole discretion, to pay the First Call Consideration in cash, in shares of Parent Common Stock or in any combination of the foregoing; *provided*, *however*, that each CO Member (and CO Indirect Holder) shall be entitled to receive the same ratio of cash and Parent Common Stock and, if any CO Member (or CO Indirect Holder) is given an option as to the form of consideration to be received, each other CO Member (or CO Indirect Holder) will be given the same option; provided, further, that, notwithstanding the foregoing, if payment to any CO Member (or CO Indirect Holder) in shares of Parent Common Stock would require under applicable law (x) the registration or qualification of such securities or of any Person as a broker or dealer or agent with respect to such securities; or (y) the provision to any holder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act, Parent may in its sole discretion elect to pay the aggregate First Call Consideration to such CO Member (or CO Indirect Holder) in cash, notwithstanding that the other CO Members (and CO Indirect Holders) will be paid in shares of Parent Common Stock in whole or in part. To the extent Parent elects to pay all or a portion of the First Call Consideration in shares of Parent Common Stock, the number of shares to be issued to the CO Members will be determined by dividing the amount of the First Call Consideration Parent elects to pay in Parent Common Stock by the Applicable Reference Price. No fractional shares of Parent Common Stock will be issued in connection with the payment of the First Call Consideration. Any CO Member (or CO Indirect Holder) who would otherwise be entitled to receive a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock issuable to such CO Member (or CO Indirect Holder)) will, in lieu of such fraction of a share, instead be entitled to receive an amount of cash equal to the product obtained by multiplying (i) such fraction by (ii) the Applicable Reference Price, rounded to the nearest whole cent.

(c) With respect to the portion of the First Call Consideration that is payable in cash, Parent shall pay or caused to be paid such amounts by wire transfer of immediately available funds to the applicable account of the Paying Agent (for further distribution to the CO Members and, with respect to TopCo and MidCo, the CO Indirect Holders) specified in writing by the CO Member Representative no later than five (5) Business Days following the First Call Closing Date. With respect to the portion of the First Call Consideration that is payable in Parent Common Stock, promptly following the First Call Closing Date, Parent shall deliver to its exchange agent the applicable number of shares of Parent Common Stock for the accounts of the CO Members and, with respect to TopCo and MidCo, then for the accounts of the CO Indirect Holders, in each case entitled to receive such shares.

Section 5. **Second Call Right.**

(a) During the Second Call Period, Parent shall have the right to purchase from each CO Member (the "Second Call Right") all of such CO Member's Class CO-A Units (if any) and such CO Member's Allocable Share of the Second Call/Put Units that are not Class CO-A Units at a price per Unit equal to the applicable Second Determination Date Per Unit Call Price of such Units to be sold and Transferred by such CO Member. In order to exercise the Second Call Right, Parent shall deliver a notice in writing (the "Second Call Notice") to the CO Member Representative of such election, specifying the date on which the closing of the purchase and sale of the Second Call/Put Units (the "Second Call Closing") shall occur (the "Second Call Closing Date"), which shall not be more than sixty (60) days after the date of the First Call Notice, the number of each class or series of Units to be purchased from each CO Member, and the applicable aggregate Second Determination Date Per Unit Call Price payable to each CO Member in respect of the Second Call/Put Units to be sold by such CO Member at the Second Call Closing. Notwithstanding the foregoing, Parent may elect, by delivering written notice to the CO Member Representative, to delay the Second Call Closing Date to the extent Parent deems it reasonably necessary pursuant to advice of counsel to comply with any applicable law (including Rule 14e-1 under the Exchange Act or any antitrust or competition laws) and in such case the Second Call Closing Date shall be a date that is no later than five (5) Business Days after such date on which all applicable legal or regulatory approvals have been obtained

or waiting periods have elapsed. Parent may revoke the Second Call Notice by delivering a notice of revocation in writing to the CO Member Representative at any time on or prior to the Second Call Closing Date. At the Second Call Closing, Parent shall purchase from each CO Member, and each CO Member shall be required to sell (and shall be deemed to have sold automatically and without any further action of the parties) to Parent, all of such CO Member's Class CO-A Units (if any) and such CO Member's Allocable Share of the Second Call/Put Units that are not Class CO-A Units free and clear of all Liens (other than restrictions on Transfer set forth in the Agreement) at a price per Unit equal to the applicable Second Determination Date Per Unit Call Price of such Units sold and Transferred by such CO Member at the Second Call Closing, and the Company shall promptly thereafter update the Schedule of Members to reflect such purchase and sale of the Second Call/Put Units at the Second Call Closing.

(b) Parent may elect, in its sole discretion, to pay the Second Call Consideration in cash, in shares of Parent Common Stock or in any combination of the foregoing; provided, however, that each CO Member (and CO Indirect Holder) shall be entitled to receive the same ratio of cash and Parent Common Stock and, if any CO Member (or CO Indirect Holder) is given an option as to the form of consideration to be received, each other CO Member (or CO Indirect Holder) will be given the same option; provided, further, that, notwithstanding the foregoing, if payment to any CO Member (or CO Indirect Holder) in shares of Parent Common Stock would require under applicable law (x) the registration or qualification of such securities or of any Person as a broker or dealer or agent with respect to such securities; or (y) the provision to any holder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act, Parent may in its sole discretion elect to pay the portion of the Second Call Consideration payable to such CO Member (or CO Indirect Holder) in cash, notwithstanding that the other CO Members (and CO Indirect Holders) will be paid in shares of Parent Common Stock in whole or in part. To the extent Parent elects to pay all or a portion of the Second Call Consideration in shares of Parent Common Stock, the number of shares to be issued to the CO Members will be determined by dividing the amount of the Second Call Consideration Parent elects to pay in Parent Common Stock by the Applicable Reference Price. No fractional shares of Parent Common Stock will be issued in connection with the payment of the Second Call Consideration. Any CO Member (or CO Indirect Holder) who would otherwise be entitled to receive a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock issuable to such CO Member (or CO Indirect Holder)) will, in lieu of such fraction of a share, instead be entitled to receive an amount of cash equal to the product obtained by multiplying (i) such fraction by (ii) the Applicable Reference Price, rounded to the nearest whole cent.

(c) With respect to the portion of the Second Call Consideration that is payable in cash, Parent shall pay or caused to be paid such amounts by wire transfer of immediately available funds to the applicable account of the Paying Agent (for further distribution to the CO Members and, with respect to TopCo and MidCo, the CO Indirect Holders) specified in writing by the CO Member Representative no later than five (5) Business Days following the Second Call Closing Date. With respect to the portion of the Second Call Consideration that is payable in Parent Common Stock, promptly following the Second Call Closing Date, Parent shall deliver to its exchange agent the applicable number of shares of Parent Common Stock for the accounts of the CO Members and, with respect to TopCo and MidCo, then for the accounts of the CO Indirect Holders, in each case entitled to receive such shares.

Section 6. **Put Right.**

(a) During the Put Period, the CO Member Representative shall have the right, on behalf of each CO Member (the "Put Right"), to sell and Transfer to Parent all of such CO Member's Class CO-A Units (if any) and such CO Member's Allocable Share of the Second Call/Put Units that are not Class CO-A Units at a price per Unit equal to the applicable Second Determination Date Per Unit Put Price of such Units to be sold and Transferred by such CO Member. In order to exercise the Put Right, the CO Member

Representative shall deliver a notice in writing (the "Put Notice") to Parent of such election, specifying the intended date on which the closing of the purchase and sale of the Second Call/Put Units (the "Put Closing") shall occur (the "Put Closing Date"), which shall be no earlier than the sixtieth (60th) day after such Put Notice is delivered to Parent, and no later than the seventy-fifth (75th) day after such Put Notice is delivered to Parent; *provided, however*, that Parent may elect, by delivering written notice to the CO Member Representative, to delay the Put Closing Date to the extent Parent deems it reasonably necessary pursuant to advice of counsel to comply with any applicable law (including Rule 14e-1 under the Exchange Act or any antitrust or competition laws) and in such case the Put Closing Date shall be a date that is no later than five (5) Business Days after such date on which all applicable legal or regulatory approvals have been obtained or waiting periods have elapsed. Within thirty (30) days following the receipt of such Put Notice, Parent shall provide the CO Member Representative with a schedule reflecting the number of each class or series of Units to be purchased from each CO Member, and applicable aggregate Second Determination Date Per Unit Put Price payable to each CO Member in respect of the Second Call/Put Units to be sold by such CO Member at the Put Closing. The CO Member Representative may not revoke the Put Notice without the prior written consent of Parent. At the Put Closing, Parent shall be required to purchase (and shall be deemed to have purchased automatically and without any further action of the parties) from each CO Member, and each CO Member shall be required to sell (and shall be deemed to have sold automatically and without any further action of the parties) to Parent, all of such CO Member's Class CO-A Units (if any) and such CO Member's Allocable Share of the Second Call/Put Units that are not Class CO-A Units free and clear of all Liens (other than restrictions on Transfer set forth in the Agreement) at a price per Unit equal to the applicable Second Determination Date Per Unit Put Price of such Units sold and Transferred by such CO Member at the Put Closing, and the Company shall promptly thereafter update the Schedule of Members to reflect such purchase and sale of the Second Call/Put Units at the Put Closing.

(b) Parent may elect, in its sole discretion, to pay the Put Consideration in cash, in shares of Parent Common Stock or in any combination of the foregoing; *provided, however*, that each CO Member (or CO Indirect Holder) shall be entitled to receive the same ratio of cash and Parent Common Stock and, if any CO Member (or CO Indirect Holder) is given an option as to the form of consideration to be received, each other CO Member (or CO Indirect Holder) will be given the same option; *provided, further*, that, notwithstanding the foregoing, if payment to any CO Member (or CO Indirect Holder) in shares of Parent Common Stock would require under applicable law (x) the registration or qualification of such securities or of any Person as a broker or dealer or agent with respect to such securities; or (y) the provision to any holder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act, Parent may in its sole discretion elect to pay the portion of the Put Consideration payable to such CO Member (or CO Indirect Holder) in cash, notwithstanding that the other CO Members (and CO Indirect Holders) will be paid in shares of Parent Common Stock in whole or in part. To the extent Parent elects to pay all or a portion of the Put Consideration in shares of Parent Common Stock, the number of shares to be issued to the CO Members will be determined by dividing the amount of the Put Consideration Parent elects to pay in Parent Common Stock by the Applicable Reference Price. No fractional shares of Parent Common Stock will be issued in connection with the payment of the Put Consideration. Any CO Member (or CO Indirect Holder) who would otherwise be entitled to receive a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock issuable to such CO Member (or CO Indirect Holder)) will, in lieu of such fraction of a share, instead be entitled to receive an amount of cash equal to the product obtained by multiplying (i) such fraction by (ii) the Applicable Reference Price, rounded to the nearest whole cent.

(c) With respect to the portion of the Put Consideration that is payable in cash, Parent shall pay or caused to be paid such amounts by wire transfer of immediately available funds to the applicable account of the Paying Agent (for further distribution to the CO Members and, with respect to TopCo and MidCo, the CO Indirect Holders) specified in writing by the CO Member Representative no later than five (5)

Business Days following the Put Closing Date. With respect to the portion of the Put Consideration that is payable in Parent Common Stock, promptly following the Put Closing Date, Parent shall deliver to its exchange agent the applicable number of shares of Parent Common Stock for the accounts of the CO Members and, with respect to TopCo and MidCo, then for the accounts of the CO Indirect Holders, in each case entitled to receive such shares.

Section 7. **Call/Put Period Requirements. During the period from and after the Closing until the Determination Date, Parent, the CO Members and the CO Member Representative agree that the business and affairs of the Company will be conducted in accordance with the requirements set forth on Schedule I and Schedule II (the "Call/Put Period Requirements"), which are incorporated into the terms hereof and the Agreement by reference and deemed to be part of the Agreement.**

Section 8. **Certain Warranties, Etc. At each applicable Closing, each CO Member and CO Indirect Holder shall be deemed to make the representations warranties set forth on Schedule III. Each CO Member shall indemnify and hold harmless Parent and its respective officers, directors, employees, agents and Affiliates (including the Company), and their respective direct and indirect partners, members, shareholders, directors, officers, employees and agents (collectively, the "Parent 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 inaccuracy in or breach of any representation or warranty set forth on Schedule III as it pertains to such CO Member (or CO Indirect Holder) as of the date of the applicable Closing, (ii) any noncompliance by the Company with the requirements set forth on Schedule I, (iii) any Extraordinary Losses, and (iv) any Seller Expenses. Notwithstanding anything contained herein to the contrary, Parent shall be entitled to offset against, and deduct from, the First Call Consideration, Second Call Consideration and/or Put Consideration otherwise payable to a CO Member in satisfaction of any amounts owed by such CO Member to Parent or its Affiliates (including the Company), including, without limitation, any amounts owed under this Section 8 and Article X of the Purchase Agreement.**

Section 9. **CO Member Representative.**

(a) Bruce Thompson (or any successor thereto appointed in accordance with this Section 9), is hereby appointed the "CO Member Representative" and as such the agent, proxy and attorney-in-fact for each of the CO Members and the CO Indirect Holders. Each CO Member and each CO Indirect Holder by execution of the Agreement irrevocably and unconditionally authorizes the CO Member 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 CO Members or the CO Indirect Holders by or under the terms of the Agreement (including this Annex I and the Call/Put Period Requirements), including to take all action necessary to the defense and/or settlement of any claims for which the CO Members and/or the CO Indirect Holders may be required to indemnify the Parent Indemnified Parties, and (ii) to give and receive all notices required to be given or received by the CO Members and/or the CO Indirect Holders hereunder and thereunder.

(b) All decisions and actions by the CO Member Representative in his capacity as such shall be binding upon all of the CO Members and CO Indirect Holders, and no CO Member or CO Indirect Holder shall have the right to object, dissent, protest or otherwise contest the same.

(c) The CO Member Representative shall not have any liability to any of the CO Members or the CO Indirect Holders for any act done or omitted hereunder as the CO Member 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 CO Members shall severally but not jointly indemnify the CO Member Representative and hold it harmless against any Losses or expense incurred without gross negligence or bad faith on the part of the CO Member Representative and arising out of or in

connection with the acceptance or administration of its duties hereunder. The CO Member Representative shall be entitled to be reimbursed by the CO Members for reasonable expenses incurred in the performance of its duties (including, without limitation, the reasonable fees of counsel).

(d) By their, his, her or its execution of the Agreement, each CO Member and each CO Indirect Holder agrees, in addition to the foregoing, that:

(i) Parent shall be entitled to rely conclusively on the instructions and decisions of the CO Member Representative as to the settlement of any claims, or any other actions required or permitted to be taken by the CO Member Representative hereunder, and no party hereunder shall have any cause of action against Parent for any action taken by Parent in reliance upon the instructions or decisions of the CO Member Representative;

(ii) all actions, decisions and instructions of the CO Member Representative shall be conclusive and binding upon all of the CO Members and the CO Indirect Holders, and no CO Member or CO Indirect Holder shall have any cause of action against the CO Member Representative for any action taken, decision made or instruction given by the CO Member Representative under the Agreement (including this Annex I or the Call/Put Period Requirements), except for fraud or willful misconduct by the CO Member Representative in connection with his role and responsibilities hereunder;

(iii) subject to the appointment and acceptance of a successor CO Member Representative as provided below, the CO Member Representative may resign at any time thirty (30) days after giving notice thereof to Parent and TopCo. Upon the death or incapacity of the CO Member Representative or any such resignation, TopCo may appoint a successor CO Member Representative, which successor must be reasonably acceptable to Parent. If no successor CO Member Representative shall have been appointed by TopCo within 30 days after the predecessor CO Member Representative's death, incapacity or notice of resignation, then the Class CO Board Member (or, if there is then no Class CO Board Member, the Board) may, on behalf of the CO Members and CO Indirect Holders, appoint a successor. Upon the acceptance of any appointment as the CO Member Representative hereunder, such successor CO Member Representative shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the predecessor CO Member Representative, and the predecessor CO Member Representative shall be discharged from its duties and obligations hereunder. The provisions of this Section 9 are independent and severable, are irrevocable and coupled with an interest and shall be enforceable notwithstanding any rights or remedies that any CO Member or CO Indirect Holder may have in connection with the transactions contemplated by this Agreement; and

(iv) the provisions of this Section 9 shall be binding upon the executors, heirs, legal representatives, personal representatives, successor trustees and successors of each CO Member and each CO Indirect Holder.

(e) Notwithstanding anything to the contrary in the Agreement (including this Annex I and the Schedules hereto), no CO Member or Indirect CO Holder may directly enforce any provision of the Agreement (including this Annex I and the Schedules hereto), or directly assert or institute any proceeding or cause of action hereunder or in respect of the transactions contemplated hereby (it being understood that any such proceeding or cause of action may, and may only, be asserted or instituted by the CO Member Representative on behalf of the CO Members and the Indirect CO Holders). Each CO Member an Indirect CO Holder hereby irrevocably waives any right to directly bring any such proceeding or cause of action (except as provided in the preceding sentence).

Section 10. **Miscellaneous.**

(a) Notwithstanding anything contained herein to the contrary, any disputes regarding the existence or amount of any Extraordinary Losses shall be resolved by the arbitration process set forth in Section 13.9 of the Agreement. Notwithstanding anything contained herein to the contrary, Parent shall be entitled with withhold and retain any portion of the First Call Consideration, Second Call Consideration and/or Put Consideration until such dispute is finally resolved in accordance with the foregoing. Promptly following such resolution of such disputed amounts, such amounts shall be retained by Parent or paid to the CO Members, as so determined by the Arbitrator.

(b) In order to secure each CO Member's obligation to transfer and sell his, her, their or its Units to Parent in accordance with the provisions of this Annex I, each CO Member hereby appoints Parent as his, her or its true and lawful attorney-in-fact and proxy, with full power of substitution, to execute, on behalf of such CO Member, any agreement, instrument or waiver to be executed by such CO Member in connection with the First Call Right, the Second Call Right and/or the Put Right. Parent may execute such agreements, instruments and waivers, at any time any CO Member fails to comply with the provisions of this Annex I. The proxies and powers granted by each CO Member pursuant to this Section 10(b) are coupled with an interest and are given to secure the performance of such CO Member's obligations under this Annex I. Such proxies and powers shall be irrevocable, and shall survive the death, incompetency, disability or bankruptcy of such CO Member and the subsequent holders of his, her or its Units.

(c) Notwithstanding anything contained in this Annex I to the contrary, to the extent any payment is to be made by Parent to the CO Member Representative (or the Paying Agent) on behalf of or for the benefit of any CO Member, if such payment is so made to the CO Member Representative (or the Paying Agent), then Parent shall have no further responsibility or liability with respect thereto, and Parent shall be entitled to rely conclusively and without independent verification on the CO Member Representative (or the Paying Agent) making further payment to such CO Member, as applicable. For avoidance of doubt, in the case of a payment (whether in cash or stock) to be made to TopCo as a CO Member, Parent shall have no further responsibility or liability with respect thereto once such payment is made to the CO Member Representative (or the Paying Agent), such that Parent shall have no liability or obligation in respect of the subsequent allocation or distribution of such payment by TopCo to the CO Indirect Holders, and the CO Indirect Holders agree to look only to TopCo in respect of such amounts or any dispute arising out of or in connect therewith. If payment of a portion of the First Call Consideration, Second Call Consideration or Put Consideration is to be made to a Person other than the Person in whose name the applicable Units are registered, 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 registered holder of such Units or shall have established to the satisfaction of Parent that such Tax either has been paid or is not payable.

(d) Each of Parent and the Company shall be entitled to deduct and withhold from any amount otherwise payable pursuant to this Annex I 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 the Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

(e) If, at any time, either Parent or the CO Member Representative believes or is advised that any further instruments, deeds, assignments or assurances are reasonably necessary to consummate or reflect the purchase and sale of the First Call Units, the Second Call Units or the Put Units or to carry out the purposes and intent of this Annex I, then Parent, the Company, the CO Members, the CO Member Representative and their respective officers, directors, managers successors and assigns shall execute and

deliver all such proper deeds, assignments, instruments and assurances and do all other things reasonably necessary to consummate or reflect the purchase and sale of the First Call Units, the Second Call Units or the Put Units or to carry out the purposes and intent of this Annex I (as applicable).

(f) Each of Parent, each CO Member and the CO Member Representative hereby acknowledges and agrees that the other parties hereto would be irreparably damaged in the event any of the provisions of this Annex I were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of Parent, each CO Member and the CO Member Representative agrees that, in addition to any other remedy to which such party may be entitled at law or in equity, each of Parent, on the one hand, and the CO Member Representative (on behalf of the CO Members), on the other hand, shall be entitled to an injunction or injunctions to prevent breaches of the provisions of the Agreement (including this Annex I) and to enforce specifically the Agreement (including this Annex I), and the terms and provisions hereof.

(g) Each of Parent, the CO Members and the CO Member Representative agree that for U.S. federal (and applicable state and local) income tax purposes, Parent's acquisition of any Qualifying Units pursuant to this Annex I shall be treated as a taxable sale of partnership interests by the CO Members governed by Section 741 of the Code; *provided*, that, if Parent acquires all of the outstanding Class CO Units and Incentive Units pursuant to the First Call Right, Second Call Right or Put Right, as applicable, such that Parent owns 100% of the Units of the Company, such acquisition will be governed by IRS Revenue Ruling 99-6, 1999-1 C.B. 432 (*Situation 1*), and, pursuant thereto, (i) with respect to Parent, (A) the Company shall be deemed to make a liquidating distribution of its assets to the Members, and (B) Parent shall be deemed to acquire, by purchase, all applicable assets distributed to the CO Members; and (ii) with respect to the CO Members, the CO Members shall be treated as selling partnership interests and shall report gain or loss, if any, resulting from the sale of their partnership interests in accordance with Section 741 of the Code.

(h) In connection with the First Call Right, Second Call Right and Put Right, as applicable, Parent shall prepare and deliver to the CO Member Representative an allocation of the applicable purchase price, all other capitalizable costs, and other relevant items among the assets of the Company, which such allocation shall be prepared in accordance with the rules under Sections 1060, 743, 743 and 754 of the Code, as applicable, and the Treasury Regulations promulgated thereunder. Parent and the CO Members shall file all tax returns in a manner consistent with such allocation and no party shall take any position for tax purposes inconsistent with such allocation.

(i) All references in this Annex I to a Section or Schedule are intended to refer to a Section or Schedule of this Annex I unless otherwise specifically provided.

[*Remainder of page intentionally left blank.*]

SCHEDULE I

Company Requirements

1. From and after the Original Effective Time and until June 30, 2024, unless otherwise approved in writing by the Board, the Company shall:

(a) continue to engage solely in the Business;

(b) pay and discharge all lawful Taxes, assessments and governmental charges or levies imposed upon it or its property before the same shall become in default, as well as all lawful claims for labor, materials and supplies which, if not paid when due, might become a Lien upon its property or any part thereof; provided, however, that the Company shall not be required to pay and discharge any such Tax, assessment, charge, levy or claim so long as the validity thereof is being contested by it in good faith by appropriate proceedings and an adequate reserve therefor has been established;

(c) comply in all material respects with all applicable laws, regulations and industry standards (e.g., PCI DSS) in the conduct of its business;

(d) keep its insurable properties insured, upon reasonable business terms, against liability and the perils of casualty, fire, business interruption, errors and omissions and extended coverage in amounts of coverage as reasonably determined by the Board;

(e) maintain, from financially sound and reputable insurers, Directors and Officers liability insurance, in an amount and on terms and conditions satisfactory to the Board, until such time as the Board determines that such insurance should be discontinued;

(f) maintain with such insurers insurance against other hazards and risks and liability to persons and property to the extent and in the manner as reasonably determined by the Board;

(g) maintain all properties used or useful in the conduct of its business in good repair, working order and condition, ordinary wear and tear excepted;

(h) maintain (i) adequate technology safeguards, including with the respect to redundancy, reliability, scalability, and (ii) adequate security and disaster recovery plans, procedures and resources for its business, and take all other steps necessary to safeguard the security and the integrity of the Company's systems;

(i) ensure all transactions of any nature, including any changes to the terms of any such transactions, by and between the Company and any officer, employee, director, manager or Member of the Company, or any Affiliate or member of the Family Group of such Person or the Company, shall be conducted on an arm's-length basis and shall be on terms and conditions no less favorable to the Company than could be obtained from nonrelated Persons;

(j) permit Parent and its authorized representatives (including, without limitation, accountants and legal counsel) to visit and inspect any of the properties of the Company, including its books and records, and to discuss its affairs, finances and accounts with its officers, employees, advisors, representatives and agents, upon reasonable notice and at such reasonable times and as often as may reasonably be requested by Parent;

(k) operate in the ordinary course of business, consistent with past practice and act reasonably and in good faith consistent with good business practices and the long-term success of the Company and its business, operations, results of operations and prospects.

2. In addition, from and after the Original Effective Time and until June 30, 2024, unless otherwise approved in writing by the Board, the Company shall not:

(a) undertake actions or omit to take actions for the primary purpose of realizing, achieving or maximizing incremental First Determination Date TTM Gross Profit or Second Determination Date TTM EBITDA;

(b) acquire or purport to acquire any other corporation or business concern, whether by acquisition of assets, capital stock or otherwise, and whether in consideration of the payment of cash, the issuance of capital stock or otherwise;

(c) make or purport to make any material investment in another business entity, enter into any joint venture or similar arrangement, or make or permit any loans or advances to, or guarantees for the benefit of, any Person, except for reasonable advances to employees in the ordinary course of business consistent with past practice;

(d) change any of its methods of accounting or accounting practices in any material respect (other than as required by applicable accounting or auditing standards);

(e) decrease the wages, salaries, commissions, bonuses, fees or other direct payments to employees in any individual or aggregate amount material to the Company or for the primary purpose of realizing, achieving or maximizing incremental First Determination Date TTM Gross Profit or Second Determination Date TTM EBITDA;

(f) cause or knowingly permit the Business or the Company's products and services to infringe or misappropriate the intellectual property rights of any other Person;

(g) cause or knowingly permit the Company to fail to comply in any material respect with its contracts and agreements with third parties;

(h) issue, purport to issue, commit to issue or promise to issue any equity securities; phantom equity or similar arrangements of the Company except in accordance with the Agreement;

(i) form any Subsidiary or acquire any equity interest or other interest in any other entity;

(j) allow or suffer any material permit or intellectual property right, registration or application to lapse, expire, be cancelled, suspended, limited, revoked or materially modified, or not be renewed; or

(k) cause or knowingly permit the Company or the Business to operate in material violation of any legal, regulatory or other similar requirements (including, without limitation, any applicable industry standards).

SCHEDULE II

Parent Requirements

1. From and after the Original Effective Time and until June 30, 2024, Parent shall not, without the prior written consent of the CO Member Representative:

(a) take or fail to take any action in bad faith for the primary purpose of reducing or minimizing First Determination Date Gross Profit or Second Determination Date TTM EBITDA

(b) cause the Business to be integrated with the business of Parent;

(c) cause the Company to be restructured, liquidated, dissolved or merged or consolidated with any other entity;

(d) cause the Company's products and services to be sold, licensed or commercialized as a bundled offering with any products and services of Parent;

(e) charge the Company for services provided by Parent in excess of Parent's costs attributable to such services; or

(f) require the Company to accept Excess Parent Capital without the written approval of the Board, including the approval of CO Board Member.

2. From and after the Effective Time until June 30, 2024, Parent will permit the Company to operate as an autonomous business, including with respect to staffing and expense decisions made in the ordinary course of business of the Company consistent with past practice, in each case, subject to oversight by the Board, including, without limitation, with respect to approval of the annual budget and material deviations therefrom.

3. From and after the Effective Time and until June 30, 2024, Parent sales team members will direct sales leads to the Company (the "Referral Program"). Parent will establish and maintain a sales performance incentive fund or "SPIF" to incentivize Referral Program performance, and Parent will commit senior leadership sales team member resources to oversee the Referral Program.

4. From and after the Effective Time and until June 30, 2024, Parent agrees that any partnership between Parent and the Company that materially utilizes the material products, services or efforts of the Company will be governed by a commercial arrangement to be mutually agreed upon by the parties consistent with market outcomes for such a partnership (including with respect to allocation of costs and revenue).

5. Parent will provide the Company with access to its Instant Market Value API ("IMV API") as an Excluded Expense. The Company's use of the IMV API data will be subject to the mutual agreement by the parties. Parent will consider in good faith other Company requests for access to Parent data ("Parent Data"). Any such Parent Data provided by Parent to the Company shall be provided pursuant to a data license agreement to be mutually agreed upon but without markup to Parent's third party costs with respect to such Parent Data. Any commercial partnership between Parent and the Company that utilizes Parent Data will be governed by a commercial agreement to be mutually agreed upon by the parties.

6. Parent further agrees that Bruce Thompson shall continue to serve as Chief Executive Officer and President of the Company until June 30, 2024, unless his employment is terminated in accordance with

the Offer Letter executed by Mr. Thompson in connection with the Purchase Agreement, he resigns or he is otherwise unable to serve.

SCHEDULE III

CO Member Representations

Capitalized terms used in this Schedule III but not otherwise defined in this Annex I or in the Agreement shall have the meanings ascribed to such terms in the Purchase Agreement.

As of each applicable Closing, each CO Member and CO Indirect Holder severally represents and warrants to Parent as follows:

1. Ownership. Such CO Member or CO Indirect Holder is the record or beneficial owner of, has good and valid title to, the Units to be sold to Parent by such CO Member or CO Indirect Holder, in each case free and clear of all Liens (other than restrictions on Transfer set forth in the Agreement).

2. Authorization; Enforceability. Such CO Member or CO Indirect Holder has the necessary power, authority, right and capacity to perform its obligations under the Agreement and this Annex I and to consummate the transactions contemplated hereby. The execution, delivery and performance by such CO Member or CO Indirect Holder of the Agreement (including this Annex I), and the consummation by such CO Member or CO Indirect Holder of the transactions contemplated hereby have been duly authorized by all necessary action on the part of such CO Member or CO Indirect Holder (if any). The Agreement (including this Annex I) was duly executed and delivered by such CO Member or CO Indirect Holder when so executed and, assuming the due authorization, execution and delivery hereof by each other party hereto, constitutes a valid and binding agreement of such CO Member or CO Indirect Holder, enforceable against such CO Member or CO Indirect Holder in accordance with its terms, subject to the General Enforceability Exceptions.

3. Non-Contravention. The consummation by such CO Member or CO Indirect Holder of the transactions contemplated hereby, 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 CO Member or CO Indirect Holder 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 or Order binding upon or applicable to such CO Member or CO Indirect Holder; 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 such CO Member or CO Indirect Holder or to a loss of any benefit to which such CO Member or CO Indirect Holder is entitled.

4. Ownership of Equity Interests. Such CO Member or CO Indirect Holder has not (i) transferred any of the Units being sold to Parent, or any interest therein, (ii) granted any options, warrants, calls or any other rights to purchase or otherwise acquire any such Units or any interest therein, or (iii) entered into any Contract with respect to any of the matters contemplated by clauses (i) or (ii).

5. No Actions. There is no Action of any nature pending or, to the Knowledge of such CO Member or CO Indirect Holder, threatened, against such CO Member or CO Indirect Holder or any of such CO Member or CO Indirect Holder's properties (whether tangible or intangible) or, if such CO Member or CO Indirect Holder is an entity, any of such CO Member or CO Indirect Holder's officers, managers or directors (in their capacities as such), arising out of or relating to: (i) such CO Member or CO Indirect Holder's beneficial ownership of securities of the Company or any right to acquire the same, (ii) the Agreement (including this Annex I) or any of the transactions contemplated hereby, or (iii) any other Contract between such CO Member or CO Indirect Holder (or any of its Affiliates) and the Company or any of its Affiliates, nor, to the Knowledge of such CO Member or CO Indirect Holder, is there any reasonable basis therefor. There is no Action pending or, to the Knowledge of such CO Member or CO Indirect Holder, threatened against such CO Member or CO Indirect Holder with respect to which such CO Member or CO Indirect

Holder 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 date hereof, nor to the Knowledge of such CO Member or CO Indirect Holder, are there any facts or circumstances that would reasonably be expected to give rise to such an Action.

6. Consents. There are no Contracts binding upon such CO Member or CO Indirect Holder requiring notice, consent, waiver, authorization or approval as a result of the execution, delivery and performance of the Agreement (including this Annex I) to which such CO Member or CO Indirect Holder is a party or the consummation of the transactions contemplated hereby. Neither the execution, delivery or performance by such CO Member or CO Indirect Holder of the Agreement (including this Annex I), nor the consummation by such CO Member or CO Indirect Holder of the transactions contemplated hereby, requires any consent of, authorization by, exemption from, filing with, or notice to any Person, other than antitrust or competition notices or clearances required by Law.

7. Brokers', Finders' Fees, etc. Such CO Member or CO Indirect Holder has not employed any broker, finder, investment banker or financial advisor (i) as to whom such CO Member or CO Indirect Holder may have any obligation to pay any brokerage or finders' fees, commissions or similar compensation in connection with the transactions contemplated hereby, or (ii) who might be entitled to any fee or commission from Parent, the Company or any of their respective Affiliates upon consummation of the transactions contemplated hereby.

8. Securities Laws. Such CO Member or CO Indirect Holder understands that the shares of Parent Common Stock (if any) issuable to such CO Member or CO Indirect Holder upon consummation of the transactions contemplated hereby (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 Parent will make a notation on its transfer books to such effect. With respect to any shares of Parent Common Stock issuable to such CO Member or CO Indirect Holder upon consummation of the transactions contemplated hereby, such CO Member or CO Indirect Holder 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.

9. Disclosure of Information. Such CO Member or CO Indirect Holder has received all the information it considers necessary or appropriate for deciding whether to execute and deliver the Agreement (including this Annex I) and to consummate the transactions contemplated hereby. Such CO Member or CO Indirect Holder further represents that it has had an opportunity to ask questions and receive answers from Parent regarding the shares of Parent Common Stock and the business, properties, prospects and financial condition of Parent. Such CO Member or CO Indirect Holder has (i) received a copy of the Agreement (including this Annex I), (ii) had the opportunity to carefully read each such agreement and the Buyer SEC Documents, (iii) has discussed the foregoing with such CO Member or CO Indirect Holder's professional advisors to the extent such CO Member or CO Indirect Holder has deemed necessary and (iv) understands his, her or its obligations hereunder.

10. Investment Experience. If shares of Parent Common Stock are issuable to such CO Member or CO Indirect Holder upon consummation of the transactions contemplated hereby, (a) such CO Member or CO Indirect Holder understands and acknowledges that such CO Member or CO Indirect Holder's investment in the Parent Common Stock involves a high degree of risk and has sought such accounting, legal and tax advice as such CO Member or CO Indirect Holder has considered necessary to make an informed investment decision with respect to such CO Member or CO Indirect Holder's acquisition of the Parent Common Stock;(b) such CO Member or CO Indirect Holder is fully aware of (i) the highly speculative nature of an investment in the Parent Common Stock, (ii) the financial hazards involved, (iii)

the lack of liquidity of the Parent Common Stock including the restrictions on Transfer and other obligations with respect thereto set forth in the Agreement, (iv) the qualifications and backgrounds of the management of Parent, and (v) the tax consequences of acquiring the Parent Common Stock; (c) such CO Member or CO Indirect Holder has such knowledge and experience in financial and business matters such that such CO Member or CO Indirect Holder is capable of evaluating the merits and risks associated with consummating the transactions contemplated hereby and accepting the Parent Common Stock as consideration in accordance with the terms of the Agreement (including this Annex I), has the capacity to protect such CO Member or CO Indirect Holder's own interests in connection with the transactions contemplated by the Agreement (including this Annex I), and is financially capable of bearing a total loss of the Parent Common Stock; and (d) such CO Member or CO Indirect Holder, 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 Parent or any Affiliate or selling agent of Parent, directly or indirectly, has the capacity to protect such CO Member or CO Indirect Holder's own interests in connection with the transactions contemplated by the Agreement (including this Annex I).

11. Accredited Investor. If shares of Parent Common Stock are issuable to such CO Member or CO Indirect Holder upon consummation of the transactions contemplated hereby, such CO Member or CO Indirect Holder is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, as presently in effect.

12. Purchase Entirely for Own Account. The shares of Parent Common Stock to be received by such CO Member or CO Indirect Holder (if any) will be acquired for investment for such CO Member or CO Indirect Holder's own account, not as a nominee or agent, and not with a view to the distribution of any part thereof, and such CO Member or CO Indirect Holder has no present intention of selling, granting any participation in, or otherwise distributing the same.

Exhibit A

First, redeem the Class A Interests from the Class A Members of TopCo at a price per Class A Interest of $10 until such Class A Interests are redeemed in full (i.e., an aggregate redemption price of $17.5 million).

Next, redeem the Class B Interests and Class C Interests pro rata from each member of TopCo holding such interests based on the number of such vested Class B Interests and vested Class C Interests that are then held by each such member relative to the aggregate number of vested Class B Interests and vested Class C Interests that are then outstanding. TopCo agrees that to the extent of any conflict between the terms of this Exhibit A and the Limited Liability Company Agreement of TopCo as then in effect, the terms of this Exhibit A shall control.

Each member of TopCo shall be entitled to receive the same ratio of cash and shares of common stock of Parent and, if any member of TopCo is given an option as to the form of consideration to be received, each other member of TopCo will be given the same option; *provided*, *further*, that, notwithstanding the foregoing, if payment to any member of TopCo in shares of common stock of Parent would require under applicable law (x) the registration or qualification of such securities or of any Person as a broker or dealer or agent with respect to such securities; or (y) the provision to any holder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act, the Company may in its sole discretion elect to pay the aggregate redemption consideration to such member of TopCo in cash, notwithstanding that the other members of TopCo will be paid in shares of common Stock of Parent in whole or in part.

Exhibit 10.28

SEPARATION AGREEMENT

Sarah Amory Welch
[ADDRESS]

Dear Sarah:

The purpose of this Separation Agreement (the "Agreement") is to set forth the terms of your separation of employment from CarGurus, Inc. ("CarGurus" or the "Company"), including the following defined terms:

- Date of this Agreement: November 16, 2021
- Separation Date: December 3, 2021, or your last day of employment with the Company if terminated earlier
- Severance Pay:
    - An amount equal to the sum of: (i) $243,750, your current base salary for the nine (9) month period following the Separation Date; (ii) $182,500, the remainder of your earned FY 2021 cash incentive award opportunity (the "Bonus Payment"); (iii) an additional cash payment of $25,000; and (iv) the cash value of those restricted stock units ("RSUs") granted to you during your employment that would have vested during the nine (9) month period following the Separation Date (equal to a total of 46,011 RSUs) had your employment continued during that time, based on the average of the closing price of the Company's Class A common stock on the Nasdaq Stock Market for the thirty (30) trading days immediately preceding the Separation Date (the "RSU Payment"). The RSU Payment shall be determined on or around the Separation Date, and shall form part of the Severance Pay.
    - Subject to your completion of the appropriate forms, and subject to all the requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), through August 31, 2022 (the Separation Date through this date is the "COBRA subsidy period"), the Company will pay the employer portion of premiums for your participation in the Company's medical and dental insurance plans through COBRA, to the same extent that such insurance is provided to persons currently employed by the Company. The Company will make these payments to the COBRA administrator each month during the COBRA subsidy period while you remain eligible if you do not become eligible for other benefits through new employment, and you will be required to pay the employee portion of premiums plus a 2% administrative fee, also directly to the Company's COBRA administrator. If you obtain employment that provides medical and/or dental insurance, you agree to notify the Company, and the Company will no longer be obligated to provide payment for the benefit continuation hereunder. You also have the right to continue insurance coverage after this period, subject to the requirements of COBRA, at your own cost.

1. Effect of Agreement. This Agreement shall be effective and binding on all parties on the date that you sign and return the Agreement to the Company (the "Acceptance Date"), unless you revoke this Agreement in accordance with its terms during the seven business (7) day period following the Acceptance Date.

2. Termination of Employment. Your employment with the Company will terminate on the Separation Date. After the Separation Date, you shall have no authority to represent yourself as an employee or agent of the Company. On the Separation Date, the Company shall pay your accrued but unpaid base salary and any accrued but unused vacation through the Separation Date.

3. Severance Pay. Provided that you have accepted this Agreement and complied with its terms and conditions and you have not revoked this Agreement, the Company agrees to pay you the Severance Pay. The Severance Pay, except for the Bonus Payment, will be paid in a lump sum as soon as practicable after the later of the Separation Date or the date on which you no longer have any ability to revoke this Agreement in accordance with its terms. The Bonus Payment will be paid in a lump sum in FY 2022 in accordance with the Company's standard payroll procedures for payment of cash incentive awards related to FY 2021 performance. The Severance Pay is subject to tax withholdings and any other authorized deductions.

You acknowledge and agree that the Severance Pay is not otherwise due or owing to you under any other agreement, obligation or any Company policy or practice. The Severance Pay is not intended to be, and shall not be construed to constitute, a severance plan, and shall confer no benefit on anyone other than the parties specified herein. You further acknowledge that except for (i) the specific financial consideration set forth in this Agreement, (ii) any unpaid regular wages earned through the Separation Date, (iii) any accrued but unused vacation earned through the Separation Date, (iv) any business expenses incurred by you on behalf of the Company for which you submit a timely reimbursement claim in accordance with Company policy on or prior to the Separation Date (which will be paid as soon as practicable thereafter), and (v) any vested amount owing to you pursuant to any 401(k) savings plan of the Company, you are not and shall not in the future be entitled to any other compensation, benefit or reimbursement including, without limitation, other wages, commissions, bonuses, incentives, vacation pay, holiday pay, overtime pay, sabbatical pay, any form of equity, any equity vesting or acceleration, or any other form of compensation or benefit.

If you do not accept and allow this Agreement to become effective, then subject to your completion of the appropriate forms, and subject to all the requirements of COBRA, you will be entitled to continue your participation, if any, in the Company's medical and dental insurance plans, to the same extent that such insurance is provided to persons then employed by the Company and made available to you prior to the date hereof, in accordance with applicable law, at your own cost. In all cases, the "qualifying event" under COBRA shall be deemed to have occurred on the Separation Date.

4. Equity Grants. If you have received a grant of equity from the Company, you acknowledge and agree that from and after the Separation Date, all vesting of any equity grant under any equity plan (of whatever name or kind, including, without limitation, any stock option plan or plan relating to restricted stock units) that you participated in or were eligible to participate in during your employment with the Company will terminate. If you have received a grant of stock options from the Company, you further acknowledge and agree that you are entitled to exercise only those stock options that have vested as of the Separation Date, and only in accordance with the terms and conditions of the applicable Company plan, including those provisions regarding the time in which you must exercise vested options.

5. Confidentiality, Acknowledgements and Other Obligations. You expressly acknowledge and agree to the following:

(i) You will keep all confidential information and trade secrets of the Company confidential, and not use or disclose any of the same, and you will abide by any and all common law and statutory obligations relating to protection and non-disclosure of the Company's trade secrets and confidential or proprietary documents and information. In addition, you acknowledge that the Company is providing you with notice of immunity under the Defend Trade Secrets Act of 2016, attached as Exhibit A.

(ii) Except as may be set forth in this Agreement, you acknowledge that you remain obligated under, and agree that you will comply with, the provisions of any agreement between

you and the Company that protects the confidentiality of the Company's information and imposes certain restrictions and obligations on you after your employment, including on your ability to use or share confidential information, to solicit employees or customers of the Company or to compete with the Company (each such agreement, collectively, the "NDA"), each of which is incorporated herein by reference. You specifically acknowledge and agree that you have received and are now receiving consideration for any restrictive covenants included in the NDA, and you expressly reaffirm these restrictive covenants.

(iii) You shall keep confidential all information relating to the negotiations associated with this Agreement, and shall not disclose such information to any person or entity (other than an immediate family member, legal counsel or financial advisor, provided that you instruct any such individual to whom disclosure is made about these obligations and such individual agrees to be bound by these confidentiality obligations), except as required by law.

(iv) From and after the date hereof unless specifically requested by the Company in writing, you will cease using any Company property (including computer equipment) and Company information. Within five (5) business days after request by the Company, you will return to the Company in the manner specified by the Company all Company property and equipment and all Company documents, code, information and data in any form (including financial plans, management reports, customer lists, and other documents and information), in each case without deleting or otherwise damaging or altering the same and without retaining any copies. On or prior to the Separation Date, you will provide the Company with all information necessary to log in to, assume control of, and access any database, system, account or application over which you had control or to which you had access during your employment (including username, password, PIN information and any other access credentials for any devices or accounts). From and after the date hereof unless specifically requested by the Company in writing, you will no longer access any such database, system, account or application. The Company intends to return to you your personal items located at any of the Company's offices after the reopening of the respective Company offices, unless otherwise agreed between you and the Company.

(v) You will not make any statements that are professionally or personally disparaging about, or adverse to, the interests of the Company (including its officers, directors, and employees) including, but not limited to, any statements that disparage any person, product, service, financial condition, capability or any other aspect of the business of the Company, and you will not engage in any conduct that could reasonably be expected to harm professionally or personally the reputation of the Company (including its officers, directors, and employees).

(vi) You represent to the Company that you have not engaged in any fraudulent or unlawful conduct relating to the Company or your employment, that you have complied with all contractual obligations with the Company, that you have complied with Company policies and procedures, and that you have fully disclosed to the Company all material information relating to the performance of your employment.

6. Cooperation. Through the Separation Date and the nine-month period thereafter, you will make yourself available to the Company, upon reasonable notice, to assist in any matter relating to the services performed by you during your employment with the Company including, but not limited to, transitioning your duties to others at the Company. Through the Separation Date and thereafter, you will also make yourself available to the Company, upon reasonable notice, to provide assistance in any legal or regulatory investigation, matter or Claim (as defined below).

7. Release of Claims. You hereby acknowledge and agree that by signing this Agreement, you (on behalf of yourself and your representatives, agents, estate, heirs, attorneys, insurers, spouse,

executors, administrators, successors and assigns) are waiving your right to assert any Claim, and you hereby release the Company from any Claim, arising from acts, omissions, facts, or circumstances that occurred on or before the Acceptance Date.

You agree that your waiver and release bars any form of legal claim, lawsuit, charge, complaint or any other form of action against the Company (each, a "Claim") seeking money or any other form of relief, including equitable relief (whether declaratory, injunctive or otherwise), damages or any other form of monetary recovery (including back pay, front pay, compensatory damages, overtime pay, emotional distress, punitive damages, attorneys' fees and any other costs or expenses). You understand that there could be unknown or unanticipated Claims resulting from your employment with the Company and the termination of your employment, and you agree that such Claims are included in this waiver and release. You specifically waive and release the Company from any Claims arising from or related to your employment relationship with the Company or the termination of your employment, including without limitation Claims under any statute, ordinance, regulation, executive order, common law, constitution and any other source of law of any state, country and/or locality, including but not limited to the United States, the Commonwealth of Massachusetts, the State of California, the State of Michigan, the state in which you reside, and/or any other state or locality where you worked for the Company (collectively "Laws").

Without limiting the foregoing waiver and release, except for Claims resulting from the failure of the Company to perform its obligations under this Agreement, you specifically waive and release the Company from:

(i)Claims under any Law concerning equal pay, civil rights, discrimination, harassment, retaliation and fair employment practices, including the Massachusetts Sexual Harassment Law (M.G.L. c. 214, § 1C), the Massachusetts Equal Pay Act (M.G.L. c. 149, § 105A), the Massachusetts Equal Rights Act (M.G.L. c. 93, §§ 102, 103), Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e et seq.), 42 U.S.C. § 1981, the Age Discrimination in Employment Act (29 U.S.C. § 621 et seq.) and the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.), each as they may have been amended through the Acceptance Date.

(ii) Claims under any Law relating to wages, hours, overtime, whistleblowing, leaves of absence or any other terms and conditions of employment, including but not limited to the

Massachusetts Payment of Wages Law (Mass. Gen. Laws c. 149, §§ 148, 150), Massachusetts General Laws Chapter 149 in its entirety, Massachusetts General Laws Chapter 151 in its entirety (including but not limited to the minimum wage and overtime provisions), the Family and Medical Leave Act of 1993 (29 U.S.C. § 2601 et seq.) and all other local, state or federal laws, regulations or ordinances relating to personal, sick, medical and/or family leave or benefits, the Sarbanes-Oxley Act (including 18 U.S.C. § 1514A), the Dodd-Frank Act (12 U.S.C. § 5301 et seq.), the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1001 et seq.), the federal Consolidated Omnibus Budget Reconciliation Act and any similar state law, and the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), each as they may have been amended through the Separation Date. You specifically acknowledge that you are waiving any Claims for unpaid wages under these and other Laws.

(iii) Claims under any local, state or federal common law theory including, without limitation, any Claim for breach of contract, implied contract, promissory estoppel, quantum meruit, or any Claim sounding in tort.

(iv) Claims arising under the Company's policies, equity plans, and benefit plans.

(v) Claims arising under any other Law or constitution.

You acknowledge and agree that your receipt of the Severance Pay is contingent upon your providing the waivers and releases in this Agreement, not revoking this Agreement.

Consistent with the provisions of Laws regarding discrimination (the "Discrimination Laws"), nothing in your waiver and release shall prohibit you from challenging the validity of the release under the Discrimination Laws or from filing a charge or complaint of age or other employment related discrimination with the Equal Employment Opportunity Commission ("EEOC") or similar state agency, or from participating in any investigation or proceeding conducted by the EEOC or such state agency. However, your release and waiver does prohibit you from seeking or receiving monetary damages or

other individual-specific relief in connection with any such charge or complaint of age or other work-related discrimination. Further, nothing in this Agreement shall limit the Company's right to seek immediate dismissal of such charge or complaint on the basis that your signing of this Agreement constitutes a full release of any individual rights under the Discrimination Laws, or the Company's right to seek restitution or other legal remedies of the economic benefits provided to you under this Agreement in the event that you successfully challenge the validity of this release and prevail in any claim under the Discrimination Laws.

8. OWBPA. Because you are at least forty (40) years of age, you have specific rights under the federal Age Discrimination in Employment Act ("ADEA") and Older Workers Benefits Protection Act ("OWBPA"), which prohibit discrimination on the basis of age. The release in Section 7 is intended to release any Claim you may have against the Company alleging discrimination on the basis of age under the ADEA, OWBPA and other laws. Notwithstanding anything to the contrary in this Agreement, the release in Section 7 does not cover rights or Claims under the ADEA that arise after the Acceptance Date.

The Company desires that you fully understand the provisions and effects of this Agreement. Consistent with the provisions of the OWBPA, you have a period of twenty-one (21) days from the date of delivery of this Agreement to you to consider and accept the provisions of this Agreement. You acknowledge and agree that any changes to this Agreement, whether material or immaterial, do not extend this period. You may revoke this Agreement within seven (7) business days after the Acceptance Date by sending an email to the Company's Chief People Officer at aeldridge@cargurus.com with a copy to the Company's Legal Department at legal@cargurus.com that specifically notifies the Company of your revocation of this Agreement under this Section.

9. Consequences of Breach or Revocation. In addition to any other remedies set forth in this Agreement or otherwise available to the Company in law or equity, a breach by you of any of your obligations set forth in this Agreement shall entitle the Company to cease providing any Severance Pay and to recover any Severance Pay already provided to you. Notwithstanding any such breach, your release and waiver set forth in this Agreement will remain in full force and effect to the maximum extent permitted by law.

10. Unemployment Benefits. You may seek unemployment benefits as a result of the termination of your employment from the Company. Decisions regarding unemployment eligibility, including whether the Severance Pay affects the amount of eligibility, if any, are made by the applicable unemployment agency, not by the Company. The Company agrees to provide any necessary documents to enable you to seek such unemployment benefits promptly after a request in writing by an applicable state unemployment agency. Nothing in this Section shall be construed to require the Company to make, and the Company will not make, untruthful statements to an agency in connection with any claim for unemployment benefits.

11. Governing Provisions.

(i)Except as otherwise expressly provided in this Agreement and specifically your continuing obligations under the NDA, this Agreement, including the Exhibit, supersedes any prior oral or written agreement and sets forth the entire agreement between you and the Company. No variations or modifications to this Agreement shall be valid unless reduced to writing and signed by the parties to this Agreement.

(ii) The validity, interpretation and performance of this Agreement shall be governed by, and construed in accordance with, the internal laws of the Commonwealth of Massachusetts, or if required by the laws of the state in which you reside, the laws of such state, without giving effect to conflict of law principles. Any action, demand, claim or counterclaim relating to the

terms and provisions of this Agreement, or to its breach, shall be commenced in Massachusetts in a court of competent jurisdiction, and venue for such actions shall lie exclusively in Massachusetts. To the fullest extent permitted by law, any action, demand, claim or counterclaim relating to this Agreement shall be resolved by a judge alone, and both parties hereby waive the right to a trial before a civil jury.

(iii) The terms of this Agreement are severable, and if for any reason any part hereof shall be found to be unenforceable, the remaining terms and conditions shall be enforced in full.

(iv) This Agreement shall inure to the benefit of the Company and any of its successors and assigns and shall be enforceable against your heirs, executors and assigns.

(v) Except for the Company's obligations set forth in Section 3 of this Agreement, which shall be the obligations solely of CarGurus, Inc., wherever the term the Company is used in this Agreement, it shall include CarGurus, Inc. and any and all entities corporately related to CarGurus, Inc. (including but not limited to any parents, divisions, affiliates and subsidiaries), and its and their respective partners, officers, directors, employees, agents, representatives, successors, predecessors, and assigns. The parties agree that all of such foregoing entities and persons are intended third party beneficiaries of this Agreement.

The Company advises you to consult with legal counsel for the purpose of reviewing the terms of this Agreement. By executing this Agreement, you are acknowledging that you have been afforded sufficient time to understand the terms and effects of this Agreement and to consult with legal counsel, that your agreements and obligations hereunder are made voluntarily, knowingly and without duress, and that neither the Company nor any of its employees, agents or representatives has made any representations to you inconsistent with the provisions of this Agreement.

****

To accept the terms of this Agreement, you must sign and return this Agreement to the Company's Chief People Officer at aeldridge@cargurus.com or by electronic signature and transmission (if made available by the Company) within the applicable period specified in Section 8.

Very truly yours,

CARGURUS, INC.

By: /s/ Andrea Eldridge
Name: Andrea Eldridge
Title: Chief People Officer

ACCEPTED AND AGREED:

/s/ Sarah Welch

Printed Name: Sarah Amory Welch

Acceptance Date: November 16, 2021

Exhibit A

Notice of Immunity

Consistent with federal law, the Company hereby notifies you of the following provisions of the Defend Trade Secrets Act of 2016.

IMMUNITY FROM LIABILITY FOR CONFIDENTIAL DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT OR IN A COURT FILING—

(1) IMMUNITY.—An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—

(A) is made –

(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and

(ii) solely for the purpose of reporting or investigating a suspected violation of law; or

(B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(2) USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT—An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—

(A) files any document containing the trade secret under seal; and

(B) does not disclose the trade secret, except pursuant to court order.

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Exhibit 10.29

SUBLEASE

THIS SUBLEASE (the "**Sublease**") is made as of the 6th day of October, 2021 (the "**Effective Date**"), by and between HUBSPOT, INC., a Delaware corporation ("**Sublandlord**"), and CARGURUS, INC., a Delaware corporation ("**Subtenant**").

RECITALS

1. Sublandlord is the Tenant under that certain Lease with Two Canal Park Massachusetts, LLC, as Landlord ("**Master Landlord**"), dated April 21, 2015 (the "**Original Lease**"), as amended by that certain First Amendment to Lease dated August 10, 2016, Second Amendment to Lease dated March 12, 2018, Third Amendment to Lease dated December 2, 2019, Fourth Amendment to Lease dated January 6, 2020, and Fifth Amendment to Lease dated July 2, 2021 (the "**Fifth Amendment**") (collectively, the "**Amendments**"), together with the Original Lease, the "**Master Lease**"), a copy of which is attached hereto as Exhibit A, of certain premises consisting of approximately: (i) 17,358 rentable square feet on the first (1st) floor; (ii) approximately 50,602 rentable square feet on the second (2nd) floor; (iii) approximately 48,047 rentable square feet on the third (3rd) floor; (iv) approximately 48,059 rentable square feet on the fourth (4th) floor; and (v) approximately 41,201 rentable square feet on the fifth (5th) floor for a total of approximately 205,267 rentable square feet (the "**Premises**") in the building (the "**Building**") commonly known as Two Canal Park, Cambridge, Massachusetts 02141 and more particularly described in the Master Lease. Any capitalized terms used herein but not otherwise defined in this Sublease shall have the meanings ascribed thereto in the Master Lease.

2. Subtenant wishes to sublease from Sublandlord and Sublandlord wishes to sublease to Subtenant a portion of the Premises consisting of approximately 48,059 rentable square feet located on the fourth (4th) floor of the Building and substantially as shown on Exhibit B attached hereto (the "**Subleased Premises**"), subject to the terms and conditions of this Sublease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

a. Demise. Sublandlord hereby subleases to Subtenant, and Subtenant hereby subleases from Sublandlord, the Subleased Premises, together with the right to use, in common with others entitled thereto, the common areas of the Building under the Master Lease necessary or appropriate to Subtenant's use of the Subleased Premises, subject to the terms of the Master Lease and any rules and regulations established from time to time by Master Landlord or Sublandlord with respect to the use of such common areas, including, without limitation, rules and regulations relating to face-coverings and other safety measures relating to COVID-19.

b. Condition of Subleased Premises. The parties acknowledge that Subtenant is currently in occupancy of the Subleased Premises, has inspected the same and the Building and is fully familiar with the physical condition thereof, and Subtenant agrees to accept the Subleased Premises in its "AS IS" condition as of the Sublease Commencement Date (as hereinafter defined), with all faults and without any obligation on the part of Sublandlord to modify, improve or otherwise prepare the Subleased Premises for Subtenant's occupancy. Subtenant

acknowledges that, except as expressly set forth in this Sublease, no representations have been made to Subtenant with respect to the condition of the Subleased Premises. Sublandlord has made no warranty or representation, express or implied, as to the fitness and availability of the Subleased Premises for any particular use.

c. Sublease Term. The term of this Sublease (the "**Sublease Term**") shall commence on December 1, 2022 (the "**Sublease Commencement Date**") and shall expire on November 30, 2023 (the "**Sublease Expiration Date**"), unless earlier terminated in accordance with this Sublease.

d. Yearly Rent. Beginning on the Fourth Floor Premises Rent Commencement Date (as defined in the Fifth Amendment to the Master Landlord Lease) through November 30, 2023, Subtenant shall pay yearly rent ("**Yearly Rent**") to Sublandlord at an annual rate of Eighty-Two and 00/100 Dollars ($82.00) per rentable square foot in equal monthly installments of Three Hundred Twenty-Eight Thousand Four Hundred Three and 17/100 Dollars ($328,403.17) in advance without demand on the first day of each calendar month during the Sublease Term. All such payments shall be paid to Sublandlord without deduction, offset, abatement, notice or demand, at Sublandlord's address set forth above, or at such other place as Sublandlord shall from time to time designate in writing to Subtenant, in lawful currency of the United States. Rent shall be prorated for any partial calendar month during the Term.

e. Subtenant's Proportionate Share. For purposes of the Sublease, "**Subtenant's Proportionate Share**" shall be equal to 100% representing the ratio of the rentable area of the Subleased Premises to the entire rentable area of the Premises on the 4th floor of the Building.

f. Additional Rent. Beginning on the Fourth Floor Premises Rent Commencement Date, Subtenant shall pay Subtenant's Proportionate Share of (a) all Operating Costs and Tax Excess assessed or charged to Sublandlord pursuant to Article 9 of the Master Landlord Lease (as amended by Section 10 and Section 11 of the Fifth Amendment to the Master Landlord Lease) with respect to the Fourth Floor Premises (as defined in the Fifth Amendment to the Master Landlord Lease), (b) all other additional rent or charges payable by Sublandlord under the Master Landlord Lease and attributable to the Subleased Premises (collectively, "**Additional Rent**"). Subtenant shall pay directly and on time all billings for all telephone, electricity used in the Subleased Premises that are separately metered or submetered and either billed directly to the Subleased Premises by the utility company or billed by Master Landlord and allocable to the Subleased Premises based upon the usage shown on the submeters for the Subleased Premises.

g. Access. Subtenant acknowledges and agrees that Master Landlord is responsible for the access control or other system for limiting and security access to the Building and Subtenant shall be responsible for maintaining any access control or other system for limiting and securing access to the Subleased Premises and Sublandlord shall have no obligation to Subtenant to provide any access system or other security to the Subleased Premises. Notwithstanding the foregoing, Subtenant shall provide an access card and/or key to each of Sublandlord and Master Landlord solely for the purpose that Sublandlord and Master Landlord may exercise the rights afforded to each of them under this Sublease (by incorporation) and the Master Lease.

h. Late Charges. If Subtenant fails to pay any installment of Yearly Rent or Additional Rent on or before its due date, Subtenant shall pay to Sublandlord the interest and administrative fees payable under Article 6 of the Master Lease for such outstanding amount, provided, however, that Sublandlord agrees to waive the administrative fees and interest charges for the

first (1st) occasion, if any, in any twelve (12)-month period, if such unpaid amounts are paid within five (5) business days after written notice from Sublandlord that such amounts are delinquent. Such administrative fees and interest shall constitute Additional Rent hereunder due and payable with the next monthly installment of Yearly Rent due under this Sublease.

i. Incorporation of Master Lease by Reference. Except to the extent such terms and provisions are inconsistent with or are specifically contrary to the express written provisions of this Sublease and except as provided in this Section 9, all of the terms, covenants and conditions of the Master Lease are by this reference incorporated herein and made a part of this Sublease with the same force and effect as if fully set forth herein, provided, however, that for purposes of such incorporation, (i) the term "Lease" as used in the Master Lease shall refer to this Sublease; (ii) the term "**Landlord**" as used in the Master Lease shall refer to Sublandlord, except in Articles 8, 10, 18, and 23 and Section 29.4 and Section 29.7 where "Landlord" will continue to refer to Master Landlord; (iii) the term "**Tenant**" as used in the Master Lease shall refer to Subtenant; (iv) the term "**Term**" as used in the Master Lease shall refer to the Sublease Term defined herein; (v) the term "**Premises**" as used in the Master Lease shall refer to the Subleased Premises; and (vi) the term "**Tenant's Proportionate Share**" as used in the Master Lease shall refer to Subtenant's proportionate share. In the event of any inconsistency between the provisions set forth in this Sublease and the provisions of the Master Lease, as incorporated herein, the provisions of this Sublease shall control as between Sublandlord and Subtenant.

i. The following provisions of the Master Lease are expressly not incorporated into this Sublease: Articles 3, 4 and 7, the last paragraph of Article 12, Sections 9.7, 15.2, 15.3A, 26(b), 29.3, 29.11, 29.16, 29.17, 29.18, 29.19, 29.20, 29.21, and 29.22, Exhibits 2, 5, 6, 7, 8 and 11, the Amendments, and the following defined terms contained in Exhibit 1, and any references made thereto: "Commencement Date", "Estimated Commencement Date", "Rent Commencement Date", "Expiration Date", "Yearly Rent", "Security Deposit", "Tenant's Proportionate Share", "Broker", and "Parking".

ii. Notwithstanding the incorporation of Section 29.12 of the Lease, Subtenant will only have the right to use and obligation to pay for thirty (30) Parking Passes during the Sublease Term.

iii. Master Landlord shall have all the same rights and remedies with respect to the Subleased Premises as Master Landlord has with respect thereto under the Master Lease. This Sublease is expressly subject and subordinate to any mortgages or deeds of trust to which the Master Lease is now or hereafter subject and subordinate pursuant to Article 24 of the Master Lease without the requirement of delivering any so-called non-disturbance agreement to Subtenant.

iv. Without limiting any other term or provision of this Sublease, Subtenant shall not have the right to exercise any rights or options, if any, set forth in the Master Lease to extend or renew the term, to expand the Premises or lease any expansion space, or to terminate the Sublease earlier than the Sublease Expiration Date. Subtenant shall have no right to audit Master Landlord's records pursuant to Section 9.7 of the Master Lease nor to request that Master Landlord seek an abatement of real estate taxes.

v. All rights of termination, if any, of the Tenant set forth in Article 18 of the Master Lease entitled "Damage By Fire, Etc." and Article 20 of the Master Lease entitled "Condemnation – Eminent Domain" are reserved to Sublandlord, to be exercised or waived in its

sole discretion. Notwithstanding the foregoing, in the event of any casualty or condemnation pursuant to Article 18 or Article 20 of the Master Lease affecting the Subleased Premises under circumstances which, under the Master Lease, entitle Sublandlord to terminate the Master Lease, Subtenant may give written notice to Sublandlord at least five (5) Business Days prior to the date under Article 18 or Article 20 of the Master Lease by which Sublandlord must notify Master Landlord of Sublandlord's intention to exercise its termination right, requesting that Sublandlord exercise such termination right. If, after receipt of Subtenant's request, Sublandlord exercises its right to terminate the Master Lease pursuant and consistent with the provisions of Article 18 or Article 20 of the Master Lease, this Sublease shall automatically terminate on the date the Master Lease so terminates. If, after receipt of Subtenant's request, Sublandlord does not exercise its right under Article 18 or Article 20 to terminate the Master Lease, this Sublease shall nevertheless terminate thirty (30) days after Sublandlord's receipt of Subtenant's request. In addition, if a casualty or other damage to the Subleased Premises shall occur that will materially adversely affect Subtenant's ability to use and occupy the Sublease Premises during the final four (4) months of the Sublease Term, Subtenant shall have the right to terminate this Sublease by written notice to Sublandlord. Sublandlord shall provide Subtenant with a copy of any notice received from Master Landlord under Article 20 promptly following Sublandlord's receipt thereof.

vi. Notwithstanding the incorporation of Section 8.8 of the Master Lease, Sublandlord shall have no liability to Subtenant or any other party on account of any Service Interruption and Subtenant's right to abate the rent payable under this Sublease shall be conditioned upon and limited to the amount of rent that Sublandlord is entitled to abate under the Master Lease with respect to the Subleased Premises.

vii. Notwithstanding the incorporation of Article 27 of the Master Lease, all notices hereunder shall be delivered to the addresses set forth herein and otherwise in accordance with Section 19 of this Sublease.

j. Permitted Use. Subtenant shall use the Subleased Premises solely for the uses specified in Section 6.1 of the Master Lease in accordance with all the terms, conditions, restrictions, covenants and other provisions of the Master Lease, and not for any other uses.

k. Signs. Sublandlord shall request the consent of Master Landlord for Subtenant to continue to include Subtenant's name on any currently existing building signage. Any changes, replacements or additions by Subtenant to such directory or directories shall be at Subtenant's sole cost and expense.

l. Covenants of the Parties.

i. With respect to the Subleased Premises, Subtenant covenants and agrees to assume, perform and observe all the terms, covenants and conditions required to be performed by Sublandlord, as Tenant under the Master Lease except to the extent such terms, covenants and conditions conflict with the terms of this Sublease in which event the terms of the Sublease shall control and specifically excluding the obligations to pay rent, which obligation shall be governed by the terms of this Sublease. Subtenant further agrees that Subtenant's performance of all such obligations shall be performed by Subtenant for the benefit of Sublandlord as well as for the benefit of Master Landlord, and that Sublandlord shall have, with respect to Subtenant, this Sublease and the Subleased Premises, all of the rights and benefits provided to Master Landlord by the Master Lease.

ii. Subtenant covenants and agrees that this Sublease is expressly made subject and subordinate in all respects to (i) the Master Lease and to all of its terms, covenants and conditions (including without limitation those provisions not incorporated herein by reference, as set forth in Section 9 of this Sublease); and (ii) any and all matters to which the tenancy of Sublandlord, as tenant under the Master Lease, is or may be subordinate. Subtenant shall not do, or permit or suffer to be done, any act or omission by Subtenant, its agents, employees, contractors or invitees which is prohibited by the Master Lease, or which would constitute a violation or default thereunder, or result in a forfeiture or termination of the Master Lease or render Sublandlord liable for damages, fines, penalties, costs or expenses under the Master Lease. Unless otherwise agreed to by the applicable parties in writing, in the event that the Master Lease expires or terminates during the Sublease Term for any reason, this Sublease shall terminate on the date of such expiration or termination of the Master Lease, with the same force and effect as if such expiration or termination date had been specified in this Sublease as the Sublease Expiration Date and Sublandlord shall have no liability to Subtenant in the event of any such expiration or termination, except to the extent that such expiration or termination is attributable to Sublandlord's default under the Master Lease, or a voluntary act or omission by Sublandlord.

iii. As long as this Sublease is in full force and effect, Subtenant shall be entitled, with respect to the Subleased Premises, to the benefit of Master Landlord's obligations and agreements to furnish utilities and other services to the Subleased Premises and to repair and maintain the common areas, roof, building systems and all other obligations of Master Landlord under the Master Lease. Notwithstanding anything provided herein or the Master Lease to the contrary, Subtenant covenants and agrees that Sublandlord shall not be obligated to furnish any services or utilities of any nature whatsoever or be responsible for the performance of any of Master Landlord's obligations under the Master Lease, and shall not be liable in damages or otherwise for any negligence of Master Landlord or for any damage or injury suffered by Subtenant as a result of any act or failure to act by Master Landlord, or any default by Master Landlord in the performance of its obligations under the Master Lease, nor shall any such action, failure to act, or default by Master Landlord constitute a constructive eviction or default by Sublandlord hereunder. Notwithstanding anything to the contrary contained in this Sublease or the Master Lease, Sublandlord shall not be bound by and expressly does not make any of the indemnifications, representations or warranties, if any, made by Master Landlord under the Master Lease. If Master Landlord shall default in the performance of its obligations under the Master Lease with respect to the Subleased Premises, Sublandlord, upon receipt of written notice thereof from Subtenant, shall use commercially reasonable efforts to cause Master Landlord to perform its obligations under the Master Lease and to enforce the terms thereof, provided such commercially reasonable efforts shall not require Sublandlord to expend any money to cause Master Landlord to perform its obligations under the Master Lease unless Subtenant shall reimburse Sublandlord for any costs incurred by Sublandlord, including, without limitation, reasonable attorneys' fees.

iv. Except as expressly provided in this Sublease, including, without limitation, Section 15(b)(ii) below, Sublandlord shall not incur any liability whatsoever to Subtenant for any injury, inconvenience, incidental or consequential damages incurred or suffered by Subtenant as a result of the exercise by Master Landlord of any of the rights reserved to Master Landlord under the Master Lease, nor shall such exercise constitute a constructive eviction or a default by Sublandlord hereunder. Subtenant's obligations to pay Yearly Rent, Additional Rent and any

other charges due under this Sublease shall not be reduced or abated in the event that Master Landlord fails to provide any service, to perform any maintenance or repairs, or to perform any other obligation of Master Landlord under the Master Lease, except if and only to the extent that Sublandlord's obligation to pay Yearly Rent, Additional Rent and other charges under the Master Lease with respect to the Subleased Premises is actually abated as a result of Master Landlord's failure.

v. In all provisions of the Master Lease requiring the approval or consent of, or notice to, Master Landlord, Subtenant shall be required to obtain the approval or consent of, or provide notice to, both Master Landlord and Sublandlord. If Sublandlord's consent shall be required under the terms of this Sublease, Sublandlord shall not be deemed to be unreasonable in withholding such consent if Master Landlord withholds its consent thereto (unless Sublandlord's default or other action is the sole cause of Master Landlord's withholding of consent and Sublandlord's giving of its consent will not be a breach or default under the Master Lease) and Sublandlord shall have no liability to Subtenant for any loss, damage or injury in the event that Master Landlord withholds its consent.

vi. Sublandlord covenants that, subject to the terms and conditions of the Master Lease and this Sublease, if and so long as Subtenant keeps and performs each term and condition herein contained on its part to be kept and performed, Subtenant shall not be disturbed in the enjoyment of the Subleased Premises by Sublandlord or by anyone claiming by, through or under Sublandlord.

vii. Whenever a notice is given or received pursuant to the Master Lease by or to Sublandlord or Subtenant which has relevance to the Subleased Premises, Sublandlord and Subtenant each agree promptly to provide the other with a copy of such notice.

viii. Sublandlord represents to Subtenant that (i) Sublandlord has not received any written notice of any default or breach from Master Landlord under any covenants, conditions, restrictions, rights or provisions of the Master Lease and (ii) to Sublandlord's actual knowledge without inquiry or investigation, there has been no default and no event has occurred that with notice or lapse of time or both would constitute a default under the Master Lease, and (iii) a true, complete and correct copy of the Master Lease is attached hereto as Exhibit A.

m. Assignment and Subletting. Subtenant covenants and agrees this Sublease shall not be assigned, voluntarily or by operation of law or otherwise, or the Subleased Premises further sublet, in whole or in part, or any part thereof suffered or permitted by Subtenant to be used or occupied by others without Master Landlord's and Sublandlord's prior written consent (which consent of Sublandlord will not be unreasonably withheld, conditioned or delayed in accordance with the same terms and conditions in the Master Lease applicable to Master Landlord's consent rights) and any such assignment or sublease shall be subject to all of the terms and conditions of Article 16 of the Master Lease, including, without limitation, the provisions thereof which define what activities will constitute an assignment or sublease and the standards for Master Landlord and Sublandlord to grant or withhold consent thereto. No consent to any assignment or subletting shall be deemed to be a consent to any further assignment or subletting, and no assignment or subletting or consent thereto shall release or subordinate the primary liability of Subtenant under this Sublease in any regard whatsoever. Notwithstanding the foregoing, Subtenant shall have the right to assign this Sublease or transfer the entirety or any portion of the Subleased Premises, to a Permitted Assignee (as defined in Section 16(a) of the Master Lease) or

an Affiliated Entity (as defined in Section 16(c) of the Master Lease), without obtaining Sublandlord's consent, but subject to Subtenant obtaining any required consent of Master Landlord.

n. Insurance. Subtenant shall obtain and maintain all insurance types and coverage for the Subleased Premises as specified in the Master Lease to be obtained and maintained by Sublandlord, in amounts not less than those specified in the Master Lease. All such policies of insurance shall be subject to and comply with the terms and provisions of the Master Lease and shall, in addition, name Sublandlord as an additional insured thereunder. Subtenant hereby agrees that the property damage insurance carried by Subtenant hereunder shall provide for the waiver by the insurance carrier of any right of subrogation against Sublandlord and Master Landlord, and Subtenant further agrees that, with respect to any damage to property, the loss of which is covered by insurance carried by Subtenant under this Sublease, Subtenant releases Sublandlord and Master Landlord from any and all claims with respect to such loss to the extent of the insurance proceeds paid with respect thereto.

o. Indemnification.

(a) Except to the extent caused by the negligence or willful misconduct of Sublandlord, Master Landlord or any of their respective agents, employees or contractors, Subtenant will save Master Landlord and the Sublandlord harmless, and will defend and indemnify Master Landlord and Sublandlord, from and against any and all costs, expenses (including reasonable attorneys' fees), damages, claims, liabilities, losses, fines or penalties asserted by or on behalf of any person, firm, corporation or public authority arising from or based upon (i) any injury to person, or loss of or damage to property, sustained or occurring in or on the Subleased Premises; or (ii) any injury to person, or loss of or damage to property, sustained or occurring elsewhere in or about the Building (other than on the Subleased Premises) to the extent arising out of Subtenant's use or occupancy of the Building or the Subleased Premises, or caused by the act or omission of any person for whose conduct Subtenant is legally responsible; or (iii) any work or other act done (other than by Master Landlord or Sublandlord or their respective contractors, agents or employees) in the Subleased Premises during the Term of this Sublease; or (iv) the omission, fault, willful act, negligence or other misconduct of Subtenant or any of Subtenant's agents, employees, licensees, contractors, customers or invitees; or (v) the failure of Subtenant to perform and discharge any of its covenants and obligations under this Sublease.

(b) Except to the extent caused by the negligence or willful misconduct of Subtenant, Master Landlord or their respective agents, contractors or employees, Sublandlord will save Subtenant harmless, and will defend and indemnify Subtenant, from and against any and all costs, expenses (including reasonable attorneys' fees), damages, claims, liabilities, losses, fines or penalties asserted by or on behalf of any person, firm, corporation or public authority arising from or based upon (i) the negligence or willful misconduct of Sublandlord or any of Sublandlord's agents, employees or contractors, or (ii) the failure of Sublandlord to perform and discharge any of its covenants and obligations under this Sublease. In addition to the foregoing, Subtenant shall not do or permit anything to be done which would cause a default under the Master Lease (exclusive of defaults under any of the redacted provisions of the Master Lease), or termination or forfeiture by reason of any right of termination or forfeiture, reserved or vested in the Master Landlord under the Master Lease.

(c) In case any action or proceeding is brought against a party for which the other party has covenanted under this Sublease to indemnify such party, the indemnifying party will, at its sole expense, defend such action or proceeding and employ counsel reasonably satisfactory to the indemnified party. The indemnities set forth in this Section 15 shall survive the expiration or earlier termination of this Sublease.

p. Sublandlord's Approval of the Subtenant's Alterations and Improvements. Subtenant shall not perform any changes, alterations, additions or improvements to the Subleased Premises without the prior written consent of Sublandlord and Master Landlord to the extent Master Landlord's consent is required under the terms of the Master Lease. Sublandlord's consent shall not be unreasonably withheld, conditioned or delayed. Any Alterations approved by Sublandlord shall be subject to and performed in accordance with all of the terms and conditions of the Master Lease, including, without limitation, Article 12 of the Master Lease.

q. Surrender; and Holding Over.

i. At the expiration or earlier termination of this Sublease, Subtenant shall quit and surrender the Subleased Premises in vacant, broom clean condition, damage by casualty excepted. Without limitation of any of the foregoing, Subtenant shall on or before the expiration or earlier termination of this Sublease, (i) remove all of Subtenant's personal property (provided that Subtenant shall not be required to remove its wiring and cabling); and (ii) remove all trash and broom sweep the Subleased Premises. If any personal property of Subtenant shall remain in the Subleased Premises after the termination of this Sublease, at the election of Sublandlord, (x) it shall be deemed to have been abandoned by Subtenant and may be retained by Sublandlord as its own property; or (y) such property may be removed and disposed of by Sublandlord at the expense of Subtenant. Subtenant's obligation to observe or perform under this Section 17 shall survive the expiration or earlier termination of this Sublease.

ii. If Subtenant fails to surrender the Subleased Premises in the condition required hereunder on the expiration or earlier termination of the Sublease, such holding over shall render Subtenant a tenant-at-sufferance only, and shall be subject to all of the terms and provisions of this Sublease, and Subtenant shall pay to Sublandlord the sum of (i) monthly holdover Yearly Rent equal to 150% of the Base Rent payable in the last month of the Sublease Term plus any Additional Rent as set forth in this Sublease; and (iii) any and all other costs and expenses incurred by Sublandlord in connection with such holdover as reasonably determined by Sublandlord.

r. Default.

i. For purposes of this Sublease, in the event Subtenant shall default in the performance of any of the terms, conditions or covenants of this Sublease, Subtenant's cure period shall be five (5) business days with respect to monetary defaults and twenty (20) days with respect to non-monetary defaults, in either case, after notice from Sublandlord (provided that with respect to non-monetary defaults that reasonably require more than twenty (20) days to cure, Subtenant shall have such additional period of time required provided that Subtenant commences such cure within such twenty (20) day period and thereafter diligently pursues such cure to completion).

ii. In the event that Subtenant shall default in the payment of Yearly Rent or Additional Rent hereunder, or default in the performance or observance of any of the terms,

conditions and covenants of this Sublease, which default shall not be cured within the grace periods set forth in this Sublease, Sublandlord, in addition to and not in limitation of any rights otherwise available to it, shall have the same rights and remedies with respect to such default as are provided to Master Landlord under the Master Lease with respect to defaults by the Tenant thereunder, with the same force and effect as though all such provisions relating to any such default or defaults were herein set forth in full, and Subtenant shall have all of the obligations of the Tenant under the Master Lease with respect to such default. Except for Subtenant's liability under Section 17(b) of this Sublease, in no event shall either party be liable to the other for any special, punitive or consequential damages of any kind.

s. Notice. Any notice, consent, request, bill, demand or statement hereunder by either party to the other party shall be in writing and delivered or served in accordance with Article 27 of the Master Lease and addressed as follows: if to Sublandlord: 25 First Street, Second Floor, Cambridge, Massachusetts 02141, Attn: General Counsel, with a copy to Goodwin Procter LLP, 100 Northern Avenue, Boston, MA 02210, Attn: Katherine L. Murphy, Esquire; if to Subtenant: CarGurus, Inc. 2 Canal Park, Fourth Floor, Cambridge, Massachusetts, 02141, Attn: Director of Real Estate, with copies to CarGurus, Inc. 2 Canal Park, Fourth Floor, Cambridge, Massachusetts, 02141, Attn: General Counsel, and Dain, Torpy, Le Ray, Wiest & Garner, P.C., 745 Atlantic Avenue, Fifth Floor, Boston, Massachusetts, 02111, Attn: Eric Labbe, or to such other address and attention as any of the above shall notify the others in writing.

t. Rules and Regulations. Subtenant shall abide by any rules and regulations from time to time established by Master Landlord under the Master Lease; provided, that, Sublandlord or Master Landlord provides written notice to Subtenant of any such rules and regulations, not attached to the Master Lease.

u. Recording. In the event that this Sublease or a copy hereof or any notice hereof shall be recorded by Subtenant, then such recording shall constitute a default by Subtenant entitling Sublandlord to immediately terminate this Sublease, without notice or opportunity to cure such default. Without limiting the foregoing, Sublandlord acknowledges that Subtenant will be required to file this Sublease in accordance with applicable SEC regulations.

v. Quiet Enjoyment. Sublandlord covenants that so long as there is no default of Subtenant in existence and continuing beyond the expiration of applicable notice and cure periods, Subtenant shall quietly enjoy the Subleased Premises from and against the claims of all persons claiming by, through and under Sublandlord subject, nevertheless, to the covenants, agreements, terms, provisions and conditions of this Sublease and the Master Lease, and the lien of the mortgages, ground leases and/or underlying leases to which this Sublease and the Master Lease are subject and subordinate.

w. No Brokers. Each party represents to the other that it has not dealt with any real estate broker, finder or other person with respect to this Sublease in any manner. Each party shall hold harmless the other party from all damages resulting from any claims that may be asserted against the other party by any broker, finder or other person with whom the indemnifying party has or purportedly has dealt.

x. Governing Law; Interpretation and Partial Invalidity. This Sublease shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to any conflict of law principles. If any term of this Sublease, or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the remainder of

this Sublease, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Sublease shall be valid and enforceable to the fullest extent permitted by law. The titles for the Sections of this Sublease are for convenience only and are not to be considered in construing this Sublease. This Sublease contains all of the agreements of the parties with respect to the subject matter hereof and supersedes all prior dealings between them with respect to such subject matter. No delay or omission on the part of either party to this Sublease in requiring performance by the other party or exercising any right hereunder shall operate as a waiver of any provision hereof or any rights hereunder, and no waiver, omission or delay in requiring performance or exercising any right hereunder on any one occasion shall be construed as a bar to or waiver of such performance or right on any future occasion.

y. Binding Agreement. This Sublease shall become effective and binding only upon the mutual execution and delivery of this Sublease by both Sublandlord and Subtenant and receipt of the Master Landlord Sublease Consent. This Sublease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, subject to the provisions of the Master Lease and this Sublease regarding assignment and subletting. This Sublease shall not be modified or amended, except by a written document executed by both parties to this Sublease and specifically identifying the provision(s) being modified or amended.

z. Counterparts and Authority. This Sublease may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Sublandlord and Subtenant each represent and warrant to the other that the person or persons executing this Sublease on its behalf has or have authority to do so and that such execution has fully obligated and bound such party to all terms and provisions of this Sublease.

aa. Master Landlord Sublease Consent. This Sublease is subject to and conditioned upon Sublandlord obtaining the written consent of Master Landlord hereto in form and content reasonably acceptable to Sublandlord and Subtenant ("**Master Landlord Sublease Consent**"). Notwithstanding anything in this Sublease to the contrary, this Sublease shall be of no force or effect whatsoever, or be binding in any way, unless and until Master Landlord has given its Master Landlord Sublease Consent. If the Master Landlord Sublease Consent is not obtained within thirty (30) days after the Effective Date, either party may have the option to terminate this Sublease by providing written notice to the other party.

[Signatures commence on following page]

EXECUTED as an instrument under seal as of the Effective Date.

SUBLANDLORD:

HUBSPOT, INC.,
a Delaware corporation

By: /s/ John Kelleher
Name: John Kelleher
Title: General Counsel

SUBTENANT:

CARGURUS, INC.,
a Delaware corporation

By: /s/ Jason Trevisan
Name: Jason Trevisan
Title: CEO

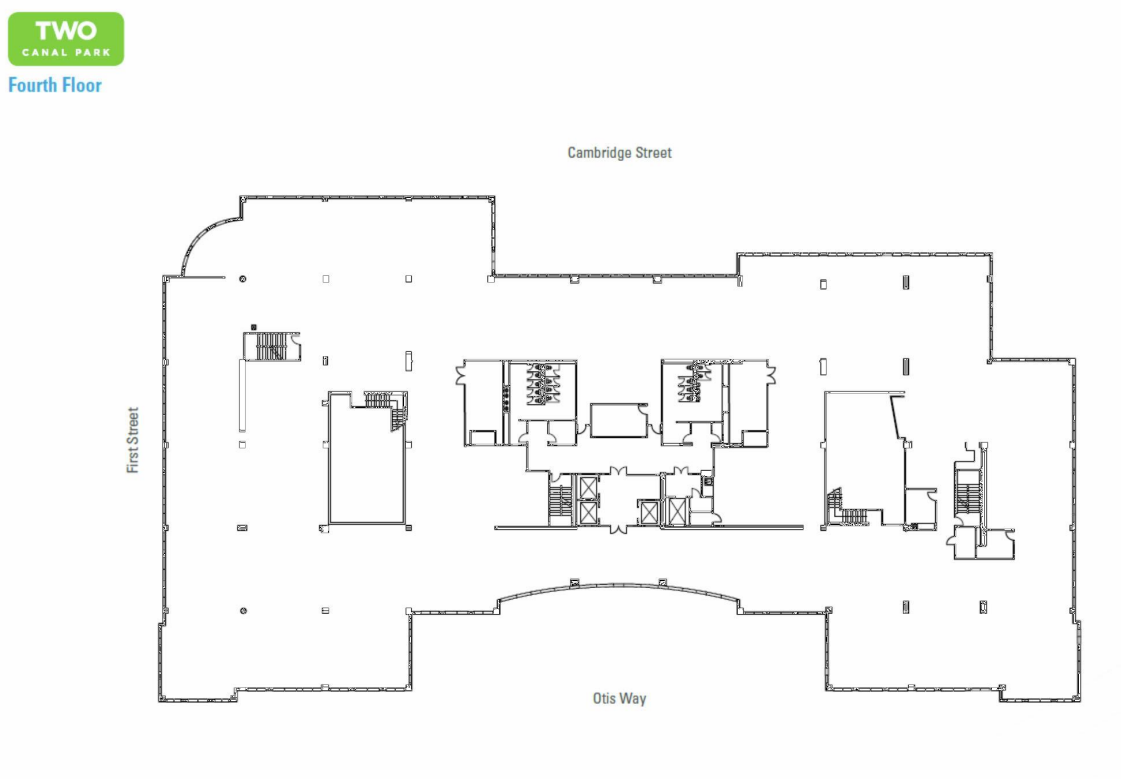
EXHIBIT A

COPY OF MASTER LEASE

A

EXHIBIT B

SUBLEASED PREMISES



CONSENT TO SUBLEASE

This **CONSENT TO SUBLEASE** (the "**Consent**") dated this 6th day of October, 2021 (the "**Effective Date**"), is made by and among **TWO CANAL PARK MASSACHUSETTS, LLC**, a Delaware limited liability company (the "**Landlord**"), **HUBSPOT, INC.**, a Delaware corporation (the "**Tenant**"), and **CARGURUS, INC.**, a Delaware corporation (the "**Subtenant**").

RECITALS:

A. WHEREAS, Landlord and Tenant entered into that certain Lease dated April 21, 2015, as amended by that certain First Amendment to Lease dated August 10, 2016, Second Amendment to Lease dated March 12, 2018, Third Amendment to Lease dated December 2, 2019, Fourth Amendment to Lease dated January 6, 2020, and Fifth Amendment to Lease dated July 2, 2021 (collectively, the "**Lease**"), whereby Tenant leases certain premises from Landlord consisting of approximately: (i) 17,358 rentable square feet on the first (1st) floor; (ii) approximately 50,602 rentable square feet on the second (2nd) floor; (iii) approximately 48,047 rentable square feet on the third (3rd) floor; (iv) approximately 48,059 rentable square feet on the fourth (4th) floor; and (v) approximately 41,201 rentable square feet on the fifth (5th) floor for a total of approximately 205,267 rentable square feet (the "**Premises**") in the building located at Two Canal Park, Cambridge, Massachusetts (the "**Building**");

B. WHEREAS, pursuant to Section 16 of the Lease, Tenant shall not sublet any portion of the Premises without the prior written consent of Landlord;

C. WHEREAS, Tenant and Subtenant desire to enter into that certain Sublease dated October 6, 2021 (the "**Sublease**", a copy of which is attached hereto as **Exhibit "A"**), pursuant to which Tenant desires to sublease a portion of the Premises consisting of approximately 48,059 rentable square feet located on the fourth (4th) floor of the Building (the "**Subleased Premises**"); and

D. WHEREAS, Tenant has requested Landlord's consent to such Sublease and Landlord is willing to consent to the Sublease subject to the terms and conditions set forth herein.

AGREEMENT:

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Consent to Sublease**. The Landlord hereby consents to the Sublease; provided however, such consent is granted by Landlord only upon the terms and conditions set forth in this Consent. Landlord shall not be bound by any of the terms, covenants, conditions, provisions of the Sublease, except to the extent otherwise expressly agreed to in this Consent.

2. **Non-Release of Tenant and Further Transfers.** Neither the Sublease nor this Consent shall release or discharge Tenant from any liability, whether past, present or future, under the Lease or alter the primary liability of Tenant to pay the rent and perform and comply with all of the obligations of Tenant under the Lease. Neither the Sublease nor this Consent shall be construed as

a waiver of Landlord's right to consent to any further subletting either by Tenant or by Subtenant or to any assignment by Subtenant of the Sublease, or as a consent to any portion of the Subleased Premises being used or occupied by any other party.

3. **Sublease Term.** Tenant and Subtenant hereby acknowledge that the term of the Sublease (the "**Sublease Term**") shall begin on December 1, 2022 and shall expire on November 30, 2023 or upon expiration or earlier termination of the Lease (the "**Sublease Expiration Date**").

4. **Sublease Profits.** Pursuant to Section 16(f) of the Lease, Tenant hereby acknowledges that Tenant shall pay to Landlord, fifty percent (50%) of any Net Transfer Profit in connection with the Sublease which amount shall be paid in accordance with the terms and conditions of the Lease.

5. **Subordination of Sublease to Lease.** The Sublease is in all respects subordinate to the terms of the Lease. Insofar as the terms of the Sublease purport to amend or modify or are in conflict with the terms of the Lease, the terms of the Lease shall control, and such Lease terms applicable to the Subleased Premises shall apply in all respects to Subtenant, except that Subtenant's obligation to pay rent and other charges to Tenant shall be determined by the Sublease. Landlord assumes no liability whatsoever on account of anything contained in the Sublease. Tenant and Subtenant acknowledge and agree that in the event of any conflict between the terms and conditions of the Sublease and the terms of the Lease, the terms and conditions of the Lease will control as between Tenant and Landlord.

6. **Limitation of Subtenant Rights.** Except as otherwise set forth herein, any rights of Subtenant under the Sublease may be enforced by Subtenant only against Tenant, and Subtenant shall have no right to enforce any of Tenant's rights under the Lease against Landlord by virtue of the Sublease, this Consent, or otherwise.

7. **Intentionally Omitted.**

8. **Assignment of Rents and Event of Termination of Lease.** Tenant hereby assigns and transfers to Landlord, the Tenant's interest in the Sublease and all rentals and income arising therefrom. Landlord, by consenting to the Sublease agrees that until a default shall occur in the performance of Tenant's obligations under the Lease, Tenant may receive, collect and enjoy the rents accruing under the Sublease. In the event Tenant shall be in default in the performance of its obligations to Landlord under the Lease, Landlord may, at its option by written notice to Tenant, elect to receive and collect, directly from Subtenant, all rent and any other sums owing and to be owed under the Sublease. In the event that the Lease shall be terminated, Landlord may, at its option by written notice to Subtenant either: (a) terminate the Sublease, or (b) elect to succeed to Tenant's interest in the Sublease and cause Subtenant to attorn to Landlord, as further set forth in Section 10 below.

9. **Landlord's Election to Receive Rents**. Landlord shall not, by reason of the Sublease, nor by reason of the collection of rents or any other sums from the Subtenant pursuant to Section 8 above, be deemed liable to Subtenant for any failure of Tenant to perform and comply with any obligation of Tenant, and Tenant hereby irrevocably authorizes and directs Subtenant, upon receipt

of any written notice from Landlord stating that a default exists under the Lease in the performance of Tenant's obligations under the Lease (beyond the applicable notice and cure period set forth in the Lease), to pay to Landlord the rents and any other sums due and to become due under the Sublease. Tenant agrees that Subtenant shall have the right to rely upon any such statement and request from Landlord, and that Subtenant shall pay any such rents and any other sums to Landlord without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Tenant to the contrary. Tenant shall not have any right or claim against Subtenant for any such rents or any other sums so paid by Subtenant to Landlord. Landlord shall credit Subtenant with any rent received by Landlord under such assignment but the acceptance of any payment on account of rent from the Subtenant as the result of any such default shall in no manner whatsoever be deemed an attornment by the Landlord to Subtenant or by Subtenant to Landlord, be deemed a waiver by Landlord of any provision of the Lease or serve to release Tenant from any liability under the terms, covenants, conditions, provisions or agreements under the Lease. Notwithstanding the foregoing, any other payment of rent from the Subtenant directly to Landlord, regardless of the circumstances or reasons therefor, shall in no manner whatsoever be deemed an attornment by the Subtenant to Landlord in the absence of a specific written agreement signed by Landlord to such an effect.

10. **Landlord's Election of Attornment**. In the event Landlord elects, at its option, to cause Subtenant to attorn to Landlord pursuant to Section 8(b), above, Landlord shall undertake the obligations of Tenant under the Sublease from the time of the exercise of the option, but Landlord shall not: (a) be liable for any prepayment of more than one month's rent or any security deposit paid by Subtenant; (b) be liable for any previous act or omission of Tenant under the Lease or for any other defaults of Tenant under the Sublease; (c) be subject to any defenses or offsets previously accrued which Subtenant may have against Tenant; or (d) be bound by any changes or modifications made to the Sublease without the written consent of Landlord.

11. **Brokers Fee.** Tenant and Subtenant agree to indemnify and hold Landlord harmless from and against any loss, cost, expense, damage or liability, including reasonable attorneys' fees, incurred as a result of a claim by any person or entity that it is entitled to a commission, finder's fee or like payment in connection with the Sublease.

12. **Notices.** All notices, demands and requests which may or are required to be given by either party to the other pursuant to this Consent shall be in writing and shall be given by (a) personal delivery; (b) United States registered or certified mail, postage prepaid, return receipt requested; or (c) reputable overnight carrier (i.e. Federal Express or UPS). All notices, demands and requests which shall be served upon either party in the manner aforesaid shall be deemed sufficiently served or given: (i) upon personal delivery; (ii) one (1) day after being sent by reputable overnight carrier for next day delivery; or (ii) three (3) days after being mailed via registered or certified mail. Refusal to accept delivery shall constitute receipt. The parties shall be notified at the following:

If to Landlord, then to: Two Canal Park Massachusetts, LLC
c/o Intercontinental Real Estate Corporation
1270 Soldiers Field Road
Boston, MA 02135

Attention: Scott Kelly, Regional Director – Asset Management

if to Tenant, then to: HubSpot, Inc.
25 First Street – 2nd Floor
Cambridge, Massachusetts 02141
Attention: General Counsel

If to Subtenant, then to: CarGurus, Inc.
2 Canal Park – 4th Floor
Cambridge, Massachusetts, 02141
Attn: Director of Real Estate

with copies to: CarGurus, Inc.
2 Canal Park – 4th Floor
Cambridge, Massachusetts, 02141
Attn: General Counsel, and

Dain, Torpy, Le Ray, Wiest & Garner, P.C.
745 Atlantic Avenue – 5thFloor
Boston, Massachusetts, 02111
Attn: Eric Labbe

13. **Review Fee and Attorneys Fees.** Pursuant to Section 16(e) of the Lease, Tenant shall pay to Landlord a review fee in the amount of Landlord's reasonable, out of pocket costs for Landlord's review of any requests by Tenant to sublet the Premises.

14. **Subtenant Waiver**. The parties hereto acknowledge that Subtenant is currently in occupancy of the Subleased Premises pursuant to that certain Lease, dated October 8, 2014 (as amended to date, the "CarGurus Lease") between Landlord and Subtenant, the term of which is scheduled to expire on November 30, 2022. In consideration of the execution of the Sublease by Tenant and the execution and delivery of this Consent by Landlord, Subtenant hereby irrevocably waives the right to extend the term of the CarGurus Lease pursuant to Section 29.16 thereof.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Consent as of the Effective Date.

LANDLORD:

TWO CANAL PARK MASSACHUSETTS, LLC,
a Delaware limited liability company

By: Bay State REIT, LLC
a Delaware limited liability company, its Manager

By: U.S. Real Estate Investment Fund REIT, Inc.
a Delaware corporation, its Manager

By: /s/ Thomas Taranto
Name: Thomas Taranto
Title: Vice President

TENANT:

HUBSPOT, INC.
a Delaware corporation

By: /s/ John Kelleher
Name: John Kelleher
Title: General Counsel

SUBTENANT:

CARGURUS, INC.

By: /s/ Jason Trevisan
Name: Jason Trevisan
Title: CEO

EXHIBIT “A” TO CONSENT TO SUBLEASE

THE SUBLEASE

Exhibit 10.30

SUBLEASE

CARGURUS, INC., a Delaware corporation, with a place of business at 2 Canal Park, Suite 4, Cambridge, MA 02141 ("Sublessor"), and AMYLYX PHARMACEUTICALS, INC., a Delaware corporation, with a place of business at 43 Thorndike Street, Cambridge, MA 02141 ("Sublessee"), make this Sublease as of December 23, 2021.

Preliminary Statement

Sublessor is the tenant under a Lease dated June 19, 2018, by and between Sublessor and US PARCEL A, LLC ("Lessor"), as landlord (hereinafter referred to as the "Lease" and attached hereto as Exhibit A), with respect to premises (the "Premises") consisting of approximately 48,393 rentable square feet on the entire second (2nd) through fifth (5th) floors and a portion of the first (1st) floor of the building (the "Building") commonly known as 121 First Street, Cambridge, Massachusetts, as more particularly described in the Lease.

Sublessor desires to sublet to Sublessee, and Sublessee desires to accept from Sublessor, a portion of the Premises containing approximately 24,393 rentable square feet comprising the entire second (2nd) and third (3rd) floors and a portion of the first (1st) floor of the Building as shown on Exhibit B (the "Subleased Premises"), on the terms and conditions set forth in this Sublease.

Agreement

In consideration of the mutual covenants of this Sublease and other valuable consideration, the receipt and sufficiency of which Sublessee and Sublessor hereby acknowledge, Sublessor and Sublessee agree as follows:

1. Subleased Premises. Sublessor hereby subleases to Sublessee, and Sublessee hereby subleases from Sublessor, the Subleased Premises subject to the terms and conditions of this Sublease. Sublessor shall deliver the Subleased Premises to Sublessee on the Commencement Date (as hereinafter defined) in such "AS IS, WHERE IS" condition as exists on the date delivered to Sublessee, free of all occupants other than Sublessee, except that Sublessor shall deliver the Subleased Premises to Sublessee broom clean, with (a) the offices, conference rooms, base wiring and technology and other improvements substantially in accordance with the floor plan/furniture plan attached hereto as Exhibit B, (b) all personal property of Sublessor removed therefrom, and (c) all Base Building HVAC and Building electrical, plumbing, sewer and mechanical systems serving the Subleased Premises in working condition (the "Delivery Condition"). Upon delivery of possession of the Subleased Premises to Sublessee in accordance with the terms hereof, Sublessee shall conclusively be deemed to have accepted the Subleased Premises in the condition delivered and to have acknowledged that the same are in good condition and satisfactory to Sublessee in all respects and Sublessor has no obligation to make any improvements the Subleased Premises. Sublessee acknowledges that Sublessor has made no representations or warranties concerning the Subleased Premises or the Building or their fitness for Sublessee's purposes, except as expressly set forth in this Sublease. Sublessee shall have access to the Subleased Premises and the Common Areas (as such term is defined in the Lease)

twenty-four (24) hours per day, seven (7) days per week, fifty-two (52) weeks per year during the Sublease Term, subject to the terms and conditions of the Lease.

2. Term. The term of this Sublease (the "Sublease Term") shall commence on the later of (i) the date on which Sublessor delivers the Subleased Premises to Sublessee in the Delivery Condition (the "Delivery Date"), and (ii) the date on which Lessor consents to this Sublease in writing in accordance with Section 17 below (the "Commencement Date") and shall, subject to Section 21 below, terminate on the date that is thirty-six (36) months after the Rent Commencement Date, or such sooner date upon which the Sublease Term may expire or terminate under this Sublease, the Lease or pursuant to law. Sublessee anticipates that the Delivery Date will occur on or about January 1, 2022. Promptly following the final determination of the Commencement Date and upon request of Sublessor, Sublessor and Sublessee shall jointly execute a written declaration specifying the actual Commencement Date. Sublessor shall not terminate the Lease voluntarily or otherwise such that the Lease will terminate at any time during the Sublease Term for any reason, including, without limitation, on account of any casualty or condemnation event, unless pursuant to the terms of this Sublease, Sublessor has the right to terminate this Sublease on account of such casualty or condemnation event and Sublessor property terminates this Sublease.

Notwithstanding anything herein to the contrary, Sublessor shall use commercially reasonable efforts to permit Sublessee to have access to the Subleased Premises during the thirty (30) days prior to the Delivery Date solely for the purposes of installing operational wiring and telecommunications, setting up workstations, and establishing general operations in preparation for Sublessee's occupancy. Such access by Sublessee prior to the Delivery Date shall be subject to Sublessor's concurrent right to occupy the Subleased Premises, and shall be further subject to all of the terms and conditions of this Sublease, other than the payment of Base Rent and Additional Rent, and Sublessor shall not be responsible for any injury to persons or damage to property resulting from such early access by Sublessee.

3. Use. (a) Sublessee shall use and occupy the Subleased Premises only for the use permitted under the Lease (the "Permitted Uses"). Sublessee shall also comply with all laws governing or affecting Sublessee's use of the Subleased Premises for the Permitted Use, and Sublessee acknowledges that Sublessor has made no representations or warranties concerning whether the Permitted Uses comply with such laws.

(b) Notwithstanding anything to the contrary contained in this Sublease or the Lease, Sublessor shall be responsible for the purchase and installation of a key card access system, which will grant Sublessee with access to the Building in accordance with Section 1 of this Sublease.

(c) Sublessor will provide a directory listing for the name of Sublessee in the Building lobby, at Sublessor's expense. Any other desired signage shall be subject to all terms of the Lease and shall be subject to Lessor's, Sublessor's, and the City of Cambridge's approval, which approval of Sublessor shall not be unreasonably withheld, conditioned, or delayed. Sublessee shall be solely responsible at its sole cost and expense for (i) obtaining and maintaining all necessary licenses, permits and approvals for such signage, and (ii) the installation, maintenance, repair, replacement, and removal of any such approved signage.

4. Monthly Base Rent. Commencing on the date occurring one hundred eighty (180) days after the Commencement Date (the "Rent Commencement Date"), and continuing during the Sublease Term, Sublessee shall pay to Sublessor, base rent ("Base Rent") at the annual rental rate of (i) $76.00 per rentable square foot in the Subleased Premises from the Rent Commencement Date through the date immediately preceding the first anniversary of the Rent Commencement Date, which is equal to $152,000.00 per month, (ii) $77.90 per rentable square foot in the Subleased Premises from the first anniversary of the Rent Commencement Date through the date immediately preceding the second anniversary of the Rent Commencement Date, which is equal to $155,800.00 per month, and (iii) $79.85 per rentable square foot in the Subleased Premises from the second anniversary of the Rent Commencement Date through the date immediately preceding the third anniversary of the Rent Commencement Date, which is equal to $159,700.00 per month. The first monthly installment shall be delivered to Sublessor by Sublessee upon execution of this Sublease by Sublessee. If the Sublease Term includes a partial calendar month at its beginning or end, the monthly installment of Base Rent for such partial month shall be prorated at the rate of 1/30th of the monthly installment for each day in such partial month within the Sublease Term and shall be payable in advance on the first day of such partial month occurring within the Sublease Term. The Base Rent shall be paid to Sublessor at its offices located at the address set forth in the opening paragraph of this Sublease, Attention: Accounts Receivable, or such other place as Sublessor may designate in writing, in lawful money of the United States of America, without demand, deduction, offset or abatement. All sums due under this Sublease other than Base Rent shall be deemed "Additional Rent". Any installment of Base Rent or Additional Rent which is unpaid after ten (10) days following the date when due shall bear interest at the lesser of (a) an annual rate of twelve percent (12%) or (b) the highest rate permitted by law, from the date due until the date fully paid.

5. Operating Expenses, Taxes and Utilities. Sublessee shall pay (i) commencing January 1, 2023, 50% ("Sublessee's Proportionate Share") of the sums payable under Section 6.3 of the Lease which exceed the Common Area Operating Charges for calendar year 2022, (ii) commencing July 1, 2023, Sublessee's Proportionate Share of the sums payable under Section 5.1 of the Lease which exceed the Real Estate Taxes for the fiscal year ending June 30, 2022, and (iii) commencing on the Commencement Date, 100% of the sums payable under Section 7.1 of the Lease solely with respect to electricity consumed in the Subleased Premises as shown on a check meter, and (iv) all other additional rent and other charges payable under the Lease which would not have become due and payable but for the acts and/or omissions of Sublessee, its employees, agents, or contractors under this Sublease, and (v) all other additional rent and other charges payable under the Lease with respect to the Subleased Premises which are otherwise attributable to the Subleased Premises. Sublessee shall make estimated payments of Sublessee's Proportionate Share of the amounts due under Sections 5.3 and 6.4 of the Lease to Sublessor to the extent Lessor requires the same of Sublessor, as tenant under the Lease. Unless a shorter period exists for payment of the same under the Lease, all amounts for which no time period is specified herein shall be due to Sublessor from Sublessee within ten (10) business days of billing for the same. If Lessor shall issue to Sublessor any credit or refund in respect of Real Estate Taxes or Common Area Operating Charges relating to any period for which Sublessee is making corresponding payments under this Sublease, Sublessor shall (a) provide Sublessee with a copy of the supporting documentation received by Sublessor, and (b) give to Sublessee a credit or

refund equal to Sublessee's Proportionate Share of the portion of such credit or refund. In addition, unless otherwise billed by Sublessor under this Sublease, Sublessee shall pay the appropriate utility companies for all utilities consumed within the Subleased Premises during the Sublease Term. Sublessee's obligations hereunder shall survive the expiration or earlier termination of this Sublease.

6. Security Deposit. Upon execution and delivery of this Sublease by Sublessee, Sublessee shall pay to Sublessor the sum of $456,000.00 (the "Security Deposit") as security for the full and timely payment and performance of Sublessee's obligations under this Sublease. If Sublessee fails to pay or perform in a full and timely manner any of its obligations under this Sublease, Sublessor may apply all or any portion of the Security Deposit toward curing any such failure and compensating Sublessor for any loss, damage or expenses arising from such failure. If Sublessor so applies any portion of the Security Deposit, Sublessee shall, within five (5) business days of written demand therefor, pay to Sublessor the amount necessary to restore the Security Deposit to its original amount, and failure to do so shall automatically be deemed a default, without the need for additional notice and/or cure periods. Sublessor may commingle the Security Deposit with Sublessor's funds and shall not be obligated to pay interest on the Security Deposit to Sublessee. If Sublessor assigns its interest in this Sublease and transfers the Security Deposit (or any balance thereof) to its assignee, Sublessee shall look only to such assignee for the application and return of the Security Deposit.

7. Subordination to Lease. (a) This Sublease is subject and subordinate to the terms and conditions of the Lease and Sublessor does not purport to convey, and Sublessee does not hereby take, any greater rights in the Subleased Premises than those accorded to or taken by Sublessor as tenant under the Lease. Sublessee shall not cause a default under the Lease or permit its employees, agents, contractors or invitees to cause a default under the Lease. If the Lease terminates before the end of the Sublease Term, Sublessor shall not be liable to Sublessee for any damages arising out of such termination.

(b) Except as otherwise specified in this Sublease, all of the terms and conditions of the Lease are incorporated as a part of this Sublease, but all references in the Lease to "Landlord", "Tenant", "Leased Premises", "Term", "Annual Fixed Rent", "Commencement Date", and "Security Deposit" shall be deemed to refer, respectively, to Sublessor, Sublessee, Subleased Premises, Sublease Term, Base Rent, Commencement Date, and Security Deposit, as defined in this Sublease. Capitalized terms used but not defined in this Sublease shall have the meaning ascribed to such terms in the Lease. In the event of a conflict or ambiguity between the provisions of the Lease and the provisions of this Sublease, the provisions of this Sublease shall govern and control. To the extent incorporated into this Sublease, Sublessee shall perform the obligations of the Sublessor, as tenant under the Lease. Notwithstanding any other provision of this Sublease, Sublessor, as sublandlord under this Sublease, shall have the benefit of all rights, remedies and limitations of liability enjoyed by Lessor, as the landlord under the Lease, but (i) Sublessor shall have no obligations under this Sublease to perform the obligations of Lessor, as landlord under the Lease, including, without limitation, any obligation to provide services, perform maintenance or repairs, or maintain insurance; (ii) Sublessor shall not be bound by any representations or warranties of the Lessor under the Lease; (iii) in any instance where the consent of Lessor is required under the terms of the Lease, the consent of Sublessor and Lessor

shall be required; and (iv) provided Sublessor has used commercially reasonable efforts to cause Lessor to perform its obligations, Sublessor shall not be liable to Sublessee for any failure or delay in Lessor's performance of its obligations, as landlord under the Lease, nor shall Sublessee be entitled to terminate this Sublease or abate the Base Rent or Additional Rent due hereunder. Upon request of Sublessee, Sublessor shall, at Sublessee's expense, use reasonable efforts to cooperate with Sublessee in its efforts to cause Lessor to perform its obligations under the Lease. Notwithstanding anything in this Sublease to the contrary, Sublessee shall have no obligation to (i) cure any default of Sublessor under the Lease except to the extent caused by Sublessee's default under this Sublease, (ii) perform any obligation of Sublessor under the Lease that arose before the Sublease Commencement Date or that relates to any portion of the Premises leased by Sublessor that is not within the Subleased Premises, (iii) remove any alterations or additions installed within the Subleased Premises before the Sublease Commencement Date, or (iv) discharge any liens on the Subleased Premises or the Building that arise out of any work performed, or claimed to be performed, by or at the direction of Sublessor except for work to be undertaken for or on behalf of Sublessee.

(c) Notwithstanding the foregoing and except as set forth in the following paragraph, the following provisions of the Lease are incorporated herein with the following the specified modification(s): Sublessee shall have the right to utilize the CambridgeSide parking garage in accordance with Section 1.3, provided that Sublessee shall be entitled, but not obligated, to use Sublessee's Proportionate Share (currently twenty (20) spaces) of Sublessor's total parking allotment, and further provided that to the extent any associated parking fees are paid directly by Sublessor to Lessor or to the operator of such parking garage, said parking fees shall be paid to Sublessor upon demand as Additional Rent. Following completion of construction of the parking garage to be located at 119 First Street by and affiliate of Lessor, all of Sublessee's parking spaces under this sub-section (c) shall be relocated from the CambridgeSide parking garage to the 119 First Street parking garage upon thirty (30) days' prior written notice from Sublessor.

Further notwithstanding any contrary provision of this Sublease, the following terms and conditions of the Lease (and references thereto) are not incorporated as provisions of this Sublease: 1.1; 1.5; 2.1; 2.2; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3; 4.4; 6.3(c); 8.12; 10.4; 10.5; 11.1; 14.3; 14.14; 14.20; 14.26; Exhibit B; Exhibit B-1; Exhibit C; Exhibit E; Exhibit F; Exhibit H; Exhibit J; Exhibit K.

(d) Notwithstanding any contrary provision of this Sublease, (i) in any instances where Lessor, as landlord under the Lease, has a certain period of time in which to notify Sublessor, as tenant under the Lease, whether Lessor will or will not take some action, Sublessor, as sublandlord under this Sublease, shall have an additional ten-day period after receiving such notice in which to notify Sublessee, (ii) in any instance where Sublessor, as tenant under the Lease, has a certain period of time in which to notify Lessor, as landlord under the Lease, whether Sublessor will or will not take some action, Sublessee, as subtenant under this Sublease, must notify Sublessor, as sublandlord under this Sublease, at least five (5) business days before the end of such period, but in no event shall Sublessee have a period of less than ten (10) days in which so to notify Sublessor unless the period under the Lease is ten (10) days or less, in which case the period under this Sublease shall be one (1) day less than the period provided to Sublessor under the Lease, and (iii) in any instance where a specific grace period is granted to

Sublessor, as tenant under the Lease, before Sublessor is considered in default under the Lease, Sublessee, as subtenant under this Sublease, shall be deemed to have a grace period which is three (3) days less than Sublessor's grace period before Sublessee is considered in default under this Sublease, but in no event shall any grace period be reduced to less than three (3) days unless the period under the Lease is three (3) days or less, in which case the period under this Sublease shall be one (1) day less than the period provided to Sublessor under the Lease.

8. Assignments and Subleases. Notwithstanding any provision of the Lease incorporated herein to the contrary, Sublessee shall not assign, mortgage, transfer (by operation of law or otherwise), or hypothecate this Sublease or sublet, license or permit any other party to use or occupy any portion of the Subleased Premises (individually, a "Transfer") without the prior written consent of Sublessor and Lessor, which they shall not unreasonably withhold, condition or delay. The following transactions shall be deemed assignments of this Sublease requiring such prior written consent: (i) any assignment, mortgage, pledge or other transfer of this Sublease; (ii) any sublease, license or occupancy agreement with respect to any portion of the Subleased Premises; (iii) if Sublessee or any of its successors or assigns is a corporation, any sale, pledge or other transfer of all or a majority of the capital stock of Sublessee or any such successor or assign (unless such stock is publicly traded on a recognized security exchange or over-the-counter market; for clarification, so long as Sublessee is a publicly-traded company, consent will not be required), any merger, consolidation or reorganization of or into Sublessee or any such successor or assign, and any sale of all or substantially all of the assets of Sublessee or such successor or assign; (iv) if Sublessee or any of its successors or assigns is a partnership, limited liability partnership or limited liability company, any change in its partners or members; and (v) if Sublessee is a trust, any change in the identity of its trustees or any transfer of a beneficial interest in such trust. If Sublessor and Lessor consent to any such Transfer, such Transfer shall comply with the requirements of Section 8.12 of the Lease and Sublessee shall pay over to Sublessor 50% of the excess of such amounts payable each month in connection with a Transfer to the extent such amounts are in excess of the amounts due to Sublessor hereunder. Lessor's refusal to consent to a Transfer shall be deemed a reasonable reason for Sublessor to withhold its consent to a Transfer, without any obligation on the part of Sublessor to dispute Lessor's refusal. Nothing contained herein shall be deemed to limit or amend the rights of Lessor under Section 8.12 of the Lease. Notwithstanding anything to the contrary contained in this Section 8, Lessor's and Sublessor's prior written consent shall not be required for any assignment or sublease to a Related Party (as defined in Section 8.12(b) of the Lease), provided that (a) the Assignment Conditions Precedent (as defined in Section 8.12(a) of the Lease) are satisfied with respect to each such assignment or sublease, and (b) Sublessee provides Sublessor with 30 days' prior written notice of any such assignment or sublease (a "Permitted Transfer"). Notwithstanding the preceding sentence, as between Sublessor and Sublessee (only), a Permitted Transfer shall also include (1) any transaction or occurrence (by one or more transfers of stock or any other type of ownership, membership or beneficial interest in Sublessee provided (i) there is no change of control (as defined below) of such corporation or other limited liability entity, and (ii) the Transfer is for a valid business purpose of Sublessee and is not a subterfuge for the provisions of this Section 8, and (2) any merger, consolidation, re-organization or any sale of all or substantially all of Sublessee with or into a publicly-traded entity with a market capitalization equal to or in excess of the market capitalization of Sublessee. For the purposes hereof, "control" shall mean the direct or indirect ownership of more than fifty (50%) percent of the beneficial

interest of the entity in question or the power to direct the management and operation of the entity in question. Except as expressly set forth herein, any attempt by Sublessee to Transfer the Subleased Premises or the Sublease without the prior written consent of both Sublessor and Lessor shall be void. No consent by the Sublessor pursuant to this Section shall be deemed a waiver of the obligation to obtain the Sublessor's consent on any subsequent occasion; no waiver of the foregoing restrictions or any portion thereof shall constitute a waiver or consent in any other instance; and Sublessee shall remain at all times primarily liable for the performance and payment of all terms, conditions, covenants and agreements contained herein.

9. Insurance. From the date upon which Sublessee first enters the Subleased Premises for any reason, throughout the Sublease Term, and thereafter so long as Sublessee uses or occupies any part of the Subleased Premises, Sublessee shall maintain insurance of such types, in such policies, with such endorsements and coverages, and in such amounts as are required pursuant to Section 10.2 of the Lease, and such additional insurance as may be required by Sublessor, in Sublessor's reasonable discretion. All insurance policies shall name Lessor, Sublessor and any other party required by either as additional insureds. Further, each policy shall contain provisions giving Sublessor and each of the other additional insureds at least thirty (30) days' prior written notice of any cancellation, non-renewal or material change in coverage (to the extent that the same is reasonably available in the insurance industry; provided, however, that if such notice is not provided by any insurance company, then Sublessee shall be responsible for providing such notice to Sublessor). Sublessee shall obtain a waiver of subrogation for the benefit of Sublessor and Lessor to the extent required of "Tenant" for the benefit of "Landlord" under Section 10.6 of the Lease. Sublessor shall obtain a waiver of subrogation for the benefit of Sublessee to the extent required of "Landlord" for the benefit of "Tenant" under Section 10.6 of the Lease. Sublessee shall promptly pay all insurance premiums and shall provide Sublessor with policies or certificates evidencing such insurance upon Sublessee's execution of this Sublease and prior to entering the Subleased Premises. Sublessee's obligations hereunder shall survive the expiration or earlier termination of this Sublease.

10. Alterations. Notwithstanding any provisions of the Lease incorporated herein to the contrary, Sublessee shall not make any alterations, improvements or installations in the Subleased Premises without in each instance obtaining the prior written consent of both Lessor and Sublessor, which consent of Sublessor shall not be unreasonably withheld, conditioned or delayed, subject to the applicable provisions of the Lease. If Sublessor and Lessor consent to any such alterations, improvements or installations, Sublessee shall perform and complete such alterations, improvements and installations at its expense, in compliance with applicable laws and in compliance with Section 8.6 and other applicable provisions of the Lease. If Sublessee performs any alterations, improvements or installations without obtaining the prior written consent of both Lessor and Sublessor, Sublessor may remove such alterations, improvements or installations, restore the Subleased Premises and repair any damage arising from such a removal or restoration, and Sublessee shall be liable to Sublessor for all costs and expenses incurred by Sublessor in the performance of such removal, repairs or restoration. Sublessee shall have no obligation to remove any Specialty Alterations or movable trade fixtures, improvements or alterations located or installed in the Subleased Premises prior to the Delivery Date.

11. Indemnification by Sublessee. (a) Sublessee agrees to protect, defend (with counsel reasonably approved by Sublessor), indemnify and hold Sublessor harmless from and against any and all claims, damages, liabilities, costs and expenses, including reasonable attorneys' fees (other than those arising solely from any negligence or willful misconduct of Sublessor or its agents or employees in or about Subleased Premises), arising or resulting from: (i) the conduct or management of or from any work or thing whatsoever done in or about the Subleased Premises during the Sublease Term or any period which Sublessee may occupy the same; (ii) any condition arising, and any injury to or death of persons, damage to property or other event occurring or resulting from an occurrence in or about the Subleased Premises during the Sublease Term or any period which Sublessee may occupy the same; (iii) any breach or default on the part of Sublessee in the performance of any covenant or agreement on the part of Sublessee to be performed pursuant to the terms of this Sublease or (iv) from any negligent act, omission or willful misconduct on the part of Sublessee or any of its agents, employees, licensees, invitees or assignees. Sublessee further agrees to protect, defend (with counsel reasonably approved by Sublessor), indemnify and hold Sublessor harmless from and against any and all claims, damages, liabilities, costs and expenses, including reasonable attorneys' fees, incurred in connection with any such indemnified claim or any action or proceeding brought in connection therewith. The foregoing shall survive the expiration or early termination of this Sublease.

(b) Sublessor agrees to protect, defend (with counsel reasonably approved by Sublessee), indemnify and hold Sublessee harmless from and against any and all claims, damages, liabilities, costs and expenses, including reasonable attorneys' fees (other than those arising solely from any negligence or willful misconduct of Sublessee or its agents or employees in or about the Building), arising or resulting from: (i) any breach or default on the part of Sublessor in the performance of any covenant or agreement on the part of Sublessor to be performed pursuant to the terms of this Sublease or (ii) from any negligent act, omission or willful misconduct on the part of Sublessor or any of its agents or employees. Sublessor further agrees to protect, defend (with counsel reasonably approved by Sublessee), indemnify and hold Sublessee harmless from and against any and all claims, damages, liabilities, costs and expenses, including reasonable attorneys' fees, incurred in connection with any such indemnified claim or any action or proceeding brought in connection therewith. The foregoing shall survive the expiration or early termination of this Sublease.

12. Default. In the event of a default by Sublessee in the full and timely performance of its obligations under this Sublease after the expiration of applicable notice and cure periods, including, without limitation, its obligation to pay Base Rent or Additional Rent, Sublessor shall have all of the rights and remedies available to "Landlord" under the Lease as if Sublessor were "Landlord" and Sublessee were "Tenant", including without limitation the rights and remedies set forth in Articles 12 and 13 of the Lease. The foregoing shall survive the expiration or early termination of this Sublease.

13. Brokers. Sublessor and Sublessee each represent and warrant to the other that it has not dealt with any broker other than CBRE, Inc. (the "Broker") in connection with the consummation of this Sublease. Sublessor and Sublessee each shall indemnify and hold harmless the other against any loss, damage, claims or liabilities arising out of the failure of its

representation or the breach of its warranty set forth in the previous sentence. The foregoing shall survive the expiration or earlier termination of this Sublease.

14. Notices. All notices and demands under this Sublease shall be in writing and shall be effective (except for notices to Lessor which shall be given in accordance with Section 14.1 of the Lease) upon the earlier of (i) receipt at the address set forth below by the party being served, (ii) two days after being sent to the address set forth below by United States certified mail, return receipt requested, postage prepaid, or (iii) one day after being sent to the address set forth below by a nationally recognized overnight delivery service that provides tracking and proof of receipt. A notice given on behalf of a party hereto by its attorney shall be deemed a notice from such party.

If to Lessor: As required under the Lease

If to Sublessor: CarGurus, Inc.
2 Canal Park, Suite 4
Cambridge, MA 02141
Attention: Robert Mirabello

with a copy to: CarGurus, Inc.
2 Canal Park, Suite 4
Cambridge, MA 02141
Attention: General Counsel

If to Sublessee: At the address set forth in the opening paragraph of this Sublease

Either party may change its address for notices and demands under this Sublease by notice to the other party.

15. Entire Agreement. This Sublease contains all of the agreements, conditions, warranties and representations relating to the sublease of the Subleased Premises and may be amended or modified only by written instruments executed by both Sublessor and Sublessee.

16. Authority. Sublessor and Sublessee each represent and warrant to the other that the individual(s) executing and delivering this Sublease on its behalf is/are duly authorized to do so and that this Sublease is binding on Sublessee and Sublessor in accordance with its terms. Simultaneously with the execution of this Sublease, Sublessee shall deliver evidence of such authority to Sublessor in a form reasonably satisfactory to Sublessor.

17. Condition Precedent. This Sublease, and the rights and obligations of Sublessor and Sublessee under this Sublease (other than those obligations which arise hereunder prior to the Commencement Date), are subject to the condition that Lessor consent to the subleasing of the Subleased Premises to the extent required under the Lease, and this Sublease shall be effective only upon the receipt by Sublessor of such consent. Sublessee agrees to join such consent if so requested by Lessor in the form requested by Lessor. In the event such consent is not received by the date that occurs thirty (30) days after submission of a fully executed version of the

Sublease to Lessor, each of Sublessor and Sublessee shall have the right to rescind its execution of this Sublease, and upon exercise of such right, this Sublease shall be void and the installment of Base Rent and the Security Deposit which are paid on Sublessee's execution of this Sublease shall be returned to Sublessee.

18. Holdover. Upon the expiration of the Sublease Term or earlier termination of this Sublease, Sublessee covenants to quit and surrender to Sublessor the Subleased Premises, broom clean, in such order and condition as is required under the Lease at the expiration of the Lease term, ordinary wear and tear, damage by fire or other casualty and removal and restoration obligations of Sublessor under the Lease excepted, and, at Sublessee's expense, to remove all property of Sublessee. Any property not so removed shall be deemed to have been abandoned by Sublessee and may be retained or disposed of at Sublessee's expense by Sublessor, as Sublessor shall desire. If Sublessee or any of its property remains on the Subleased Premises beyond the expiration or earlier termination of this Sublease, such holding over shall not be deemed to create any tenancy at will, but the Sublessee shall be a tenant at sufferance only and shall pay rent at a daily rate equal to (i) for the first sixty (60) days following such expiration or earlier termination, one hundred fifty percent (150%), and (2) thereafter, two hundred percent (200%), of the Rent due under this Sublease for the period immediately prior to such termination or expiration, and other charges due thereunder and shall, in addition, perform and observe all other obligations and conditions to be performed or observed by Sublessee hereunder. In addition, after the first thirty (30) days, Sublessee shall indemnify and hold harmless Sublessor from and against any and all liability, loss, cost, damage and expenses suffered or incurred by Sublessor arising out of or resulting from any failure on the part of Sublessee to yield up the Subleased Premises when and as required under this Sublease. The foregoing shall survive the expiration or early termination of this Sublease.

19. Not an Offer. The submission of an unsigned copy of this Sublease to Sublessee for Sublessee's consideration does not constitute an offer to sublease the Subleased Premises. This Sublease shall become binding only upon the execution and delivery of this Sublease by Sublessor and Sublessee, subject to Section 17 above.

20. No Offset; Independent Covenants; Waiver.tc \l 2 "3.9 No Offset; Independent Covenants; Waiver" Base Rent and Additional Rent (collectively, "Rent") shall be paid without notice or demand, and without setoff, counterclaim, defense, abatement, suspension, deferment, reduction or deduction, except as expressly provided herein. Sublessee waives all rights (i) to any abatement, suspension, deferment, reduction or deduction of or from Rent, except to the extent otherwise expressly set forth herein, and (ii) to quit, terminate or surrender this Sublease or the Subleased Premises or any part thereof, except as expressly provided herein. Sublessee hereby acknowledges and agrees that the obligations of Sublessee hereunder shall be separate and independent covenants and agreements, that Rent shall continue to be payable in all events, and that the obligations of Sublessee hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Sublease**.**

21. Option to Extend Sublease Term. (a) Provided that, at the time of such exercise, (i) this Sublease is in full force and effect, and (ii) no default shall have occurred and be continuing (either at the time of exercise or at the commencement of the Extended Term) after the expiration

of applicable notice and cure periods, and (iii) except for a Permitted Transfer, the originally-named Sublessee shall not have assigned this Sublease or further sublet the Subleased Premises, (iv) either the entity under a Permitted Transfer or the originally-named Sublessee shall be physically occupying fifty percent (50%) or more of the Subleased Premises for the conduct of its business, and (v) Sublessee's financial condition or creditworthiness, as determined by Sublessor in its sole but reasonable discretion, has not materially deteriorated since the date of full execution of this Sublease (any of which conditions described in clauses (i), (ii), (iii), (iv), and (v) may be waived by Sublessor at any time in Sublessor's sole discretion), Sublessee shall have the right and option to extend the Sublease Term for the then-current Subleased Premises for one extended term (the "Extended Term") of three (3) years by giving written notice (the "Exercise Notice") to Sublessor not later than twelve (12) months prior to the expiration date of the Sublease Term then in effect. The effective giving of the Exercise Notice shall automatically extend the Sublease Term for the Extended Term, and no instrument of renewal or extension need be executed. In the event that Sublessee fails timely to give the Exercise Notice to Sublessor, this Sublease shall automatically terminate at the end of the then-current Sublease Term and Sublessee shall have no further option to extend the Sublease Term. The Extended Term shall be on all the terms and conditions of this Sublease, except that: (1) during the Extended Term, Sublessee shall have no further option to extend the Sublease Term, (2) the Base Rent for the Extended Term shall be the Fair Market Rental Value of the Subleased Premises as of the commencement of the Extended Term, taking into account all relevant factors, determined pursuant to Section 21(b) below, and (3) Sublessor shall not be required to furnish any materials or perform any work to prepare the Subleased Premises for Sublessee's occupancy during the Extended Term and Sublessor shall not be required to provide any work allowance or reimburse Sublessee for any alterations made or to be made by Sublessee, or to grant Sublessee any rent concession.

(b) Promptly after receiving Sublessee's notice extending the Sublease Term of this Sublease pursuant to Section 21(a) above, Sublessor shall provide Sublessee with Sublessor's good faith estimate of the Fair Market Rental Value (as defined in Paragraph 20(c) below) of the Subleased Premises for the upcoming Extended Term (the "Rent Determination Notice"), but in no event shall Sublessor be required to deliver such notice sooner than eleven (11) months prior to the expiration of the Sublease Term then in effect. If Sublessee is unwilling to accept Sublessor's estimate of the Fair Market Rental Value as set forth in Sublessor's Rent Determination Notice, and the parties are unable to reach agreement thereon within thirty (30) days after the delivery of such notice by Sublessor, then either party may submit the determination of the Fair Market Rental Value of the Subleased Premises to arbitration by giving notice to the other party naming the initiating party's arbitrator within ten (10) days after the expiration of such thirty (30) day period. Within fifteen (15) days after receiving a notice of initiation of arbitration, the responding party shall appoint its own arbitrator by notifying the initiating party of the responding party's arbitrator. If the second arbitrator shall not have been so appointed within such fifteen (15) day period, the Fair Market Rental Value of the Subleased Premises shall be determined by the initiating party's arbitrator. If the second arbitrator shall have been so appointed, the two arbitrators thus appointed shall, within fifteen (15) days after the responding party's notice of appointment of the second arbitrator, appoint a third arbitrator. If the two initial arbitrators are unable timely to agree on the third arbitrator, then either may, on behalf of both, request such appointment by the Boston office of JAMS, Inc., or its successor, or, on its failure, refusal or

inability to act, by a court of competent jurisdiction. The Fair Market Rental Value of the Subleased Premises for the Extended Term shall be determined by the method commonly known as Baseball Arbitration, whereby Sublessor's selected arbitrator and Sublessee's selected arbitrator shall each set forth its respective determination of the Fair Market Rental Value of the Subleased Premises, and the third arbitrator must select one or the other (it being understood that the third arbitrator shall be expressly prohibited from selecting a compromise figure). Sublessor's selected arbitrator and Sublessee's selected arbitrator shall deliver their determinations of the Fair Market Rental Value of the Subleased Premises to the third arbitrator within five (5) business days of the appointment of the third arbitrator and the third arbitrator shall render his or her decision within ten (10) days after receipt of both of the other two determinations of the Fair Market Rental Value of the Subleased Premises. The third arbitrator's decision shall be binding on both Sublessor and Sublessee. The third arbitrator shall be a commercial real estate broker who is independent from the parties and who has not worked for either party or their affiliates in the prior five (5) years and who has at least ten (10) years' experience in comparable buildings in Cambridge, Massachusetts. Each party shall pay the fees of its own arbitrator, and the fees of the third arbitrator shall be shared equally by the parties. In the event Sublessee initiates the aforesaid arbitration process and as of the commencement of the Extended Term the amount of the Base Rent for the Extended Term has not been determined, Sublessee shall pay the amount determined by Sublessor for the Subleased Premises and when the determination has actually been made, an appropriate retroactive adjustment shall be made as of the commencement of the Extended Term if necessary. In the event that such determination shall result in an overpayment by Sublessee of any Base Rent, such overpayment shall be paid by Sublessor to Sublessee promptly after such determination has been made, and if such determination shall result in an underpayment by Sublessee of any Base Rent, Sublessee shall pay any such amounts to Sublessor promptly following such determination.

(c) For purposes of this Section 21, the determination of "Fair Market Rental Value" shall mean the then-fair market rental value of the Subleased Premises taking into account all then-relevant factors, whether favorable to Sublessor or Sublessee, and based upon rental rates agreed to in comparable transactions executed by Sublessor within six (6) months prior to such determination with new subtenants for comparable space in the Building or, if comparable transactions do not exist in the Building, then an amount that landlords of comparable, multi-tenanted commercial office buildings in Cambridge, Massachusetts have agreed to accept with tenants of comparable creditworthiness for comparable space (in terms of condition and floor location) of a comparable size, for a comparable use, for a nonrenewal term equal to the Extended Term, and commencing as of the first day of the Extended Term, and taking into account all other relevant factors.

22. Expansion Option.

a. Subject to the terms and conditions of this Section 22, Sublessee shall have the right during the Sublease Term to expand the Subleased Premises by (1) the entire fourth (4th) floor (approximately 12,000 rsf) of the Building, or (2) the entire fourth (4th) and fifth (5th) floors (approximately 24,000 rsf) of the Building, by delivering six (6) months' prior written notice to Sublessor (the "Request Notice"). As used in this Section 22, "Expansion Space" shall mean and refer to space on the fourth (4th) floor and/or fifth (5th) floor of the Building, as the case may be, that Sublessor reasonably determines will be vacant and free of any third party as of the date

Sublessor will deliver the Expansion Space to Sublessee. Anything to the contrary contained herein notwithstanding, Sublessee's expansion option hereunder is subordinate to any written commitment (e.g., an executed letter of intent) of Sublessor to sublease any or all of the Expansion Space to a third party in effect as of the date of the Request Notice.

b. Within twenty (20) days of receipt of the Request Notice, Sublessor shall serve written notice to Sublessee ("Sublessor's Expansion Notice") specifying the location and size of the Expansion Space and the date that Sublessor estimates the Expansion Space will be delivered to Sublessee. The Expansion Space shall be on all the terms and conditions of this Sublease, except: (1) if Sublessee does not serve the Request Notice prior to the six-month anniversary of the Commencement Date, then Base Rent for the Expansion Space shall be the Fair Market Rental Value of the Expansion Space as of the first day of the term for the Expansion Space, taking into account all relevant factors, determined pursuant to Section 22(e) below (and Sublessor's good faith estimate of such Fair Market Rental Value shall be specified in Sublessor's Expansion Notice), and (2) Sublessor shall not be required to furnish any materials or perform any work to prepare the Expansion Space for Sublessee's occupancy and Sublessor shall not be required to provide any work allowance or reimburse Sublessee for any alterations made or to be made by Sublessee to the Expansion Space, or to grant Sublessee any rent concession. Sublessee's use and occupancy of the Expansion Space shall be coterminous with Sublessee's use and occupancy of the Subleased Premises, including the benefit of any Extended Term. Sublessee shall accept possession of the Expansion Space in its "as is" condition. If Sublessee accepts Sublessor's estimate of the Fair Market Rental Value of the Expansion Space, then Sublessor and Sublessee agree to enter into an amendment to this Sublease memorializing the addition of the Expansion Space to this Sublease, but failure of the parties to execute such an amendment shall have no effect on the effectiveness of the expansion of the Subleased Premises to include the Expansion Space, and the economic terms associated therewith, as set forth above. If Sublessee is unwilling to accept Sublessor's estimate, then the parties shall determine the Fair Market Rental Value for the Expansion Space pursuant to Section 22(c) below, following which the parties agree to enter into an amendment to this Sublease memorializing the addition of the Expansion Space to this Sublease, but failure of the parties to execute such an amendment shall have no effect on the effectiveness of the expansion of the Subleased Premises to include the Expansion Space, and the economic terms associated therewith, as set forth above.

c. If Sublessee is unwilling to accept Sublessor's estimate of the Fair Market Rental Value of the Expansion Space as set forth in Sublessor's Expansion Notice, and the parties are unable to reach agreement thereon within thirty (30) days after the delivery of such notice by Sublessor, then either party may submit the determination of the Fair Market Rental Value of the Expansion Space to arbitration by giving notice to the other party naming the initiating party's arbitrator within ten (10) days after the expiration of such thirty (30) day period. Within fifteen (15) days after receiving a notice of initiation of arbitration, the responding party shall appoint its own arbitrator by notifying the initiating party of the responding party's arbitrator. If the second arbitrator shall not have been so appointed within such fifteen (15) day period, the Fair Market Rental Value of the Expansion Space shall be determined by the initiating party's arbitrator. If the second arbitrator shall have been so appointed, the two arbitrators thus appointed shall, within fifteen (15) days after the responding party's notice of appointment of the second arbitrator, appoint a third arbitrator. If the two initial arbitrators are unable timely to agree on the third arbitrator, then either may, on behalf of both, request such appointment by the Boston

office of JAMS, Inc., or its successor, or, on its failure, refusal or inability to act, by a court of competent jurisdiction. The Fair Market Rental Value of the Expansion Space shall be determined by the method commonly known as Baseball Arbitration, whereby Sublessor's selected arbitrator and Sublessee's selected arbitrator shall each set forth its respective determination of the Fair Market Rental Value of the Expansion Space, and the third arbitrator must select one or the other (it being understood that the third arbitrator shall be expressly prohibited from selecting a compromise figure). Sublessor's selected arbitrator and Sublessee's selected arbitrator shall deliver their determinations of the Fair Market Rental Value of the Expansion Space to the third arbitrator within five (5) business days of the appointment of the third arbitrator and the third arbitrator shall render his or her decision within ten (10) days after receipt of both of the other two determinations of the Fair Market Rental Value of the Expansion Space. The third arbitrator's decision shall be binding on both Sublessor and Sublessee. The third arbitrator shall be a commercial real estate broker who is independent from the parties and who has not worked for either party or their affiliates in the prior five (5) years and who has at least ten (10) years' experience in comparable buildings in Cambridge, Massachusetts. Each party shall pay the fees of its own arbitrator, and the fees of the third arbitrator shall be shared equally by the parties. In the event Sublessee initiates the aforesaid arbitration process and as of the commencement of the term for the Expansion Space the amount of the Base Rent for the Expansion Space has not been determined, Sublessee shall pay the amount determined by Sublessor for the Expansion Space and when the determination has actually been made, an appropriate retroactive adjustment shall be made as of the commencement of the term for the Expansion Space if necessary. In the event that such determination shall result in an overpayment by Sublessee of any Base Rent, such overpayment shall be paid by Sublessor to Sublessee promptly after such determination has been made, and if such determination shall result in an underpayment by Sublessee of any Base Rent, Sublessee shall pay any such amounts to Sublessor promptly following such determination.

d. For purposes of this Section 22, the determination of "Fair Market Rental Value" shall mean the then-fair market rental value of the Expansion Space, taking into account all then-relevant factors, whether favorable to Sublessor or Sublessee, and based upon rental rates agreed to in comparable transactions executed by Sublessor within six (6) months prior to such determination with new subtenants for comparable space in the Building or, if comparable transactions do not exist in the Building, then an amount that landlords of comparable, multi-tenanted commercial office buildings in the Cambridge, Massachusetts have agreed to accept with tenants of comparable creditworthiness for comparable space (in terms of condition and floor location) of a comparable size, for a comparable use, for a nonrenewal term equal to the term for the Expansion Space, and commencing as of the first day of the term for the Expansion Space, and taking into account all other relevant factors

e. Notwithstanding any contrary provision of this Section 22 or any other provision of this Sublease, it shall be a condition of any exercise by Sublessee of its right to expand into the Expansion Space that, on the date Sublessee deliver its Request Notice and on the commencement date of the term for the Expansion Space, (i) the Lease and this Sublease are in full force and effect, and (ii) no default under this Sublease shall have occurred and be continuing after the expiration of applicable notice and cure periods, and (iii) except for a Permitted Transfer, the originally-named Sublessee shall not have assigned this Sublease or further sublet the Subleased Premises, (iv) either the entity under a Permitted Transfer or the

originally-named Sublessee shall be physically occupying fifty percent (50%) or more of the Subleased Premises for the conduct of its business, and (v) Sublessee's financial condition or creditworthiness, as determined by Sublessor in its sole but reasonable discretion, has not materially deteriorated since the date of full execution of this Sublease (which conditions under clauses (i), (ii), (iii), (iv) and (v) above Sublessor may waive by written notice to Sublessee at any time).

23. Furniture. Sublessee shall have the right to use all furniture, fixtures, and equipment (including AV) located within the Subleased Premises as of the Commencement Date (the "Furniture"), as more fully shown on the inventory list attached hereto as Exhibit C. Sublessor expressly disclaims any warranties with respect to the Furniture and the same is provided to Sublessee in "AS IS, WHERE IS" condition. The Furniture shall remain the property of Sublessor, and Sublessee shall leave the Furniture in the Subleased Premises at the expiration of the Sublease Term in the condition received, reasonable wear and tear only excepted.

24. Damages. In no event shall Sublessor ever be liable to Sublessee for any loss of profits, rents or other revenues, loss of business opportunity, loss of goodwill, loss of use, or for any form of punitive, special or other indirect or consequential damages, in each case however occurring. In no event (other than a holdover as set forth in Section 18 above) shall Sublessee ever be liable to Sublessor for any loss of profits, rents or other revenues, loss of business opportunity, loss of goodwill, loss of use, or for any form of punitive, special or other indirect or consequential damages, in each case however occurring.

[*The remainder of this page is intentionally left blank; signature page immediately follows*]

IN WITNESS WHEREOF, Sublessor and Sublessee execute this Sublease as of the date first written above.

SUBLESSOR: SUBLESSEE:

CARGURUS, INC. **AMYLYX PHARMACEUTICALS, INC.**

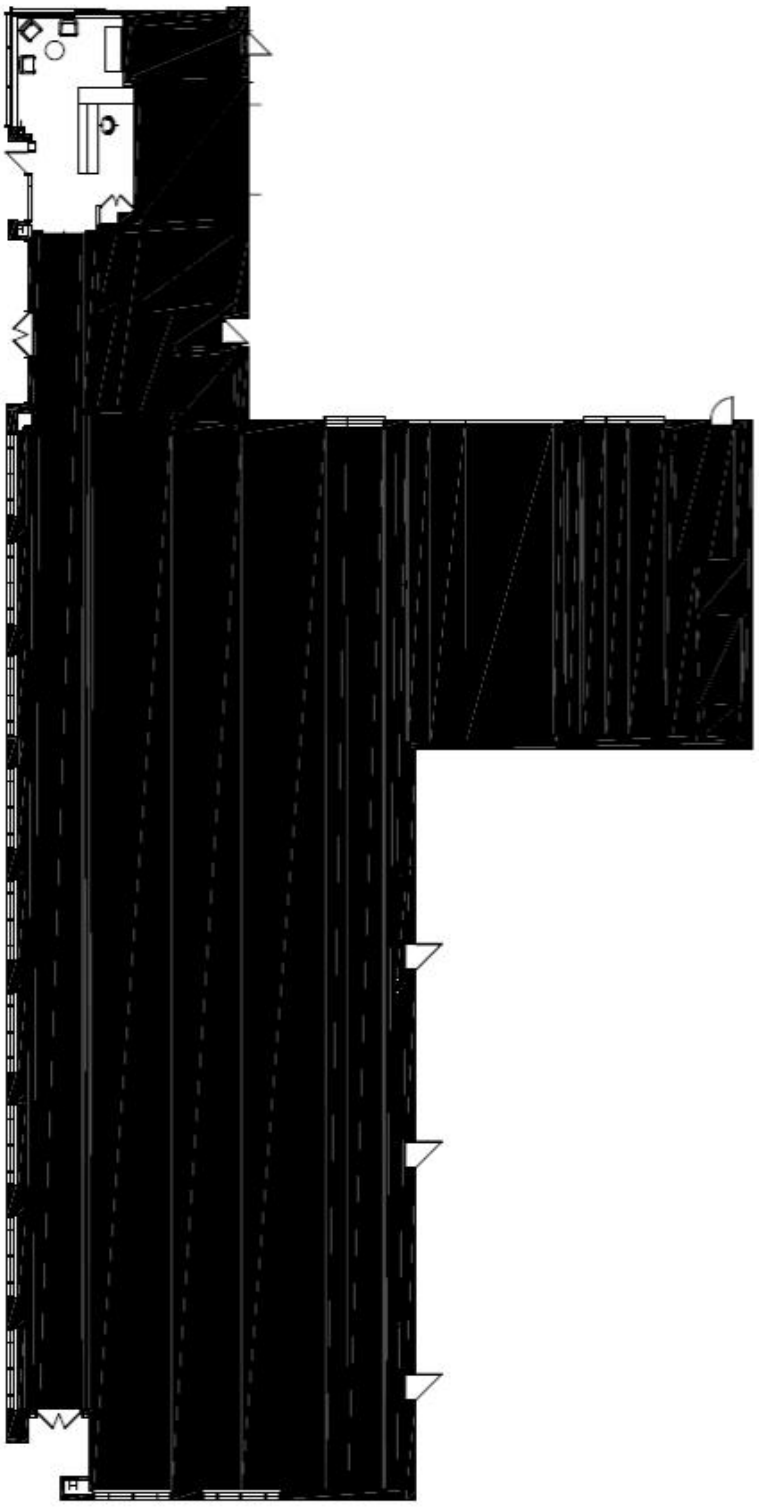
By: /s/ Jason Trevisan By: /s/ James Frates
Name: Jason Trevisan Name: James Frates
Title: CEO Title: CFO

Exhibit A

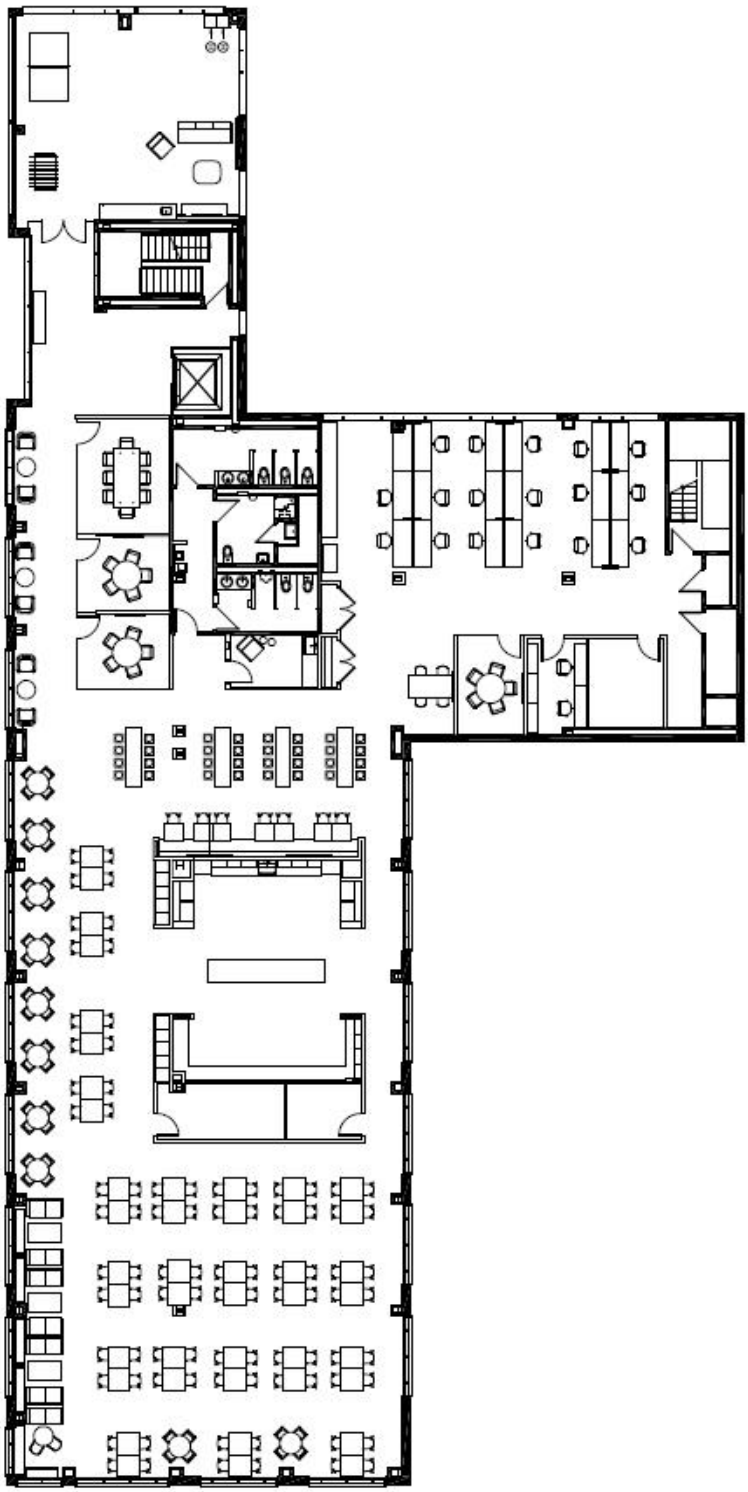
Lease

Exhibit B

Plan of Subleased Premises



121 First Street | Floor 1



121 First Street | Floor 2

121 First Street | Floor 3

Exhibit C

Furniture Inventory

BY EMAIL

January 10, 2022

CarGurus, Inc.
2 Canal Park, 4th Floor
Cambridge, MA 02141
Attention: Robert Mirabello, Director, Real Estate & Facilities
Email: rmirabello@cargurus.com

Amylyx Pharmaceuticals, Inc.
43 Thorndike Street
Cambridge, MA 02141
Attention: Dan Sitte
Email: dan_sitte@amylyx.com

Re: Office Space at 121 First Street, Cambridge, MA (the "Leased Premises") / Proposed Sublease to Amylyx Pharmaceuticals, Inc.

Dear Robert and Dan:

Reference is hereby made to that certain Lease for the above referenced Leased Premises by and between US Parcel A, LLC ("Landlord") and CarGurus, Inc. ("Tenant") dated as of June 19, 2018, as amended by that certain letter agreement by and between Landlord and Tenant dated as of October 2, 2018 (as amended, the "Lease"). Capitalized terms used by not defined herein shall have the meanings given to such terms in the Lease.

By email dated December 23, 2021, Tenant has notified Landlord of a proposed sublease of a portion of the Leased Premises consisting of the entire second (2nd) and third (3rd) floors and a portion of the first (1st) floor of the Building (the "Subleased Premises") to Amylyx Pharmaceuticals, Inc. ("Subtenant") pursuant to the terms of a certain Sublease dated as of December 23, 2021 by and between Tenant and Subtenant, a fully executed copy of which is attached hereto as Exhibit A (the "Sublease"). Pursuant to Section 8.12 of the Lease, and without alteration, modification, amendment or waiver of any of the terms and conditions of the Lease, Landlord hereby consents to the Sublease subject to the following:

1. For the avoidance of doubt, Tenant and Subtenant acknowledge and agree that neither Tenant nor Subtenant shall have the right to park on the surface parking lot located at 121 First Street/55 Bent Street adjacent to the Building.

2. In the event that Tenant is requested from time to time to deliver a status certificate under Section 14.7 of the Lease, or in the event that Subtenant is requested by Landlord to deliver a like status certificate under said Section 14.7 of the Lease, Subtenant shall, upon not less than five (5) business days' prior written request by either Tenant or Landlord, as applicable, execute and deliver to Tenant and to Landlord a statement in writing certifying as to the matters set forth in said Section 14.7 with respect to the Sublease and as to all rent, additional rent, compensation and other economic consideration paid by Subtenant to Tenant in connection with the Sublease (for purposes of determining Net Transfer Profits

received by Tenant in connection with the Sublease). Tenant agrees to provide a similar certificate to Subtenant or to Landlord from time to time upon not less than five (5) business days' prior written request by either Subtenant or Landlord. Any such statement delivered pursuant to this letter agreement may be relied upon by any prospective purchaser or mortgagee of the Subleased Premises.

3. Landlord consents to the definition of "Permitted Transfer" in Section 8 of the Sublease. Landlord's prior written consent shall not be required for any assignment or sublease by Subtenant to a Related Party of Subtenant, provided that the Assignment Conditions Precedent are satisfied with respect to each such assignment or sublease. No consent by Landlord pursuant to Section 8 of the Sublease shall be deemed a waiver of the obligation to obtain Landlord's consent on any subsequent occasion, and no waiver by Landlord of the foregoing restrictions or any portion thereof shall constitute a waiver or consent by Landlord in any other instance.

4. Subtenant shall provide Tenant and Landlord with policies or certificates evidencing such insurance reasonably satisfactory to Tenant and Landlord upon Subtenant's execution of the Sublease and prior to entering the Subleased Premises.

5. Subtenant acknowledges and agrees that Subtenant's indemnification obligations under Section 11 of the Sublease shall equally extend to Landlord, except for claims, damages, liabilities, costs and expenses, including reasonable attorneys' fees, arising solely from any negligence or willful misconduct of Landlord or its agents or employees in or about Subleased Premises.

6. The Sublease may be amended or modified only by written instruments executed by both Tenant and Subtenant and approved in writing by Landlord.

7. Tenant and Subtenant agree that Landlord is a third-party beneficiary of any provisions of the Sublease running in favor of Landlord, and Landlord is entitled to enforce such provisions directly.

Kindly acknowledge Tenant's and Subtenant's acceptance of and agreement with the foregoing by countersigning this letter agreement in the space indicated below and returning the executed counterpart to Landlord by email at dnotter@urbanspacesllc.com.

Sincerely,

US PARCEL A, LLC

By: /s/ David Notter
David Notter, Authorized Signatory

ACCEPTED AND AGREED TO:

CARGURUS, INC.

By: /s/ Jason Trevisan
Name: Jason Trevisan
Title: CEO

AMYLYX PHARMACEUTICALS, INC.

By: /s/ James Frates
Name: James Frates
Title: CFO

Exhibit 10.31

AMENDMENT TO
PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT

This Amendment (the "Amendment"), effective as of February 8, 2022, is entered into by and between _____ (the "Participant") and CarGurus, Inc. (the "Company"). Capitalized terms used herein and not otherwise defined will have the meanings set forth in the CarGurus, Inc. Omnibus Incentive Compensation Plan (the "Plan").

WHEREAS, the Participant was granted an award (the "Award") under the Plan of performance-based restricted stock units (the "PSUs") pursuant to the terms of the Performance Restricted Stock Unit Agreement between the Participant and the Company dated _____ (the "Agreement").

WHEREAS, the PSUs generally vest based on (a) the attainment of certain performance criteria measured over one or more specified performance periods and (b) the Participant's continued service over the applicable performance period.

WHEREAS, the Participant and the Company desire to amend the Agreement to (a) remove the performance criteria for the vesting of the PSUs, (b) provide that the PSUs will vest over a revised service period, subject to the Participant's continued service over such period, and (c) specify that the number of PSUs subject to the Award shall be the number of Target PSUs specified in the Agreement (prior to this Amendment), all as set forth below.

NOW, THEREFORE, in consideration of the foregoing recitals and for other consideration, the adequacy and sufficiency of which is hereby acknowledged, the parties hereto agree to amend the Agreement through this Amendment as follows:

1. The Agreement is hereby amended to change the following references in the Agreement: (a) "Target PSUs" to "Stock Units", (b) "performance-based restricted stock units" to "restricted stock units" and (c) "PSU" (or "PSUs") to "Stock Unit" (or "Stock Units"), as applicable.

2. Section 1 of the Agreement is hereby amended and restated in its entirety as follows:

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 (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.

3. Section 3 of the Agreement is hereby amended and restated in its entirety as follows:

3. Vesting.

(a) The Stock Units shall become vested 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: (i) ____% of the Stock Units shall vest on the date that is _____ following _____ (the "Vesting Start Date") and (ii) 6.25% of the Stock Units shall vest on the last day of each three-month period thereafter until the _____ anniversary of the Vesting Start Date.

(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.

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 Stock Units 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 (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 Stock Units are fully vested in accordance with the vesting schedule set forth in Section 3(a) above, 100% of any then-unvested Stock Units shall become vested 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 the Participant's 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 the Participant 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 the Participant's 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. Section 5(a) of the Agreement is hereby amended and restated in its entirety as follows:

(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.

5. Section 6 of the Agreement (Change of Control) is hereby deleted in its entirety, and all Section references in the Agreement are hereby revised accordingly.

6. Section 7 of the Agreement is hereby amended and restated in its entirety as follows:

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 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. Schedule I. Schedule I of the Agreement is hereby deleted in its entirety and all references to Schedule I in the Agreement shall be deemed removed from the Agreement.

8. Entire Agreement. Except as modified by this Amendment, all the terms and provisions of the Agreement shall continue in full force and effect. This Amendment, together with the Agreement, comprise the parties' entire agreement regarding the subject matter thereof, and supersede any and all other agreements, either oral or in writing, between the Participant and the Company regarding the subject matter hereof.

9. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment, effective as of the date first above written.

CarGurus, Inc.

By: _____
Name:
Title:
Date:

Participant

_____
Name:
Date:

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 24, 2022, 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, 2021.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 24, 2022

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 24, 2022

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 24, 2022

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, 2021 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 24, 2022

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, 2021 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 24, 2022

By: /s/ Scot Fredo
Scot Fredo
Chief Financial Officer
(Principal Financial Officer)