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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

LEON D. MILBECK, on behalf of himself
and all others similarly situated

Plaintiff,

vs.

TRUECAR, INC.; MICHAEL GUTHRIE;
VICTOR (“CHIP”) PERRY; JOHN
PIERANTONI; ABHISEK AGRAWAL;
ROBERT BRUCE; CHRISTOPHER
CLAUS; STEVEN DIETZ; JOHN
KRAFCIK; ERIN LANTZ; WESLEY
NICHOLS; ION YARDIGAROGLU;
GOLDMAN, SACHS & CO.; J.P.
MORGAN SECURITIES LLC; RBC
CAPITAL MARKETS, LLC; JMP
SECURITIES LLC; B. RILEY & CO., LLC;
CRAIG-HALLUM CAPITAL GROUP
LLC; STEPHENS, INC.; and LOOP
CAPITAL MARKETS LLC;

Defendants.

No. 2:18-cv-02612-SVW

CLASS ACTION

**AMENDED CLASS ACTION
COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES
LAWS AND JURY TRIAL
DEMAND**

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1 **I. NATURE OF THE ACTION**

2 1. Oklahoma Police Pension and Retirement Fund (“Oklahoma Police” or
3 “Lead Plaintiff”), brings this securities class action on behalf of itself and all other
4 persons and entities who purchased or otherwise acquired (1) any of the publicly-
5 traded common stock of TrueCar, Inc. (“TrueCar” or the “Company”) from
6 February 16, 2017 through November 6, 2017 (the “Class Period”), or (2) the
7 common stock of TrueCar pursuant and/or traceable to the secondary offering of
8 TrueCar common stock conducted on or about April 26, 2017 (the “Offering”), and
9 were damaged thereby (collectively, the “Class”).

10 2. Oklahoma Police alleges the following upon personal knowledge as to
11 itself and its acts, and upon information and belief as to all other matters, based upon
12 the ongoing investigation of its counsel. Many of the facts relevant to Lead
13 Plaintiff’s allegations are known only by Defendants, or are exclusively within
14 Defendants’ custody or control. Lead Counsel’s investigation included, among other
15 things, review and analysis of: (i) TrueCar’s public filings with the Securities and
16 Exchange Commission (the “SEC”); (ii) in-depth research reports by securities and
17 financial analysts; (iii) transcripts of TrueCar’s conference calls with analysts and
18 investors; (iv) presentations, press releases, and reports regarding the Company;
19 (v) news and media reports concerning the Company and other facts related to this
20 action; (vi) data reflecting the pricing of TrueCar shares; (vii) interviews with former
21 employees of TrueCar and other knowledgeable persons; and (viii) consultations
22 with relevant experts. Lead Plaintiff believes that substantial additional evidentiary
23 support for its allegations will be developed after a reasonable opportunity for
24 discovery.

25 **II. INTRODUCTION**

26 3. TrueCar is an internet-based company that purports to give consumers
27 the “true” price, or market price, for new and used cars. TrueCar’s financial success
28

1 depends on its ability to obtain web traffic, leading to sales of cars, or “units,” from
2 its site. Both prior to and during the Class Period, TrueCar stated that its ability to
3 obtain web traffic and units depended heavily on its “affinity group marketing
4 partners,” or financial institutions and member organizations that, in exchange for
5 marketing fees, exclusively direct their members to purchase a car through
6 customized co-branded sites maintained by TrueCar.

7 4. As TrueCar made clear in its SEC filings, the most significant of these
8 affinity partners was the United States Automobile Association (“USAA”), which
9 generated nearly one-third of the Company’s annual units and therefore its revenues.
10 In fact, USAA was so critical to the Company’s success that the Company’s SEC
11 filings contained a risk factor devoted solely to USAA, warning that “USAA has a
12 significant influence on our operating results.”¹ USAA was also TrueCar’s largest
13 shareholder, and a former senior executive of USAA—Defendant Christopher
14 Claus—served as Chairman of TrueCar’s Board throughout the Class Period.

15 5. Significantly, TrueCar was responsible for hosting, maintaining and
16 operating the co-branded car buying site for USAA—meaning TrueCar was
17 necessarily directly involved in any updates or changes to the car buying site. Even
18 so, TrueCar’s SEC filings stated that USAA had “broad discretion” over how that
19 site was operated, marketed and promoted. As a result, and because of USAA’s
20 crucial importance to the Company’s financial success, TrueCar represented that if
21 USAA were to use its “broad discretion” to make changes to the car buying site,
22 “our revenue, business and financial results will be harmed.” Indeed, the filings
23 expressly stated that if USAA made even a minor change to the website, such as
24 adjusting the location of the link to the TrueCar car buying site, TrueCar’s business
25 would be harmed.

26
27
28 ¹ Throughout this Amended Complaint (“Complaint”), unless otherwise stated, all
emphasis is added.

1 6. A month before the start of the Class Period, the risks that the Company
2 had warned of pertaining to USAA fully materialized. Former TrueCar employees
3 confirmed that, by January 2017, USAA explicitly informed TrueCar that it had
4 decided to significantly redesign the co-branded car buying website, that the
5 redesign would be implemented by no later than June 2017, and that the changes
6 were far more extensive than merely changing the location of the link to TrueCar’s
7 car buying service. Specifically, USAA would now require its members to respond
8 to numerous additional questions about their personal finances and monthly budgets
9 before they could access the TrueCar site, in an effort to make sure its members
10 could actually afford to purchase the cars. As former TrueCar employees described
11 in detail, this news prompted TrueCar to direct management of each of its
12 departments Company-wide to hold internal all-hands-on-deck meetings starting in
13 January 2017. These meetings were specifically convened in an effort to grapple
14 with the USAA website changes and their expected fallout: negative responses from
15 USAA members, resulting in dramatically lower traffic, units and revenues for
16 TrueCar. Indeed, there was no question Defendants² knew what the inevitable
17 negative effect of the substantial USAA website changes would be. These
18 changes—which amounted to what Defendants would later refer to as a “significant
19 website redesign”—would inevitably and profoundly impact TrueCar’s unit and
20 revenue growth.

21 7. Despite this reality, during the Class Period, Defendants continued to
22 deceptively warn investors in the Company’s SEC filings of the mere “risk” that
23 USAA might change its car buying website with TrueCar at some point “in the
24 future”—giving investors the distinct impression that no such risk had yet
25 materialized, when, in fact, it already had. At the same time, Defendants repeatedly
26

27 ² For purposes of the Exchange Act claims only, “Defendants” mean TrueCar,
28 Defendant Chip Perry (“Perry”), Defendant Michael Guthrie (“Guthrie”) and
Defendant John Pierantoni (“Pierantoni”).

1 represented the Company’s “return” to double-digit unit growth in excess of 20%
2 throughout the Class Period, which it told investors would continue for the balance
3 of 2017 and would be driven in large part by TrueCar’s key affinity partnership with
4 USAA. In reality, Defendants knew the exact opposite would occur: namely, that
5 when the significant USAA website changes were implemented in June 2017,
6 TrueCar’s traffic, unit sales, and revenues would materially decline.

7 8. As TrueCar’s stock skyrocketed by over 60% based on these
8 misrepresentations (from approximately \$13 per share to over \$21 per share),
9 Defendants took full advantage, engaging in significant insider sales that yielded
10 tens of millions of dollars in ill-gotten gains. Specifically, on April 26, 2017, the
11 Company closed a secondary offering in which TrueCar sold only 1,150,000 shares
12 of TrueCar common stock at \$16.50 per share, realizing approximately \$19 million,
13 or just over 10% of the total proceeds from the offering. In contrast, USAA and the
14 selling shareholders—which included several entities affiliated with members of
15 TrueCar’s Board of Directors—realized approximately 90% of the proceeds from
16 the offering, or \$151.8 million. Indeed, USAA—which knew that it would have
17 TrueCar implement changes to the co-branded TrueCar car buying website that
18 would significantly reduce TrueCar’s traffic, units and revenue—sold 26% of its
19 TrueCar holdings, realizing \$51.7 million in proceeds, or 34% of the total proceeds
20 from the offering. While none of TrueCar’s officers, including Defendants, sold any
21 of their TrueCar stock in the secondary offering, this was only because they were
22 subject to a 90-day Lock-Up Period that was scheduled to expire on July 25, 2017.

23 9. By June 2017—and while investors remained unaware of USAA’s
24 material redesign of the co-branded car buying website—TrueCar implemented
25 USAA’s changes to the site, which almost immediately resulted in what Defendants
26 knew would occur: a significant decline in traffic, units and revenues from USAA
27 members, and for TrueCar overall. Former TrueCar employees confirmed that
28

1 Defendants were aware of this decline, as they were able to witness these declining
2 metrics in “real time” via multiple internal Company databases. Additionally, all
3 USAA member complaints were routed internally to the Company’s “Escalation
4 Department,” located at TrueCar’s headquarters in Santa Monica, California.
5 Indeed, Defendants would later admit that they had witnessed the significant USAA
6 shortfall immediately after the website changes were implemented, which, according
7 to a former TrueCar employee, prompted a Company-wide “fireside” meeting—
8 attended by Defendant Chip Perry, TrueCar’s CEO—discussing the sharp downturn
9 in USAA traffic.

10 10. On July 17, 2017, TrueCar’s stock price climbed to its peak of \$21.75
11 per share, over 60% higher than its price at the beginning of the Class Period.
12 Approximately one week later, on July 26, 2017—just one day after the Lock-Up
13 Period expired—Defendants Guthrie and Pierantoni and other Company insiders
14 began selling enormous amounts of their TrueCar stock. Specifically, within a week
15 of the Lock-Up Period’s expiration, these insiders collectively sold nearly 1 million
16 TrueCar shares, realizing approximately \$19 million in gross proceeds.

17 11. Significantly, the largest seller was TrueCar’s Chief Financial Officer
18 (“CFO”), Defendant Guthrie, who sold over 730,000 TrueCar shares—or 54% of his
19 total holdings—realizing nearly \$14 million in ill-gotten gains. This contrasted
20 sharply with Defendant Guthrie’s pre-Class Period trading, which was non-existent.
21 Defendant John Pierantoni, TrueCar’s Chief Accounting Officer, also sold
22 substantial amounts of his TrueCar stock, amounting to 50% of his total holdings,
23 realizing \$1.2 million in gross proceeds. Heavy insider selling continued through
24 October 2017, just before the truth about the USAA website changes was revealed.
25 In total, insiders sold over 1.1 million TrueCar shares during the Class Period and
26 received in excess of \$21 million in gross proceeds.

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28

1 12. On November 6, 2017, when the Company released its earnings for the
2 third quarter ended September 30, 2017, Defendants were forced to reveal the truth.
3 TrueCar reported that, rather than experiencing record unit growth in excess of 20%,
4 the Company’s sales units attributable to USAA had declined by 5%, meaning the
5 Company could not meet the guidance it had issued only three months prior. To the
6 astonishment of investors, Defendant Chip Perry, admitted for the first time that this
7 shortfall was solely attributable to substantial changes USAA had made to the co-
8 branded car buying website with TrueCar months ago—which Perry stated were so
9 extensive they amounted to a “significant website redesign,” causing “a decline in
10 traffic, prospects, and units on USAA.” Significantly, Perry admitted that TrueCar
11 “saw [these] changes coming,” stating: “It wasn’t like we were blind to them.”

12 13. On this news, the Company’s stock dropped precipitously, falling over
13 35%, or \$5.76 per share, in a single day, to close at \$10.58 per share on November 7,
14 2017 on heavy trading volume.

15 **III. JURISDICTION AND VENUE**

16 14. The claims asserted herein arise pursuant to Sections 10(b) and 20(a)
17 of the Securities Exchange Act of 1934 (“Exchange Act”) (15 U.S.C. §§ 78j(b) and
18 78t(a)), and SEC Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5), and
19 under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (“Securities Act”)
20 (15 U.S.C. §§ 77k, 771, 77o).

21 15. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§
22 1331 and 1337, Section 27 of the Exchange Act (15 U.S.C. § 78aa), and Section 22
23 of the Securities Act (15 U.S.C. § 77v).

24 16. Venue is proper in this Judicial District pursuant to 28 U.S.C. §
25 1391(b), Section 27 of the Exchange Act, 15 U.S.C. § 78aa(c) and Section 22 of the
26 Securities Act 15 U.S.C. § 77v(a). Many of the acts and transactions alleged herein,
27 including the preparation and dissemination of materially false and misleading
28

1 statements, occurred in substantial part in this District. Additionally, TrueCar’s
2 headquarters are located in this District.

3 17. In connection with the acts alleged in this Complaint, Defendants,
4 directly or indirectly, used the means and instrumentalities of interstate commerce,
5 including but not limited to the mails, interstate telephone communications, and the
6 facilities of a national securities exchange.

7 **IV. EXCHANGE ACT PARTIES**

8 **A. Lead Plaintiff**

9 18. Lead Plaintiff Oklahoma Police is administrator of a multi-employer,
10 cost-sharing defined benefit pension plan that provides participants with retirement,
11 death and disability benefits. Oklahoma Police covers substantially all police
12 officers employed by the 141 municipalities and state agencies within the State of
13 Oklahoma. It has approximately \$2.4 billion in assets and 5400 participants. As set
14 forth in its previously submitted certification, Oklahoma Police purchased TrueCar
15 common stock on the NASDAQ during the Class Period and suffered damages as a
16 result of the federal securities laws alleged herein. *See* ECF No. 33-2.

17 **B. Defendants**

18 **1. TrueCar**

19 19. Defendant TrueCar is an internet-based company that purports to offer
20 users market pricing on new and used cars, and connects users with its network of
21 “TrueCar Certified Dealers.” TrueCar is a Delaware corporation, headquartered at
22 120 Broadway, Suite 200, Santa Monica, California 90401. As of December 31,
23 2016, TrueCar had 650 employees, with the majority located at the Company’s main
24 offices in Santa Monica and San Francisco, California, and Austin, Texas.

25 **2. Victor “Chip” Perry**

26 20. Defendant Perry served as the Chief Executive Officer and President of
27 TrueCar during the Class Period, and also served on the Company’s Board of
28

1 Directors. Perry replaced TrueCar’s founder, Scott Painter, who announced his
2 resignation as CEO in August 2015 after the Company experienced a mass exodus
3 of dealers from its network. During the Class Period, Defendant Perry made
4 materially false and misleading statements and omissions during earnings calls and
5 investor conferences, including on February 16, 2017, February 28, 2017, May 9,
6 2017, August 8, 2017, and September 7, 2017. Defendant Perry also reviewed,
7 approved and signed and certified TrueCar’s quarterly and annual filings with the
8 SEC on Forms 10-Q and 10-K, and the Registration Statement in connection with
9 the Company’s April 26, 2017 common stock secondary offering (“the Offering”),³
10 which contained materially false and misleading statements and omissions.

11 **3. Michael Guthrie**

12 21. Defendant Guthrie served as TrueCar’s Chief Financial Officer from
13 January 2012 through January 28, 2018, when he suddenly resigned for “personal
14 reasons,” and served as Interim Chief Operating Officer from September 2015 until
15 December 2015. During the Class Period, Defendant Guthrie made materially false
16 and misleading statements and omissions during earnings calls and investor
17 conferences, including on February 16, 2017, May 9, 2017, August 8, 2017, and
18 September 7, 2017. Defendant Guthrie also reviewed, approved and signed and
19 certified TrueCar’s quarterly and annual filings with the SEC on Forms 10-Q and
20 10-K, and the Registration Statement in connection with the Offering, which
21 contained materially false and misleading statements and omissions.

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25 _____
26 ³ The Offering was conducted pursuant to a shelf registration statement filed with
27 the SEC on Form S-3, dated January 19, 2017 and declared effective on February 6,
28 2017 (the “Registration Statement”); a Prospectus filed with the SEC, dated
January 19, 2017 (the “Prospectus”); and a Prospectus Supplement filed with the
SEC, dated April 26, 2017 (the “Prospectus Supplement,” and, together with the
Registration statement and the Prospectus, the “Offering Documents”).

1 **4. John Pierantoni**

2 22. Defendant Pierantoni served as the Company’s Chief Accounting
3 Officer during the Class Period, a role he held since 2013. As of February 1, 2018,
4 Pierantoni began to serve as interim CFO of TrueCar. During the Class Period,
5 Defendant Pierantoni reviewed, approved and signed TrueCar’s quarterly and annual
6 filings with the SEC on Forms 10-Q and 10-K, and the Registration Statement in
7 connection with the Offering, which contained materially false and misleading
8 statements and omissions.

9 23. Significantly, Defendants Perry, Guthrie and Pierantoni (the “Officer
10 Defendants”)—along with TrueCar’s General Counsel, Jeffrey Swart, who chaired
11 the committee with Defendant Pierantoni—were all members of TrueCar’s
12 “Disclosure Committee” during the Class Period. The Disclosure Committee met
13 “prior to the filing of each quarterly and annual report” during the Class Period, and,
14 according to its charter, was tasked with, in addition to ensuring the overall accuracy
15 of the Company’s public filings, conducting “periodic inquiries with relevant
16 Company personnel possessing information potentially requiring disclosure.”

17 **V. OVERVIEW OF THE FRAUD**

18 **A. Background of TrueCar**

19 24. TrueCar is an internet-based company that promises to provide
20 consumers with the “TruePrice,” or actual market price, of new and used cars.
21 Specifically, TrueCar allows consumers to search for the make and model of the car
22 they want, obtain market pricing data, and then connect with TrueCar’s network of
23 Certified Dealers so that consumers can purchase their desired car for a guaranteed
24 price below the car’s manufacturer’s suggested retail price (“MSRP”). TrueCar runs
25 this platform both on its own branded website (TrueCar.com) and on customized co-
26 branded websites with “affinity group marketing partners,” which include financial
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1 institutions, membership-based organizations, and employee buying programs for
2 large enterprises.

3 25. TrueCar monetizes its business through fees paid to the Company from
4 Certified Dealers for each “unit,” or car, sold through the site. As explained in the
5 Company’s SEC filings, “units” are “the number of automobiles purchased by our
6 users from TrueCar Certified Dealers through TrueCar.com . . . or the car-buying
7 sites we maintain for our affinity group marketing partners.” Certified Dealers either
8 pay TrueCar a fee per each vehicle sold through TrueCar (\$299 for new cars and
9 \$399 for used cars), or pay a subscription fee based on the actual number of cars sold
10 through TrueCar. During the Class Period, almost all of TrueCar’s revenues
11 (approximately 94%) were generated by unit sales. Accordingly, TrueCar states in
12 its SEC filings that “[w]e view units as a key indicator of the growth of our business.”

13 26. TrueCar makes clear in its SEC filings that its affinity partnerships,
14 which are responsible for the “majority” of the car sales through its site, are “critical”
15 to its unit growth and therefore its financial performance. For example, the
16 Company’s SEC filings state:

17 Our financial performance is substantially dependent upon the number
18 of automobiles purchased from TrueCar Certified Dealers by users of
19 the TrueCar website . . . Currently, a majority of the automobiles
20 purchased by our users were matched to the car-buying sites we
21 maintain for our affinity group marketing partners. As a result, our
22 relationships with our affinity group marketing partners are critical to
23 our business and financial performance.

24 27. Significantly, both before and throughout the Class Period, the most
25 important of TrueCar’s affinity partnerships by far was with USAA, the Company’s
26 largest shareholder and longest-standing affinity partner, that generated nearly one
27 third of TrueCar’s annual units and revenues in 2016.
28

1 **B. TrueCar Was Highly Intertwined With, and Dependent On, Its**
2 **Largest Affinity Partner and Largest Shareholder USAA**

3 28. Both prior to and during the Class Period, TrueCar was highly
4 intertwined with USAA, which played a significant role in directing TrueCar's
5 business. As one analyst stated, USAA was "absolutely pivotal to [TrueCar's]
6 beginnings, opening doors to dealerships at inception." Indeed, USAA has been
7 TrueCar's largest shareholder since before it became a public company. TrueCar
8 was the first investment of USAA Ventures, a program USAA developed in 2010
9 for start-up investing. USAA continued to own in excess of 25% of TrueCar up until
10 its initial public offering in 2014. At the outset of the Class Period, USAA remained
11 the Company's largest shareholder, owning approximately 14% of TrueCar's
12 common stock.

13 29. USAA has also always had representation on TrueCar's Board of
14 Directors. From May 2012 through April 2014, the USAA Board representative was
15 Vic Pascucci, head of Corporate Development at USAA and of the USAA Ventures
16 program. When Pascucci resigned in April 2014, Christopher Claus replaced him
17 as the USAA representative on TrueCar's Board. As stated by the Company's press
18 release announcing Claus' appointment to the Board, Claus had a "distinguished 20-
19 year career at USAA," holding "several senior financial and operating roles" through
20 March 2014, "serving as the president of the Financial Advice and Solutions Group
21 and as a member of USAA's Executive Council for 13 years." While not mentioned
22 on TrueCar's website or in its SEC filings, Claus also served as a Director of the
23 USAA Real Estate Company—the "real estate investment arm of USAA," according
24 to USAA's website—throughout the Class Period, from 2009 through the present
25 day. Significantly, Claus not only served on TrueCar's Board as the USAA
26 representative, he was elected Chairman of the TrueCar Board of Directors in
27 February 2016, and served in that role throughout the Class Period up to the present
28 day.

1 30. USAA is also TrueCar’s most significant affinity partner, and has been
2 since its inception. As stated in TrueCar’s SEC filings: “The largest source of user
3 traffic and unit sales from our affinity group marketing partners comes from the site
4 we maintain for USAA.” Indeed, according to TrueCar’s 2016 Form 10-K, USAA
5 generated 32% of TrueCar’s annual revenues that year, meaning 32% “of all units
6 purchased by users from TrueCar Certified Dealers . . . were matched to users of the
7 car-buying site [TrueCar] maintain[s] for USAA.” The 2016 Form 10-K stated that,
8 for this reason, “USAA has a significant influence on our operating results.”

9 31. While the Company’s SEC filings stated that USAA had “broad
10 discretion in how the car buying site . . . [was] promoted and marketed on its own
11 website,” significantly, TrueCar was responsible for “maintain[ing]” the co-branded
12 site—i.e., it hosted, managed and operated the car buying site for USAA. This meant
13 that any changes USAA made to the car buying site would necessarily require
14 TrueCar’s involvement in order to implement them. Additionally, because of
15 USAA’s critical importance to TrueCar’s financial success, TrueCar’s most senior
16 executives—including Defendant Perry—had direct involvement in this task. For
17 example, Defendant Perry stated during the Company’s November 3, 2016 3Q
18 earnings call just prior to the Class Period that he personally worked with “USAA’s
19 most senior executives and the team assigned to the day-to-day management of their
20 car buying service”:

21 One of the key differentiators that I always admired about TrueCar
22 before I joined was the company’s powerful affinity network. USAA
23 is simply the perfect partner for our business because of the scale and
24 loyalty of their members . . . I have had the good fortune of working
with some of USAA’s most senior executives and the team assigned to
the day-to-day management of their car buying service, and I’m excited
about where we can take this partnership.

25 32. Former TrueCar employees further confirmed that TrueCar’s senior
26 management worked closely with USAA on a “daily” basis. For example,
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1 Confidential Witness (“CW”) 1,⁴ a Consumer Support Specialist in the Company’s
2 Austin, Texas offices from March 2015 through March 2017 witnessed, on multiple
3 occasions, senior TrueCar management “walking the room” with USAA
4 representatives. TrueCar’s Austin office was its largest office outside of California,
5 housing approximately 20% of the Company’s 650 employees, including Brian
6 Skutta, Executive Vice President of Dealer Sales and Service, and Bernie Brenner,
7 TrueCar co-founder and Executive Vice President of Business Development and
8 Strategy. That office was also located only approximately one hour from USAA’s
9 headquarters in San Antonio, resulting in extensive interaction between USAA and
10 TrueCar executives. Indeed, CW 1 stated that she observed Brenner in particular
11 meeting with USAA representatives at least five separate times in 2016-2017. She
12 also observed Wendy Tanner, former Vice President of Dealer and Consumer
13 Support at TrueCar, interacting with USAA personnel on several occasions.

14 33. CW 2, a former Senior Partner Development Manager for TrueCar from
15 February 2016 through August 2016 in the Company’s Santa Monica headquarters
16 who managed over 180 of TrueCar’s affinity partnerships, also confirmed that
17 TrueCar had “daily” contact with USAA. CW 2 stated that David Pributsky and
18 Shane Stephens, an Executive Vice President and Vice President, respectively, in
19 TrueCar’s Partner Development department, were the primary contacts at TrueCar
20 with USAA. Megan Lotay, also in Partner Development, worked on the USAA
21 account at TrueCar as well, before leaving in April 2017 to become an Executive
22 Director at USAA. CW 2 stated that Pributsky was based in the Company’s offices
23 in Santa Monica and reported to Defendant Perry, while Stephens, Pributsky’s direct
24 report, was based in the Company’s Austin, Texas offices. CW 2 stated that,
25 according to her Partner Development team members, Stephens spent at least 75%
26 of his time at USAA’s headquarters in San Antonio, Texas.

27 _____
28 ⁴ Former TrueCar employees are referred to herein as Confidential Witness
“CW ___” and are referenced in the feminine form to maintain their confidentiality.

1 34. CW 3, a former Technical Product Manager for TrueCar in the
2 Company's Austin, Texas offices from November 2015 through June 2017, shared
3 a work space close to Stephens, the Vice President in Partner Development who was
4 responsible for the USAA account. CW 3 learned through direct conversations with
5 Stephens, who reported to Pributsky in Santa Monica, California that Stephens spent
6 at least 75% of his time at USAA's headquarters in San Antonio, Texas. CW 3
7 recalled that, on multiple occasions, Stephens stressed to CW 3 the importance of
8 the USAA account and Stephens' required presence at USAA headquarters.

9 35. The Services & Maintenance Agreement governing TrueCar's
10 management of the car buying website for USAA, publicly filed with the SEC in
11 2014 (the "Services Agreement"), further showed the degree to which the two
12 companies were intertwined. For example, the Services Agreement required
13 TrueCar to provide USAA with a "full-time program manager" who would be
14 dedicated to overseeing maintenance of the car buying site. USAA also gave
15 specific directions concerning the conduct and quality of TrueCar employees who
16 would be interacting with USAA members in connection with the car buying site,
17 requiring TrueCar to (i) conduct regular drug tests on "each employee that will
18 provide [s]ervices on USAA's premises unescorted by USAA"; (ii) direct TrueCar
19 employees working on the site to comply with USAA's policies while on USAA's
20 premises (including dress code and various detailed security policies); (iii) require
21 TrueCar employees to attend orientation programs conducted by USAA on USAA's
22 premises before performing any services on the car buying site; and (iv) conduct
23 "thorough background check[s] on any [TrueCar] [e]mployees who will have access
24 to [USAA member] [d]ata" prior to the employee performing any services on the
25 site. Additionally, any subcontractors used by TrueCar who would have access to
26 USAA member data or USAA computing systems had to be "pre-approved by
27 USAA."
28

1 36. The Services Agreement also provided that TrueCar would maintain a
2 call center at its Austin, Texas offices to respond to questions from USAA members
3 about the car buying site. The Services Agreement granted USAA full control over
4 how the Austin call center would be operated. For example, it stated that TrueCar
5 would (i) utilize specific call scripts, subject to approval and changes by USAA, to
6 use for calls with USAA members; (ii) submit a written “Calling Plan” to be
7 approved by USAA detailing the allowed days and timeframes for calling USAA
8 members; (iii) answer 80% of USAA members’ calls within 30 seconds with a live
9 voice; (iv) provide monthly “scorecards” to USAA showing, among other things,
10 how fast calls were answered; (v) track, log, and escalate all USAA member
11 complaints to USAA on a monthly basis; and (vi) maintain a quality monitoring
12 program for calls with USAA members. Additionally, TrueCar was required to
13 provide USAA physical access to TrueCar’s call center facilities “on both a
14 scheduled and non-scheduled basis to monitor performance.” TrueCar was also
15 required to allow USAA to “audit training sessions” for TrueCar employees and
16 allow USAA to provide “culture training” to TrueCar employees who interacted
17 with USAA members.

18 37. In light of USAA’s “broad discretion” over the car buying site,
19 including how it was managed and promoted to USAA members, and USAA’s
20 critical contribution to TrueCar’s annual units and revenues, TrueCar’s SEC filings
21 prior to the Class Period stated that “[c]hanges in [USAA’s] promotion and
22 marketing [of the car-buying site] have in the past and may in the future adversely
23 affect the volume of user traffic we receive from USAA,” which “could adversely
24 affect our business and operating results in the future.” Those filings also stated that,
25 if USAA were to use its broad discretion to change the car buying website in a way
26 that “de-emphasized” TrueCar’s car buying platform in any way, TrueCar’s business
27 and revenues would be significantly harmed. Indeed, the filings stated that such
28

1 harm had occurred in the past as a result of even minor changes USAA had made to
 2 the car buying website, namely a prior adjustment to “the location and prominence
 3 of the links to [TrueCar’s] platform on [USAA’s] web pages”:

4 [C]hanges in how USAA promotes and markets the car-buying site we
 5 maintain for them can and has, from time to time in the past, affected
 6 the volume of purchases generated by USAA members. For example, in the past USAA adjusted the location and prominence of the links to our platform on its web pages, adversely affecting the volume of traffic to our platform. Should USAA or one or more of our other affinity
 7 group marketing partners decide to de-emphasize the marketing of our
 8 platform, or if their marketing efforts are otherwise unsuccessful, our revenue, business and financial results will be harmed.

9 38. Significantly, although TrueCar had numerous affinity partners, USAA
 10 was the only affinity partner for which TrueCar made these specific warnings in its
 11 SEC filings, which were included in a “Risk Factor” heading devoted solely to
 12 USAA. Such statements underscored USAA’s material influence on the Company’s
 13 success, as well as the substantial financial harm TrueCar would incur as a result of
 14 any adverse change USAA may make to TrueCar’s co-branded car buying website.

15 **C. In Early 2017, TrueCar’s Key Risk Pertaining to USAA**
 16 **Materialized: USAA Implemented Significant Changes to the Co-**
Branded Car Buying Website

17 39. In or around January 2017, approximately one month before the start of
 18 the Class Period on February 16, 2017, the risks pertaining to USAA that TrueCar
 19 set forth in its SEC filings—namely, that USAA may use its “broad discretion” to
 20 change the co-branded car-buying website—materialized. Specifically, numerous
 21 former TrueCar employees confirmed that, by January 2017, USAA had informed
 22 TrueCar that it had significantly redesigned the co-branded car-buying site, and that
 23 the changes—which would require USAA members to answer a multitude of
 24 additional questions about their personal finances before being able to access the
 25 TrueCar car buying site—would be implemented by June 2017. This news prompted
 26 TrueCar to direct management in each of its departments Company-wide to conduct
 27 internal meetings with their staff to inform them of the USAA website redesign, and
 28

1 to prepare them for what Defendants knew the negative impact of such dramatic
2 changes to the car-buying website would be: as acknowledged in the Company’s
3 own SEC filings, TrueCar’s revenue, business and financial results would be
4 materially and inevitably harmed.

5 40. For example, CW 1, a former Consumer Support Specialist at TrueCar
6 from March 2015 through March 2017 who was responsible for helping customers
7 purchase cars through TrueCar’s car buying site with USAA, described how, in late
8 January 2017, she and numerous staffers from TrueCar’s Consumer Support
9 department were specifically informed by TrueCar’s Consumer Support
10 management during an internal meeting that USAA had decided to significantly
11 redesign the co-branded car buying site, and that such redesign would cause a
12 dramatic negative impact on the Company’s business.

13 41. The meeting occurred at the Company’s Austin, Texas office, where
14 CW 1 was based, and which primarily handled customer service and sales for
15 TrueCar’s affinity clients, including USAA. Indeed, according to USAA’s Services
16 Agreement with TrueCar, the call center at the Company’s Austin office was
17 devoted to responding to calls from TrueCar customers who were USAA members.
18 Additionally, and as set forth above, Brian Skutta, the Executive Vice President of
19 Dealer Sales and Services at TrueCar, and Bernie Brenner, co-founder of TrueCar
20 and Executive Vice President of Business Development and Strategy—including the
21 management of TrueCar’s affinity partnerships—were based in the Company’s
22 Austin, Texas office.

23 42. According to CW 1, the meeting was led by Adrienn Colbert and
24 Michelle Brazil, Consumer Support “Team Leads” at TrueCar who were responsible
25 for guiding and monitoring the Consumer Support staffers in their dealings with
26 USAA members. Brandie Aldrich, former Senior Manager of Consumer Support at
27 TrueCar and to whom Colbert and Brazil reported, also attended the meeting.
28

1 Aldrich reported to Wendy Tanner, former Vice President of Dealer and Consumer
2 Support, who reported to Paul Edmonds, Senior Vice President of Dealer Marketing
3 and Operations, who reported to Defendant Perry. CW 1 recalled that other
4 attendees included, among others, Consumer Support staffers Janey James, Edgar
5 Sanchez, Patrice Love, Raymond Gonzales, and CW 4.

6 43. At the meeting, Colbert and Brazil informed Consumer Support staffers
7 that USAA had decided to significantly redesign the car buying website with
8 TrueCar by requiring USAA members to answer a series of additional questions
9 pertaining to their personal budgets and finances before they could access the car
10 buying site. CW 1 recalled that the particular changes USAA had decided to
11 implement were shown via a “slide” or “presentation” providing specific “examples”
12 of the questions that USAA would add, and that handouts were also provided. “They
13 (Colbert and Brazil) showed a mock of what the types of questions would look
14 like.” Colbert and Brazil explained that TrueCar “was informed by USAA of the
15 change,” which USAA hoped would “match them [USAA members] better for what
16 the member makes [earns]” and “push USAA members to use [USAA’s] credit
17 union for financing.”

18 44. Significantly, CW 1 recalled that a main focus of the January 2017
19 meeting was to prepare Consumer Support staffers for the known negative impact
20 USAA’s significant changes to the car buying site would have on TrueCar’s
21 customers and business. In particular, CW 1 stated that it was understood by CW 1
22 and stated by others at the meeting, including senior managers, that the USAA
23 website changes would not be well-received by USAA members and would have an
24 adverse effect on TrueCar’s bottom line. CW 1 stated that this was because the
25 additional steps USAA was adding, and the nature of the questions, were going to
26 deter USAA members from wanting to continue to use the car buying site. CW 1
27 recalled that Colbert and Brazil stated at the meeting that USAA members would
28

1 resist the additional questions, which would require USAA members to disclose
2 “sensitive and personal” financial information, causing web traffic to “run slower.”
3 CW 1 stated that Colbert and Brazil commented: “People [USAA members] are
4 going to be upset [about the changes]. Don’t be surprised when you start receiving
5 more calls [from USAA members].” In fact, CW 1 stated that Consumer Support
6 staffers were provided with specific templates (called “Call Flow Sheets”) that were
7 designed to address sample complaints that were expected to be raised by USAA
8 members in response to the changes. The staffers were told to submit these reports
9 online via the “Call Flow Sheets” to Colbert and Brazil, who would in turn forward
10 them to the Company’s Escalation Department, headed by Chad Cravens, at
11 TrueCar’s headquarters in Santa Monica. Colbert and Brazil stated that TrueCar
12 was “going to go through some rough times, but USAA is our biggest customer and
13 we have to obey,” as TrueCar could not “afford to lose the account.”

14 45. Significantly, CW 1 stated that this was not the only internal meeting
15 held at TrueCar about USAA’s significant redesign of the car buying website.
16 Rather, there were “numerous” internal meetings taking place in or around January
17 2017 in which management from each department informed their staffers of the
18 significant changes USAA was making to its car buying website with TrueCar.

19 46. CW 4, another former TrueCar Consumer Support Specialist in the
20 Company’s Austin, Texas offices from December 2015 through mid-November
21 2017, provided an independent account corroborating the timing and substance of
22 the internal meeting attended by CW 1. CW 4 stated that, in early 2017, Colbert and
23 Brazil, who were Consumer Support Team Leads, informed her and other Consumer
24 Support staffers at an internal meeting at the Company’s Austin, Texas office that
25 USAA had decided to implement significant changes to its website later that year,
26 and that those changes would consist of additional questions to USAA members
27 about their personal budgets. CW 4 likewise stated that it was generally understood
28

1 at this meeting that these changes would not be well-received by USAA members
2 and would have an adverse effect on TrueCar’s bottom line.

3 47. Significantly, CW 4 explained that because USAA is a vital customer
4 for TrueCar and “dictates our company,” USAA controlled TrueCar customer
5 support procedures for USAA members. CW 4 stated that, as a result, at the meeting
6 led by Colbert and Brazil—and as also described by CW 1—Consumer Support
7 staffers were provided with a “template,” or “Call Flow Sheet,” that they were
8 instructed to follow for expected USAA member complaints in response to the
9 USAA website redesign. Colbert instructed Consumer Support staffers to “make
10 sure you are careful (when dealing with upset USAA members)” and “stick to the
11 script” that was provided.

12 48. CW 5, another former Consumer Specialist for TrueCar in the
13 Company’s Austin, Texas offices from November 2015 through November 2017,
14 also independently corroborated the internal meetings described by CW 1 and CW
15 4. CW 5 stated that, around early February 2017, Sigourney Samaripa, the
16 Consumer Support Team Lead for CW 5’s team and who was also a USAA member,
17 informed CW 5 of USAA’s significant redesign of the car buying website, and also
18 informed her of the precise changes that USAA was making—namely, requiring
19 USAA members to answer a series of additional questions pertaining to USAA
20 members’ monthly expenses and details about car ownership. Through
21 conversations with Samaripa and Colbert, CW 5 learned of the meeting that had
22 taken place earlier that year in which Colbert and Brazil issued warnings to
23 Consumer Support staffers on the expected negative response from USAA members
24 in connection with USAA’s changes to the car buying website. CW 5 also believed
25 that an email had been circulated to Consumer Support staffers by the Team Leads
26 informing them of the same. CW 5 stated that “it was clear from the beginning” that
27
28

1 the USAA’s website changes were “intrusive” to USAA members and “would not
2 be good” for TrueCar.

3 49. Former employees also confirmed that, on the technological side,
4 TrueCar would have been informed of any changes to the car buying website it
5 maintained for USAA months before those changes were “made live.” CW 2, a
6 former Senior Partner Development Manager at TrueCar’s offices in Santa Monica
7 from February 2016 through August 2016 who managed over 180 affinity partner
8 relationships at TrueCar, stated that—based on her attendance at bi-weekly and
9 monthly Partner Development team meetings at TrueCar’s Santa Monica offices led
10 by Pributsky, who managed the affinity relationship with USAA—TrueCar’s
11 creative team worked closely with USAA on the car buying site, and would have
12 been involved in any process to change the site since it was “owned and operated by
13 TrueCar.” CW 2 further stated that the significant changes to the website that USAA
14 implemented here—*i.e.*, adding several additional pages to the car buying process
15 consisting of questions requiring data input from users—would have taken at least
16 “months to add,” and would have required countless meetings and “lots of testing
17 before it was made live” so both parties could give input.

18 50. Indeed, CW 6, a former Software Engineer for TrueCar’s mobile apps
19 who worked in the Company’s Austin, Texas offices from November 2015 through
20 March 2018, stated that Marco Santini, his supervisor and current Senior Director of
21 Development at TrueCar, attended “numerous meetings” with individuals from
22 USAA throughout early to mid-2017. Santini reported to Chris Denend, Senior Vice
23 President of Software Engineering who was based in the TrueCar’s Santa Monica
24 offices, who reported to Tommy McClung, current Chief Technology Officer, who
25 reported to Defendant Perry.

26 51. In addition to the above, Defendants Perry, Guthrie and Pierantoni
27 knew USAA had decided to significantly change the co-branded car buying website
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1 because, as members of TrueCar’s Disclosure Committee, they were required to
2 inform themselves of any such material change. The Company’s Disclosure
3 Committee met “prior to the filing of each quarterly and annual report” in order to
4 ensure the accuracy of TrueCar’s public filings. Significantly, according to the
5 Company’s Disclosure Committee charter, this required the Officer Defendants to
6 conduct “periodic inquiries” with Company personnel to determine whether they
7 possessed any information requiring disclosure. Such inquiries would have
8 necessarily involved conversations with Company personnel who managed
9 TrueCar’s affinity partnership with USAA, which, as set forth above, was critical to
10 TrueCar’s success and accounted for nearly one-third of the Company’s revenues.
11 Thus, prior to each of the Company’s public filings after January 2017, Defendants
12 Perry, Guthrie and Pierantoni were required to inform themselves of USAA’s
13 significant redesign of the car buying website, and to actively discuss the material
14 impact it would have on TrueCar’s business during each of their Disclosure
15 Committee meetings held throughout the Class Period.

16 52. Despite these facts, Defendants never told investors about USAA’s
17 “significant website redesign” during the Class Period, and did not change the risk
18 language in the Company’s subsequent SEC filings to inform investors that this
19 previously potential and highly significant risk had come to fruition. Instead,
20 Defendants gave investors the exact opposite impression: that no such risk had
21 transpired, and that the Company’s affinity partnership with USAA was poised to
22 generate record and accelerating unit and revenue growth for TrueCar in 2017 in
23 excess of 20%, even as Defendants knew that such growth would not and could not
24 occur. Tellingly, at the same time Defendants inflated TrueCar’s stock price with
25 their misrepresentations, Defendants Guthrie and Pierantoni sold material amounts
26 of their TrueCar stock, obtaining tens of millions of dollars in proceeds from illegal
27
28

1 insider sales as TrueCar’s share price peaked in the months before the truth came
2 out.

3 **D. Throughout the Class Period, Defendants Concealed USAA’s**
4 **Website Changes While They Represented TrueCar’s Affinity**
5 **Partnership with USAA as a Key Driver of Unit Growth in 2017**

6 53. At the same time Defendants were arranging internal meetings to
7 inform TrueCar staffers about USAA’s significant redesign of the car buying site
8 and the dramatic impact it would have on the Company’s units and revenues once it
9 was implemented in June 2017, Defendants were telling investors the exact opposite:
10 that the Company would achieve record unit and revenue growth in 2017 because
11 the USAA channel would “absolutely . . . grow and grow nicely.”

12 54. For example, on the February 16, 2017 Q4 earnings call, Defendants
13 touted USAA’s “record” double-digit unit growth. Specifically, Defendant Guthrie
14 stated, in response to an analyst question asking what the “bigger drivers of growth
15 [are] here,” and specifically whether TrueCar’s affinity partnership with USAA
16 would continue to generate growth in 2017:

17 [W]e want to keep growth going in all of our channels, TrueCar, USAA,
18 and the branded channel, and we see a lot of opportunities to continue
19 growing there . . . [E]very channel grew well this quarter, this past
20 quarter. I think we’re optimistic about all of them going into 2017 . . .
21 You look at the USAA channel, we had great growth in the fourth
22 quarter. We had a record in the month of December. As I said in the
23 call, we’re 11 years into the partnership and still think there is just quite
24 a bit that we can do together with our partners at USAA . . . And so,
25 even though that’s a very large channel, we still look at the penetration
26 rates there and we know that they’re reasonably low . . . So there’s much
27 more work to do there.

28 55. Similarly, at the February 28, 2017 JMP Securities Technology
29 Conference two weeks later, Perry represented that USAA would “absolutely” grow
30 and be a key source of unit growth for TrueCar in 2017:

31 So, one of the characteristics of our business is we have a branded
32 business, which is a little over 40% of our unit volume . . . But we also
33 have a partner affinity business, with USAA being our largest partner .
34 . . . That affinity channel in the last fiscal year really started to grow
35 pretty substantially . . . And as we look at where the unit growth comes

1 from next year, we absolutely expect all of our channels to grow and
2 grow nicely, TrueCar-branded, USAA.

3 56. Analysts reacted positively to this news. For example, a Morgan
4 Stanley report entitled: “TRUEly a Good Quarter” stated that “USAA grew 16%
5 y/y, the fastest since 2015. We view these channels as key drivers to profitable
6 growth as they . . . play an outsized role in driving future earnings growth.” Craig-
7 Hallum Capital Group LLC issued a report entitled: “TRUE Continues to Exceed
8 Expectations,” raising its target price for TrueCar from \$14 to \$20 per share, and
9 commenting that: “New CEO Chip Perry has overseen a number of changes that
10 appear to have radically changed [TrueCar’s] direction, including . . . refocusing on
11 the highly profitable affinity channel.” RBC Capital Markets issued a report
12 commenting that the Company’s overall unit growth of 19% was its “fastest growth
13 in five quarters,” and that its “unique visitor” growth, which measured TrueCar’s
14 overall web traffic, was expected to be driven by the Company’s “key relationship
15 with USAA.”

16 **E. In the Midst of Their Misrepresentations, Defendants Engage in**
17 **Substantial Insider Sales—While Continuing to Tout TrueCar’s**
Accelerating Unit Growth

18 57. In the midst of these misrepresentations, TrueCar closed a substantial
19 secondary public offering, selling over a million shares of stock to unsuspecting
20 investors at artificially inflated prices. Moreover, both Defendants Guthrie and
21 Pierantoni engaged in substantial insider sales, realizing tens of millions of dollars
22 in proceeds as TrueCar’s stock price climbed toward its Class Period peak.

23 58. First, on April 26, 2017, TrueCar conducted a secondary offering (the
24 “Offering”) of 10.35 million shares of its common stock at a price of \$16.50 per
25 share. In the Offering TrueCar sold 1,150,000 shares, realizing approximately \$19
26 million in proceeds, or just over 10% of the total proceeds from the Offering. The
27 other selling stockholders—which included USAA and several entities directly
28

1 affiliated with TrueCar’s Directors—reaped the remaining 90%, amounting to
2 \$151.8 million in proceeds.

3 59. Specifically, USAA sold 3,123,343 of its 12,175,335 TrueCar shares,
4 or 26% of its total TrueCar holdings at the Offering price of \$16.50 per share,
5 receiving \$51.7 million in proceeds—34% of the total proceeds from the Offering.
6 Entities affiliated with TrueCar Directors Steven Dietz, Ion Yadigaroglu and
7 Abhishek Agrawal also sold substantial amounts of TrueCar stock in the Offering,
8 collectively selling approximately 5.6 million TrueCar shares and collecting more
9 than \$90 million in proceeds, or over 50% of total proceeds from the Offering. While
10 Defendant Perry, Guthrie and Pierantoni did not sell in the Offering, this was only
11 because they were subject to a 90-day Lock-Up Period that prevented them from
12 selling any shares until July 25, 2017.

13 60. On the May 9, 2017 Q1 first quarter earnings call, Defendant Guthrie
14 lauded the results of the “successful public offering,” and celebrated the Company’s
15 accelerating unit growth after its “return[] to double-digit growth rates on units and
16 revenue in Q4 of last year.” Specifically, Guthrie represented that TrueCar was
17 “now generating 20% plus growth on the top-line,” with overall revenue growing
18 22% and units growing a record 24% compared to the first quarter the prior year.

19 61. Defendants also raised TrueCar’s unit and revenue guidance, while
20 continuing to highlight USAA as a “great grower” for the Company. As Defendant
21 Perry stated:

22 So we would, certainly, be remiss if we didn’t call out the partner
23 organization of TrueCar over the last few quarters, they had a great first
24 quarter. The unit numbers coming out of our partner channel both
25 USAA, which had really healthy growth of 16% in the first quarter, we
did 16% in the fourth quarter on a year-over-year basis at USAA, in a
year where the growth rate was only 8%. So that’s been a great grower
for us.

26 62. Analysts reacted positively to these statements. Stephens issued a
27 Research Brief raising TrueCar’s price target from \$17 per share to \$22 per share,
28

1 stating: “TRUE posted solid 1Q17 results that were in-line with the update they
2 gave around a recent follow-on offering and upped guidance for 2017. All three
3 channels (TrueCar, USAA, and other affinity partners) and essentially all of TRUE’s
4 operating metrics were solid in the period, and we believe strong results in the
5 seasonally strong 2Q/3Q periods and credible plans to expand TRUE’s business
6 model will continue to move the stock higher.” RBC Capital Markets issued a report
7 stating “[r]esults were strong and TRUE raised its FY17 guide more than the Q1
8 beat,” stating “importantly units continue to accelerate” at a “record Q1 level” in
9 excess of 20%. Craig Hallum issued a report raising the target price for TrueCar
10 from \$20 per share to \$23 per share, and stating that Q1 marked a “return to 20+%
11 y/y revenue growth.”

12 63. In or around June 2017, as USAA had directed months earlier, TrueCar
13 implemented USAA’s significant redesign of its co-branded car-buying website with
14 TrueCar. Specifically, as described above, USAA added several additional steps
15 that USAA members would have to complete before being able to access the
16 TrueCar platform, including a series of questions requesting sensitive personal and
17 financial information from members about their credit and monthly budgets.

18 64. As former TrueCar employees confirmed, the fallout Defendants had
19 known would occur once USAA’s “significant website redesign” was implemented
20 was almost immediate. CW 4, a former TrueCar Consumer Support specialist from
21 December 2015 through mid-November 2017, stated that, by June 2017, she
22 witnessed a spike in USAA complaints specifically relating to the additional
23 questions pertaining to members’ personal budgets. These complaints were
24 documented internally and routed to the Company’s Escalation Department at
25 TrueCar’s headquarters in Santa Monica via the online “Call Flow Sheets.”

26 65. CW 5, another former TrueCar Consumer Support specialist from
27 November 2015 through November 2017, similarly stated that in “early spring” she
28

1 received a call from a “high ranking” USAA member complaining about “why are
2 they (USAA) now asking all these questions about personal finances,” which made
3 the member feel “uncomfortable.” CW 5 notified Consumer Support Team Lead
4 Colbert of this complaint via an online “Call Flow Sheet,” which CW 5 said Colbert
5 was then responsible for forwarding to the Company’s Escalation Department at
6 TrueCar’s headquarters in Santa Monica.

7 66. CW 6, a former TrueCar Software Engineer from November 2015
8 through March 2018, stated that in early summer 2017, his superior—Marco Santini,
9 the Director of Development at TrueCar—told CW 6’s team, which was responsible
10 for development of TrueCar’s mobile apps, that “pipeline numbers (for the USAA
11 account) are down.” Following this meeting, and leading up to the November 6,
12 2017 earnings call, CW 6 and other team members received periodic updates from
13 Santini about the USAA account’s continued poor performance, which were
14 provided both verbally and through the Company’s internal communications system
15 (Slack).

16 67. CW 7, a former Support Analyst for TrueCar from January 2016
17 through February 2018, also stated that, within a few weeks of the rollout of the
18 USAA website changes, she witnessed “significantly less traffic” through TrueCar’s
19 website due to USAA members opting not to purchase vehicles through
20 USAA/TrueCar.

21 68. Finally, CW 8, a former Consumer Support Specialist for TrueCar in
22 the Company’s Austin, Texas offices from October 2016 through December 2017,
23 stated that, following implementation of USAA’s changes to the car buying
24 website—which she stated occurred in “early 2017”—she witnessed a sudden
25 increase in complaints coupled with a reduction in USAA user traffic. Significantly,
26 CW 8 further stated that she attended a “fireside” Company-wide meeting in August

1 2017, which Defendant Perry attended, discussing the downward trend in user traffic
2 to the USAA car buying website.

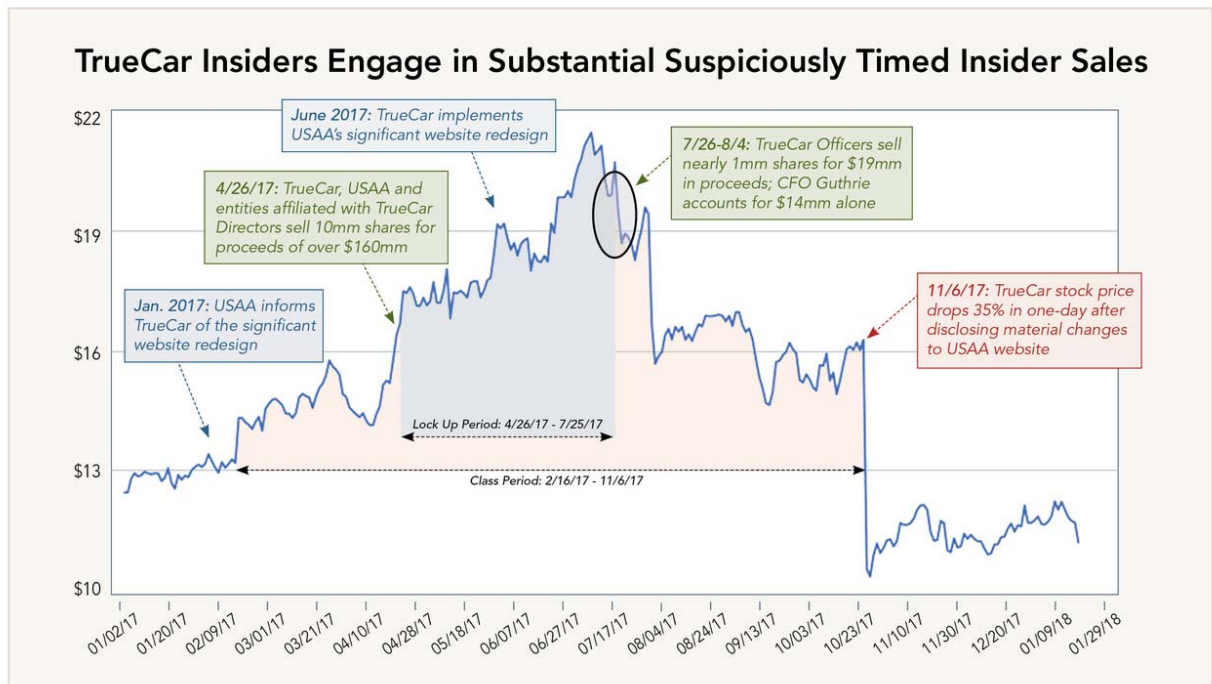
3 69. Former employees also stated that TrueCar staffers and senior
4 management had “real time” access to declines in web traffic and sales from USAA
5 members via internal Company databases. Specifically, CW 9, a former Director of
6 Trade Operations from February 2017 through March 2018 at TrueCar’s office in
7 Austin, Texas, stated that TrueCar leadership—including CW 9—had real time
8 access to monitor website traffic, leads and sales on affinity partner sites, including
9 the USAA account, via the internal database known as “Dashboard.” CW 4 also
10 stated that TrueCar staffers had real time access to this information through
11 “Dashboard.” CW 3, a Technical Product Manager for TrueCar from November
12 2015 through June 2017, similarly stated that “Dashboard” allowed TrueCar staffers
13 to monitor in real time the amount of “clicks” and purchases made through the
14 TrueCar car buying website as well as affinity partner sites. Additionally, CW 5
15 stated that “Turbo System” was another internal database utilized internally at
16 TrueCar that likewise provided “real time” verifications of vehicle purchases by
17 USAA members from TrueCar Certified Dealers.

18 70. Indeed, Defendant Guthrie himself had stated, at a May 25, 2017
19 analyst conference, that TrueCar Certified Dealers gave the Company direct access
20 to their “dealer management software,” which showed all car sales at the dealership
21 in real time, including for the Company’s affinity partner sites: “What that allows
22 us to do is see every transaction that flows through the dealership. We know every
23 transaction that comes through either our branded business or through our affinity
24 business.”

25 71. On July 17, 2017—at which point the dramatic fallout from the
26 significant USAA website changes was well underway, while investors remained
27 ignorant—TrueCar’s stock peaked at its Class Period high of \$21.75 per share, or
28

1 64% higher than its price at the beginning of the Class Period (when the stock closed
 2 at \$13.24 per share).

3 72. Roughly one week later, on July 25, 2017, the 90-day Lock-Up Period
 4 which Defendants Guthrie and Pierantoni were subject to as part of the April 26,
 5 2017 Offering expired. Tellingly, the day after its expiration, Defendants Guthrie
 6 and Pierantoni began selling substantial amounts of their TrueCar stock—which was
 7 still trading near its Class Period high (between \$19-\$21 per share)—along with
 8 Company officers Neeraj Gunsagar (CMO) and Jeffrey Swart (General Counsel).
 9 Collectively, within the week after the Lock-Up Period expired, these Company
 10 officers sold nearly 1 million TrueCar shares and collected approximately \$19
 11 million in gross proceeds.



24 73. Significantly, Defendant Guthrie, the Company’s CFO who was in
 25 charge of monitoring TrueCar’s unit sales and revenues, was the largest insider
 26 seller. Indeed, Guthrie sold 737,916 of his TrueCar shares—over half of his total
 27

1 holdings (54%)— within days of the Lock-Up Period expiring, realizing nearly \$14
 2 million in gross proceeds alone.

**TrueCar Officers Obtain \$19 Million in Insider Sales
Immediately After Lock-Up Expires**

Insider	Date of Sale	Shares	Gross Proceeds
Guthrie (CFO)	7/26/17-8/4/17	737,916	\$13,962,608
Pierantoni (CAO)	7/26/17	55,895	\$1,107,501
Gunsagar (CMO)	7/26/17	158,160	\$3,051,785
Swart (GC)	7/26/17	34,863	\$690,860
Total:		986,834	\$18,812,754

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10 **F. After Dumping Their Stock, Defendants Continue to Mislead the**
 11 **Market About TrueCar’s Affinity Relationship With USAA**

12 74. Even after Defendants Guthrie and Pierantoni profited handsomely
 13 from these insider sales, when the Company released its second quarter results on
 14 August 8, 2017 and filed its Form 10-Q on August 9, 2017, Defendants did not reveal
 15 the truth to investors.

16 75. To the contrary—and notwithstanding the fact that, as Defendants
 17 would later admit, USAA had already implemented what the Company called a
 18 “significant website redesign”— the 10-Q continued to deceptively warn of the
 19 “risk” that if USAA were to change the co-branded car buying site at some point “in
 20 the future,” the Company’s business would be significantly harmed.

21 76. Remarkably, even though Defendants would soon admit that USAA’s
 22 significant redesign of the car buying website had been implemented weeks prior—
 23 and that Defendants had “really started to see [the USAA shortfall]” as a result of
 24 the changes before August 8, 2017— Defendant Guthrie claimed on the Company’s
 25 earnings call that day that TrueCar was currently seeing “continued strong growth
 26 in units” in the third quarter that was “really fantastic.” Guthrie stated that the
 27 Company had embedded this “really fantastic” unit growth in its annual 2017
 28 guidance, which it raised for the second time. Defendants also issued strong

1 guidance for Q3 2017, with Defendant Guthrie representing that the Company would
2 continue to achieve a growth rate in excess of 20% based on what he was “seeing”:
3 “[W]e are already seeing signs of high unit growth rates as our July results come in.
4 As a result, we expect Q3 units to be in the range of . . . 20% to 22% year-over-year
5 growth.”

6 77. Analysts reacted positively to the Company’s second quarter results.
7 RBC Capital Markets issued a report increasing its target price for the Company
8 from \$22 per share to \$23 per share, noting that TrueCar’s “[f]undamental growth
9 story remains intact” and that the “[k]ey here was that the FY17 guidance raises were
10 slightly bigger than the Q2-beat—i.e., these were clean raises.” JP Morgan issued a
11 report stating that the Company’s strong Q3 guidance of unit and revenue growth in
12 excess of 20% “represents solid and consistent momentum in our view.” Craig
13 Hallum issued a report maintaining its raised target price of \$23 per share, stating:
14 “we came away with the same takeaway as previous quarters: TRUE is on its way
15 to becoming a much bigger company and player in the digital automotive market,”
16 and noting that key metrics “all trended well,” including unit growth of 26% and 18
17 consecutive quarters of used car unit growth “in excess of 20%.” Stephens issued a
18 report stating “[w]e believe that [] impressive unit growth over the last six quarters
19 is a strong indicator of TRUE’s healthy core business . . . [that] will allow the
20 Company to post impressive top line growth,” and “we see no real LT impact to
21 TRUE’s growth potential.”

22 78. However, as Defendants would soon admit, rather than witnessing
23 “continued strong” and “really fantastic” unit growth in the third quarter, in reality,
24 the units generated by USAA—which typically accounted for nearly a third of the
25 Company’s annual units and revenues—were rapidly and significantly declining.
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1 **VI. THE TRUTH COMES OUT**

2 79. As late as September 7, 2017—only three weeks before the end of the
3 third quarter—Defendants continued to represent that the Company’s unit growth
4 was “in the mid-20% range,” stating “units are growing nicely.” However, when
5 TrueCar released its third quarter results on November 6, 2017, Defendants were
6 forced to reveal that USAA’s significant changes to the car buying website had
7 profoundly and negatively impacted TrueCar’s business, units and revenues. During
8 the third quarter earnings call, and to the surprise of investors, Defendants
9 announced that, rather than achieving unit growth in the “mid-20% range” in the
10 third quarter as Defendants had represented, USAA units had declined by 5% in the
11 third quarter, after what Defendant Perry described as a “normal sort of growth trend
12 with USAA that we’ve had for many, many years, double-digit growth,
13 consistently.” Defendants further announced that, despite having raised TrueCar’s
14 annual guidance just three months prior, they were now forced to lower that guidance
15 because they would no longer be able to meet it.

16 80. Defendants also were forced to disclose that, despite 18 consecutive
17 quarters of growth in excess of 30% in the Company’s used car business, in the third
18 quarter, used car units grew only 16%. Defendant Guthrie stated that “[t]he year-
19 over-year contraction in units at USAA contributed to the deceleration in used car
20 growth versus last quarter as our USAA channel has the highest ratio of used car
21 sales.” Defendants additionally stated that TrueCar’s “unique visitors,” which
22 measured its overall web traffic, had fallen to a growth rate of only 1%—as one
23 analyst commented, this was the Company’s slowest growth rate in that metric since
24 2013.

25 81. Defendant Perry admitted for the first time that these significant
26 financial misses were a direct result of the fact that USAA had “significant[[ly] []
27 redesigned” the co-branded car-buying website:
28

1 While I'm generally pleased with our execution in the third quarter, we
2 did have our challenges. Recently, USAA launched a significant
3 website redesign . . . [T]he new USAA Car Buying experience has
4 introduced several new steps in the process and new content related to
5 total cost of [car] ownership before the member is linked to the Car
6 Buying Service powered by TrueCar . . . For Q3 . . . we saw a decline
7 in traffic, prospects and units [for] USAA.

8 82. Perry further explained why these “new steps” caused such a sharp
9 decline in USAA user traffic, stating: “[A] feel for affordability was put in front of
10 members, and that caused them to pause, perhaps not continue, perhaps come back
11 at a later date.” Defendant Guthrie similarly stated:

12 If you just look at the numbers and it's really clear, I think we really
13 had [] a traffic issue as Chip [Perry] was saying. Whether very well
14 financially qualified or not, all of the [USAA] members went through
15 an experience that made it much more difficult to get through the car
16 buying service. And so if you look at traffic versus prospects versus
17 units, a very, very large decline in traffic, much smaller in terms of the
18 declines in prospects and only 5% down on units.

19 83. Tellingly, Perry did not deny that TrueCar, who was responsible for
20 maintaining the car buying site for USAA and worked with USAA on issues
21 regarding that site on a day-to-day basis, knew about the USAA website changes
22 well in advance of their implementation. In fact, he admitted just the opposite:

23 So the changes in the [USAA] user experience involved inserting some
24 steps, questions and also content related to vehicle affordability and cost
25 of ownership. So we saw these coming. It wasn't like we were blind
26 to them.

27 84. While in the next breath Perry claimed that TrueCar and USAA realized
28 the “downward effect on our numbers” only “after we saw [the website changes]
launched,” this was clearly not true. As TrueCar’s own Form 2016 10-K and 2017
Form 10-Qs explicitly acknowledged, if USAA were to change its website in any
way—even in a fairly minor way, such as changing the location of the links to the
TrueCar car buying service—“our revenue, business and financial results will be
harmd.” Defendants and TrueCar therefore knew without question that, in the event
of a “significant website redesign,” the impact on the Company’s financial results

1 would be profound, and inevitable. Indeed, as former TrueCar employees’ detailed
2 accounts confirmed, by January 2017, Defendants knew full well that the significant
3 changes USAA had decided to make to the car buying website would cause a
4 dramatic reduction in units and revenue, prompting the Company to require every
5 department to hold internal all-hands-on-deck meetings to prepare for the changes
6 and their fallout.

7 85. Moreover, when an analyst asked Defendants “when exactly within the
8 quarter did the USAA shortfall hit the numbers,” Defendant Guthrie, although
9 claiming the Company had a “pretty good” July, admitted that “[w]e really started
10 to see [the shortfall] in August”—the same month he had told investors during the
11 August 8, 2017 2Q earnings call that “[w]e’re seeing, as the third quarter starts,
12 continued strong growth in units.” Guthrie also admitted that TrueCar and USAA,
13 as part of their affinity relationship, worked closely together in determining what
14 would occur with regard to the co-branded website, making clear that TrueCar could
15 not have been ignorant to the website changes. Specifically, Guthrie stated: “We
16 don’t have any dealings without [USAA’s] consent,” and “[w]e work with them on
17 a daily basis and we’re well-connected.”

18 86. Upon revelation of the surprising news that USAA had implemented a
19 significant website redesign that profoundly reduced TrueCar’s unit and revenue
20 growth, the Company’s stock plummeted, falling over 35%, or \$5.76 per share, in a
21 single day, closing at \$10.58 per share on November 7, 2017 on heavy trading
22 volume.

23 87. Several analysts reacted negatively to TrueCar’s financial fallout
24 caused by USAA’s significant and unexpected website redesign. For example, RBC
25 Capital Markets issued a report stating “TRUE posted weak results and lowered FY
26 guidance following poor performance from their USAA partner,” stating that
27 USAA’s “significant website redesign,” which the report stated was launched in
28

1 June 2017, “adversely impact[ed] traffic, prospects ad unit sales through the
2 [TrueCar] platform, which were down 5% y/y.”

3 88. Similarly, Cowen issued a report stating: “TRUE’s 3Q17 results were
4 largely disappointing, as revenue and units missed our consensus estimate and
5 mgmt. . . .guidance given lower units from USAA, a key channel partner.” The
6 report commented that USAA “launched a new website experience in 3Q17 which
7 effectively created more friction points for the USAA member during the car buying
8 process, leading to traffic declines . . . This dynamic will persist into 4Q17.”
9 Additionally, Morgan Stanley issued a report stating “TRUE pointed to issues in
10 their USAA channel (units sold down 5% y/y v. 2Q of +17%) as USAA redesigned
11 their website . . . These additional steps in the process led to a decrease in UVs
12 [unique visitors], Prospects and Units sold.” The report also commented that unique
13 visitor growth had slowed to 1%, “the slowest quarterly growth since 2013 (as far
14 back as we have),” jeopardizing the Company’s long-term growth plan.

15 **VII. POST CLASS-PERIOD EVENTS CONFIRM DEFENDANTS’ FRAUD**

16 89. Post Class-Period events further confirmed Defendants’ fraud.
17 Specifically, in the months after the truth was revealed, Defendants made several
18 additional public admissions confirming the significance of the launch of USAA’s
19 website redesign in mid-2017, and that the changes USAA implemented severely
20 impacted TrueCar’s financial results—so much so that the Company’s decline in
21 unit growth persisted through the first and second quarters of 2018.

22 90. For example, at the November 8, 2017 RBC Capital Markets
23 Technology conference, Perry elaborated on why the USAA website changes caused
24 a sharp decline in TrueCar’s web traffic and units from USAA, stating they had
25 created considerable “friction” between USAA members and TrueCar:

26 A big chunk of the audience that makes [TrueCar] number one is a flow
27 of car buyers that come from USAA . . . and what they did in the third
28 quarter was put in place a new experience layer on their side related to
advising members about what kind of car they should buy and including

1 a lot of [information on] car affordability. So it put some friction that
2 didn't used to exist between us and them.

3 91. Not long after TrueCar revealed its difficulties with USAA, on
4 February 1, 2018, TrueCar announced that on January 28, 2018, Defendant
5 Guthrie—who had made nearly \$14 million off insider sales during the Class
6 Period—notified the Company that he was resigning as CFO due to “personal
7 reasons.”

8 92. On February 15, 2018, the Company announced its fourth quarter and
9 full year results for 2017. Significantly, USAA produced only 58,975 units, down
10 14% from the prior year. In other words, the decline in TrueCar's units attributable
11 to USAA, which prior to the third quarter of 2017 had exhibited double-digit growth
12 for “many years,” was now exhibiting double-digit deceleration.

13 93. The sharp decline in unit growth persisted through the first and second
14 quarters of 2018—despite USAA's purported efforts to make further changes to the
15 co-branded website in an effort to decrease the “friction” the original changes had
16 caused. For example, in the first quarter of 2018, TrueCar reported that USAA units
17 were still down 5% from the prior year—*i.e.*, the same percentage decline that had
18 occurred in the third quarter of 2017. Defendant Pierantoni, who assumed the role
19 of CFO after Guthrie's departure, stated at the May 15, 2018 JP Morgan Global
20 Technology conference that this continuing decline was directly attributable to the
21 changes USAA had made to the TrueCar car buying site in mid-2017:

22 With respect to the first quarter and why it's a little bit lighter than
23 where it was in the past for last year is in part driven by our USAA
24 partner. USAA is our biggest affinity partner. Last year, they changed
their experience with TrueCar and created some friction in their
marketplace which we've subsequently worked through with them.

25 94. Additionally, when the Company recently released its second quarter
26 results on August 9, 2018, Defendant Perry reported on the Company's earnings call
27 that USAA units were still “down 5% year-over-year,” again due to the USAA
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1 website changes in mid-2017. Moreover, overall unit growth was just 3%—a far cry
2 from the consistent double-digit unit growth “in the mid-20% range” Defendants had
3 touted during the Class Period.

4 95. These post Class Period events confirm that the USAA website changes
5 were highly material, causing a lasting and significant decline in TrueCar’s unit
6 growth and financial results.

7 **VIII. DEFENDANTS’ MATERIALLY FALSE AND MISLEADING**
8 **STATEMENTS AND OMISSIONS**

9 96. Defendants made materially false and misleading statements or omitted
10 to state material facts during the Class Period in violation of Sections 10(b) and 20(a)
11 of the Exchange Act, and Rule 10b-5 promulgated thereunder. Defendants knew
12 by the start of the Class Period that USAA, the Company’s largest source of revenue
13 and “cornerstone for TrueCar’s business” was making “significant” changes to their
14 co-branded car buying website that would have a material adverse effect on the
15 volume of purchases generated by USAA and prevent that growth from continuing.
16 Indeed, Defendants knew that changes to USAA’s website would negatively and
17 drastically impact TrueCar’s business and revenue as “in the past USAA adjusted
18 the location and prominence of the links to [TrueCar’s] platform on its web pages,
19 adversely affecting the volume of traffic to [the Company’s] platform.”

20 97. As a result of the foregoing, Defendants’ statements about TrueCar’s
21 business, operations, and prospects were false and misleading and/or lacked a
22 reasonable basis. These material misstatements had the cause and effect of creating
23 in the market an unrealistically positive assessment of TrueCar’s business.

24 **A. Fourth Quarter and Full Year 2016**

25 98. On February 16, 2017, the first day of the Class Period, Defendants
26 caused the Company to issue a press release announcing strong financial results for
27 the fourth quarter and full year 2016. In the Company’s media release, Defendant
28 Perry represented that the Company was “re-accelerating our top-line growth while

1 also improving our margins” and would “continue to drive double-digit rates of unit
2 and revenue growth for some time.” Defendant Guthrie added that Defendants had
3 “set the stage for strong growth and margin expansion over the next few years.”

4 99. Defendant Perry continued to stress TrueCar’s continuous growth on
5 the Company’s February 16, 2017 fourth quarter earnings call, stating: “At this
6 point, I can say that I am very confident that we now clearly understand and have
7 our hand placed securely on the practical levers that will enable us to continue to
8 drive double-digit rate of unit and revenue growth for some time.”

9 100. Furthermore, Defendant Guthrie, in addition to discussing how USAA
10 sales were at “an all-time high,” represented that TrueCar’s prosperous relationship
11 with USAA would only continue to grow. Specifically, Guthrie stated that “[a]s we
12 enter our 11th year as partners with USAA, there is still much to do,” adding that
13 “we see a lot of opportunities to continue growing there.”

14 101. Defendant Guthrie, in response to an analyst inquiry regarding the
15 Company’s “bigger drivers of growth”—and specifically whether TrueCar’s affinity
16 relationship would continue to generate growth in 2017—Defendant Guthrie
17 represented the following concerning TrueCar’s partnership with USAA:

18 . . . You look at the USAA channel, we had great growth in the fourth
19 quarter. We had a record in the month of December. And as I said in
20 the call, we’re 11 years into the partnership and still think there is just
21 quite a bit that we can do together with our partners at USAA, to
22 continue to make car buying better and better for their members. And
23 so, even though that’s a very large channel, we still look at the
24 penetration rates there and we know that they’re reasonably low, both
25 on new car and used car. So there’s much more work to do there.

26 102. At the JMP Securities Technology Conference on February 28, 2017,
27 Defendant Perry reiterated these points, stating: “we also have a partner affinity
28 business, with USAA being our largest partner . . . That affinity channel in the last
29 fiscal year really started to grow pretty substantially . . . And as we really look at

1 where the unit growth comes from next year, we absolutely expect all of our channels
2 to grow and grow nicely, TrueCar branded, USAA.”

3 103. The statements in paragraphs 98 through 102 above were materially
4 false and misleading and omitted to state material facts. Specifically, USAA was
5 not going to be one of the Company’s “bigger drivers of growth” with “opportunities
6 to continue growing there.” In reality, USAA had already decided to significantly
7 change its co-branded website with TrueCar with a “significant website redesign”
8 that would adversely affect the Company’s financial results. As former employees
9 confirm, by January 2017, TrueCar “was informed by USAA of the change” and “it
10 was clear from the beginning” that the changes “would not be good” for TrueCar.
11 Indeed, as Defendant Perry admitted: “we saw these [changes] coming. It wasn’t like
12 we were blind to them.” Moreover, Defendants knew that changes to USAA’s
13 website would negatively and drastically impact TrueCar’s business and revenue as
14 “in the past USAA adjusted the location and prominence of the links to [TrueCar’s]
15 platform on its web pages, adversely affecting the volume of traffic to [the
16 Company’s] platform.” In fact, these changes were far more significant than merely
17 changing the location of links to the TrueCar platform. Thus, Defendants had no
18 reasonable basis to attribute future unit growth to USAA and knew of undisclosed
19 facts that seriously undermined the validity of the statements made.

20 104. On March 1, 2017, Defendants Perry, Guthrie, and Pierantoni caused
21 the Company to file its Form 10-K with the SEC for the year ended December 31,
22 2016 (“2016 Form 10-K”). The 2016 Form 10-K was signed by Defendants Perry,
23 Guthrie, and Pierantoni. The 2016 Form 10-K contained certifications signed by
24 Defendants Perry and Guthrie.

25 105. The 2016 Form 10-K described how “a significant reduction in the
26 number of cars purchased . . . by members of [TrueCar’s] affinity group marketing
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28

1 partners would reduce [the Company’s] revenue and harm [TrueCar’s] operating
2 results”:

3 [S]everal aspects of our relationship with affinity groups might change
4 in a manner that harms our business and financial performance,
5 including: [. . .] affinity group marketing partners might de-emphasize
6 the automobile buying programs within their offerings, resulting in a
7 decrease in the number of transactions between their members and our
8 TrueCar Certified Dealers. [. . .] If our relationships with affinity group
9 marketing partners change our business, revenue, operating results and
10 prospects may be harmed.

11 106. Further, in describing how “[a]ny adverse change in our relationship
12 with United Services Automobile Association, or USAA, could harm our business,”
13 the 2016 Form 10-K stated:

14 USAA has broad discretion in how the car-buying site we maintain for
15 USAA is promoted and marketed on its own website. Changes in this
16 promotion and marketing have in the past and may in the future
17 adversely affect the volume of user traffic we receive from USAA.
18 Changes in our relationship with USAA or its promotion and marketing
19 of our platform could adversely affect our business and operating
20 results in the future.

21 107. The 2016 Form 10-K also specifically represented that, if USAA were
22 to use its broad discretion to change the car buying website in a way that “de-
23 emphasized” TrueCar’s car buying platform in any way, TrueCar’s business and
24 revenues would be significantly harmed:

25 [C]hanges in how USAA promotes and markets the car-buying site we
26 maintain for them can and has, from time to time in the past, affected
27 the volume of purchases generated by USAA members. For example,
28 in the past USAA adjusted the location and prominence of the links to
our platform on its web pages, adversely affecting the volume of traffic
to our platform. Should USAA or one or more of our other affinity
group marketing partners decide to de-emphasize the marketing of our
platform, or if their marketing efforts are otherwise unsuccessful, our
revenue, business and financial results will be harmed.

108. The statements in paragraphs 104 through 107 above were materially
false and misleading and omitted to state material facts. Specifically, Defendants’
representations to investors of what would happen if USAA, “the Company’s single
largest source of unique visitors and unit sales from affinity group marketing

1 partners,” were to change its co-branded website “in the future” were materially false
2 and misleading. USAA had already decided to change the co-branded website with
3 a “significant website redesign” that Defendants knew, or disregarded with
4 deliberate recklessness, would “adversely affect [TrueCar’s] business and operating
5 results.” As former employees confirm, by January 2017, TrueCar “was informed
6 by USAA of the change” and “it was clear from the beginning” that the changes
7 “would not be good” for TrueCar. Indeed, as Defendant Perry later admitted: “we
8 saw these [changes] coming. It wasn’t like we were blind to them.” Moreover,
9 Defendants knew that changes to USAA’s website would negatively and drastically
10 impact TrueCar’s business and revenue as “in the past USAA adjusted the location
11 and prominence of the links to [TrueCar’s] platform on its web pages, adversely
12 affecting the volume of traffic to [the Company’s] platform.” In fact, these changes
13 were far more significant than merely changing the location of links to the TrueCar
14 platform. Thus, Defendants had no reasonable basis to represent that no changes in
15 the Company’s relationship with USAA had occurred because they knew of, or
16 disregarded with deliberate recklessness, undisclosed materially adverse facts that
17 seriously undermined the validity of Defendants’ representations.

18 **B. Statements Regarding the Company’s April 2017 Offering**

19 109. On or about April 26, 2017, TrueCar completed the Offering of 10.35
20 million shares of TrueCar common stock at an offering price of \$16.50 per share,
21 generating approximately \$170,775,000 million in gross proceeds. In the Offering,
22 USAA sold 2,723,777 of its 12,175,333 beneficially owned shares, reducing its
23 beneficial ownership in the Company from 13.6% to 10.4%. USAA also sold an
24 additional 408,566 shares in connection with the underwriters’ exercise in full of
25 their overallotment option to purchase additional shares of common stock.

26 110. The Registration Statement for the Offering was signed by Defendants
27 Perry, Guthrie and Pierantoni. In the Company’s Offering Documents, Defendants
28

1 made the same misrepresentations made in the Company’s 2016 Form 10-K, as
2 described above in ¶¶ 104-107, regarding the Company’s relationship with USAA
3 and changes to USAA’s platform and marketing efforts. These statements continued
4 to be false and misleading for the reasons described above in ¶ 108..

5 111. Additionally, among other documents, the Offering Documents
6 incorporated by reference the Company’s 2016 Form 10-K and February 16, 2017
7 Form 8-K, which included the Company’s fourth quarter and full year 2016 earnings
8 press release. Accordingly, the false and misleading statements included in the
9 Company’s 2016 Form 10-K and fourth quarter and full year 2016 earnings press
10 release were incorporated by reference therein. These statements continued to be
11 false and misleading for the same reasons as described above in ¶¶ 103, 108.

12 **C. First Quarter 2017**

13 112. On May 9, 2017, the Company issued an earnings press release
14 announcing strong financial results for first quarter 2017 ended March 31, 2017 and
15 raising TrueCar’s guidance for the full year 2017. Defendant Guthrie represented
16 that Defendants were “pleased with the financial results in the first quarter of fiscal
17 2017 and the momentum we are building as we head into the seasonally strongest
18 part of our year.”

19 113. On TrueCar’s May 9, 2017 first quarter earnings call, Defendant
20 Guthrie continued to stress the Company’s positive future prospects and growth:
21 “While we still have plenty of work to do, I’m pleased to say that we are starting
22 2017 with significant momentum.” Additionally, Defendant Perry represented that
23 USAA, “which had really healthy growth,” was a “great grower” for the Company.

24 114. The statements in paragraphs 112 through 113 above were materially
25 false and misleading, when made and omitted to state material facts. Specifically,
26 USAA was not going to be a “great grower” for the Company. In reality, Defendants
27 knew, or disregarded with deliberate recklessness, that USAA had decided to
28

1 significantly change its co-branded website with TrueCar—changes that would
2 dramatically reduce the volume of purchases generated by USAA. As former
3 employees confirmed, by at least January 2017, TrueCar “was informed by USAA
4 of the change” and “it was clear from the beginning” that the changes “would not be
5 good” for TrueCar. Indeed, as Defendant Perry admitted: “we saw these [changes]
6 coming. It wasn’t like we were blind to them.” Moreover, Defendants knew that
7 changes to USAA’s website would negatively and materially impact TrueCar’s
8 business and revenue as “in the past USAA adjusted the location and prominence of
9 the links to [TrueCar’s] platform on its web pages, adversely affecting the volume
10 of traffic to [the Company’s] platform.” In fact, these changes were far more
11 significant than merely changing the location of links to the TrueCar platform. Thus,
12 Defendants had no reasonable basis to attribute future unit and revenue growth to
13 USAA because they knew of, or disregarded with deliberate recklessness,
14 undisclosed materially adverse facts that seriously undermined the validity of
15 Defendants’ representations.

16 115. On May 10, 2017, Defendants caused the Company to file with the SEC
17 its Form 10-Q for first quarter of 2017 (“1Q 2017 Form 10-Q”), which was signed
18 by Defendants Guthrie, Perry, and Pierantoni. In the Company’s 1Q 2017 Form 10-
19 Q, Defendants made the same misrepresentations made in the Company’s 2016
20 Form 10-K, as described above in ¶¶ 104-107, regarding the Company’s relationship
21 with USAA and changes to USAA’s platform and marketing efforts. These
22 statements continued to be materially false and misleading for the reasons described
23 above in ¶ 108.

24 **D. Second Quarter 2017**

25 116. On August 8, 2017, the Company issued its earnings press release for
26 the second quarter 2017 and on August 9, 2017, Defendants Perry, Guthrie and
27 Pierantoni caused the Company to file a Form 10-Q for the second quarter of 2017
28

1 (“2Q 2017 Form 10-Q”), which was signed by Defendants Guthrie, Perry and
2 Pierantoni. By this time, USAA had implemented what Defendants would
3 themselves call a “significant redesign” of the car buying site, and as Defendants
4 would admit, the “USAA shortfall [had] hit the numbers” by August.

5 117. Remarkably, in the 2Q 2017 Form 10-Q, Defendants made the same
6 misrepresentations made in the Company’s 2016 Form 10-K, namely that if USAA
7 were to change the car buying website “in the future,” TrueCar’s “revenue, business
8 and financial results will be harmed.”

9 118. These statements were materially false and misleading, and omitted
10 material facts when made. Specifically, Defendants’ representations to investors of
11 what would happen if USAA were to change their co-branded website “in the future”
12 was false because, as Defendants would soon admit, by August 2017, USAA had
13 already significantly redesigned the car buying website, and had implemented its
14 significant redesign weeks prior, such that the “USAA shortfall [was] hit[ting] the
15 numbers.” Thus, Defendants’ representation of the “risk” that changes to USAA’s
16 website “may in the future adversely affect the volume of user traffic we receive
17 from USAA” was clearly false, as that risk had without question materialized.

18 119. In addition, Defendant Perry continued to emphasize the Company’s
19 prospects and growth in the Company’s August 8, 2017 earnings release, stating:
20 “The momentum that we have been building over the past few quarters at TrueCar
21 is continuing quite nicely . . . We’re growing well . . . we’re expanding our business;
22 and we’re producing operating leverage all while making key investments for the
23 long term.”

24 120. The August 8, 2017 press release also updated the Company’s guidance
25 for the third quarter 2017, stating that “[u]nits are expected to be in the range of
26 265,000 to 270,000” and “[r]evenues are expected to be in the range of \$85.0 million
27 to \$87.0 million.”

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1 121. Guidance for the full year 2017 was also raised: “[u]nits are expected
2 to be in the range of 975,000 to 985,000” and “[r]evenues are expected to be in the
3 range of \$325.0 million to \$329.0 million.”

4 122. Moreover, on TrueCar’s August 8, 2017 second quarter earnings call,
5 Defendants continued to mask the Company’s issues with USAA’s website change,
6 failing to disclose that USAA’s co-branded website with TrueCar had already
7 undergone its “significant website redesign,” that had and would continue to
8 profoundly reduce TrueCar’s overall traffic, unit sales, and revenues.

9 123. Defendant Guthrie added that “[i]t’s been a great first half of 2017. And
10 we’re excited about continuing to expand and grow our business in the second half
11 . . . our dealer network is able to close on a record number of end market prospects
12 generated by our TrueCar branded channel, USAA and other high-growth partners
13 such as Chase and Sam’s Club.”

14 124. Furthermore, on the second quarter earnings call, Defendant Guthrie
15 represented “high unit growth rates,” stating: “And finally, we are already seeing
16 signs of high unit growth rates as our July results come in. As a result, we expect Q3
17 units to be in the range of [265,000 to 270,000] or 20% to 22% year-over-year
18 growth.”

19 125. In response to analyst inquiry, Guthrie further noted “continued strong
20 growth in units,” stating:

21 Of all the metrics, I'd say I don't think we could be much happier about
22 the unit numbers than we are. And we just have really produced really
23 fantastic unit growth. We're seeing, as the third quarter starts, continued
24 strong growth in units that's embedded in the guidance that we gave
you on units and it's embedded in the guidance that we gave on units
for the year as a whole in addition to Q3.

25 126. The representations Defendants made in paragraphs 119 through 125
26 above were materially false and misleading, and omitted material facts when made.
27 Specifically, USAA was not going “to expand and grow [TrueCar’s] business in the
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1 second half” of 2017. The truth was exactly the opposite. Indeed, rather than
2 witnessing unit growth in the third quarter, Defendants were now witnessing that the
3 units generated by USAA—which typically accounted for nearly a third of the
4 Company’s annual units and revenues—were rapidly declining. As Defendant
5 Guthrie explicitly admitted, by August, TrueCar’s revenues has already been
6 materially impacted by the “significant website redesign.” Defendants thus had no
7 reasonable basis to represent 20% to 22% year-over-year unit growth. Defendants
8 knew, or disregarded with deliberate recklessness, that the raised outlook for 3Q
9 2017 and FY 2017 did not reflect the reality of the impact caused by USAA’s website
10 change. The guidance issued was materially false and misleading because at that
11 time Defendants knew that as a result of the material changes to USAA’s website,
12 units generated through the USAA website were materially declining.

13 127. On September 7, 2017, Defendants Guthrie and Perry presented at the
14 Citi Global Technology Conference. Defendants Guthrie and Perry stressed the
15 importance of unit growth and how it was a vital metric that was closely followed.
16 Specifically, Defendant Perry represented that unit growth would continue, stating:
17 “unit growth is really the most important metric in our business because -- and you're
18 seeing that grow in the mid-20% range now. We'll continue to grow nicely because
19 of conversion and closed rate improvements.”

20 128. Moreover, in discussing how Defendants “do a fairly good job
21 forecasting units” and are “more focused on the units side of our business, especially
22 in the last 1.5 years to 2 years,” Defendants Perry and Guthrie both assured investors
23 that “units are growing nicely.”

24 129. The representations that Defendant made in paragraphs 127 through
25 128 were materially false and misleading, and omitted material facts when made.
26 Specifically, units were not “growing nicely” and growth was not going to be in the
27 mid-20% range. The truth was exactly the opposite. Indeed, rather than witnessing
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1 unit growth three months after the website change was implemented, Defendants
2 were witnessing that the units generated by USAA—which typically accounted for
3 nearly a third of the Company’s annual units and revenues—were rapidly declining.
4 As Defendant Guthrie admitted: “[w]e really started to see [the shortfall] in August.
5 In September, the drop was fairly significant.” Thus, Defendants had no reasonable
6 basis for their statements and knew of undisclosed facts that seriously undermined
7 the validity of the statements made. Defendants knew as a result of issues with the
8 USAA website change that units were not growing, but rather were materially
9 declining and that TrueCar would fail to meet its represented units range for the third
10 quarter.

11 **IX. DEFENDANTS CAPITALIZED ON THEIR FRAUD THROUGH**
12 **MASSIVE AND SUSPICIOUSLY TIMED INSIDER SALES,**
13 **SUPPORTING A STRONG INFERENCE OF SCIENTER**

14 130. Defendants Guthrie and Pierantoni, the Company’s CFO and CAO,
15 respectively—along with several other Company insiders—capitalized on
16 Defendants’ fraud by engaging in massive and suspiciously timed insider sales,
17 collectively selling over 1.1 million TrueCar shares and raking in gross proceeds in
18 excess of \$21 million during the Class Period.

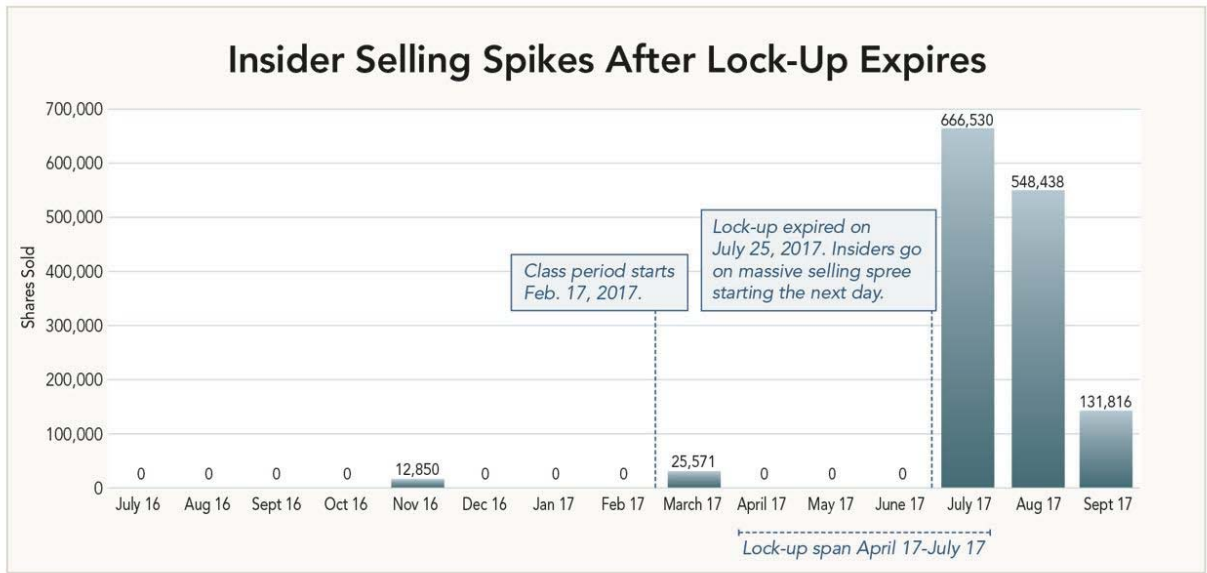
19 131. As set forth above, by January 2017, USAA informed Defendants that
20 it was changing the co-branded car-buying website maintained by TrueCar. That
21 same month, TrueCar filed a shelf registration statement for its April 26, 2017
22 secondary offering, in which the Company sold 1,150,000 shares and realized
23 approximately \$19 million in proceeds, while USAA and Company insiders—
24 including entities affiliated with TrueCar Directors Dietz, Agrawal and
25 Yadigaroglu—sold approximately 8.8 million shares, realizing over 80% of the
26 proceeds from the offering, or over \$145 million. While the Officer Defendants did
27 not sell any TrueCar stock in the Offering, they were prevented from doing so by a
28 90-day Lock-Up Period scheduled to expire on July 25, 2017.

1 132. On July 17, 2017, TrueCar’s stock price reached its Class Period high
2 of \$21.75 per share, or 64% higher than the beginning of the Class Period.
3 Approximately one week later, on July 26, 2017—the day after the Lock-Up Period
4 expired, and when TrueCar stock was still trading near its peak value (between \$19-
5 21 per share)—several TrueCar insiders, including Defendants Guthrie and
6 Pierantoni, began selling substantial amounts of their TrueCar shares, and heavy
7 selling continued through October 2017, shortly before the truth about the USAA
8 website changes was revealed in early November 2017. Aside from Defendants
9 Guthrie and Pierantoni, the selling insiders included Neeraj Gunsagar (Chief
10 Marketing Officer), Jeffrey Swart (General Counsel) and Brian Skutta, the
11 Company’s Executive Vice President of Dealer Sales at TrueCar—*i.e.*, the
12 department directly in charge of monitoring TrueCar’s unit sales.⁵ As the chart
13 below shows, these insiders collectively sold approximately 1.1 million TrueCar
14 shares during this time period, grossing over \$21 million in proceeds.

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25 ⁵ While the insider sales by Guthrie, Pierantoni, Gunsagar and Swart were made
26 pursuant to 10b5-1 trading plans, these officers simultaneously adopted the plans
27 during the Class Period on May 12 and 18, 2017, and months after they knew, or
28 disregarded with deliberate recklessness, that USAA had informed TrueCar about
the significant website redesign. Moreover, these plans permitted the officers to sell
unusually large amounts of TrueCar stock as soon as the 90-day Lock-Up Period
expired on July 25, 2017. Although Skutta was also subject to the 90-day Lock-Up
Period, he did not sell his TrueCar shares pursuant to a 10b5-1 trading plan.

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134. Additionally, all of these insiders sold substantial percentages of their TrueCar holdings, with Defendants Guthrie and Pierantoni, and Company executive Skutta, selling 50% or more of their respective TrueCar holdings. Each of these insiders’ total sales and gross proceeds during the Class Period, and the percentage of their TrueCar holdings that they respectively sold, are as follows:

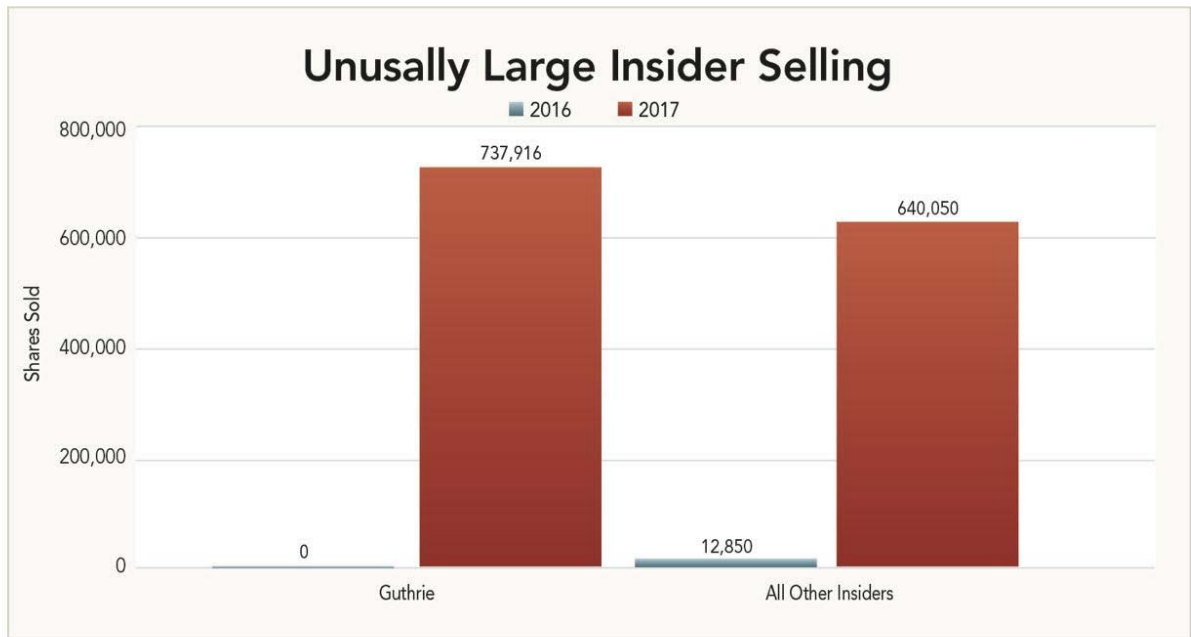
Insider	Total Shares Sold	Total Gross Proceeds	Percentage of Holdings Sold
Guthrie	737,916	\$13,961,608	54%
Pierantoni	62,522	\$1,214,940	50%
Gunsagar	171,580	\$3,270,673	38%
Swart	34,863	\$690,861	26%
Skutta	117,410	\$1,997,228	50%

1 135. As the above charts show, Defendant Guthrie—who sold over half of
2 his holdings in the few days after the Lock-Up Period expired, and at prices near
3 TrueCar’s Class Period high—reaped approximately \$14 million in gross proceeds
4 from his insider sales alone, the most of all of the insider sellers by far. Not
5 surprisingly, Defendant Guthrie also made the most false statements during the Class
6 Period, representing the Company’s accelerating unit growth driven by the USAA
7 affinity partnership—purportedly causing him to raise the Company’s unit and
8 revenue guidance during the Class Period, twice—despite knowing there was no way
9 TrueCar could ever achieve the raised guidance because of the significant USAA
10 website changes that would soon go into effect.

11 136. Additionally, Defendant Pierantoni, who was TrueCar’s Chief
12 Accounting Officer and, along with Defendant Guthrie, signed TrueCar’s SEC
13 filings falsely warning of the “future” risk that USAA “may” change its website “in
14 the future”—when in fact, that risk had long ago materialized—also sold 50% of his
15 holdings, reaping gross proceeds of \$1.2 million.

16 137. Significantly, all of these insiders’ Class Period sales contrasted starkly
17 with their sales prior to the Class Period. Most strikingly, Defendant Guthrie did not
18 sell any TrueCar stock in the twelve months before the Class Period. Swart likewise
19 sold no TrueCar stock during that time. While Defendant Pierantoni, Gunsagar and
20 Skutta sold some of their TrueCar stock in the year prior to the Class Period, these
21 sales were dwarfed by their Class Period sales listed above. Specifically, Pierantoni
22 sold only 3,769 TrueCar shares in November 2016, for gross proceeds of \$45,095—
23 versus the \$1.2 million Pierantoni grossed from his Class Period sales of 65,222
24 TrueCar shares. Gunsagar sold 5,000 TrueCar shares in November 2016 for gross
25 proceeds of \$63,850, which was a far cry from his Class Period sales of 171,580
26 TrueCar shares for approximately \$3.3 million in gross proceeds. Finally, Skutta
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1 sold 4,081 shares in November 2016 for gross proceeds of \$52,277, significantly
 2 less than his Class Period sales of 117,410 shares grossing nearly \$2 million.



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16 138. In sum, the staggering amount of these insiders' sales, their suspicious
 17 timing—*i.e.*, beginning immediately after the Lock-Up Period expired, occurring
 18 near the Class Period high, and continuing until shortly before the truth came out in
 19 early November 2017—support a strong inference of illegal insider trading and
 20 Defendants Guthrie's and Pierantoni's scienter. That inference is bolstered by the
 21 fact that (i) each of these insiders sold large percentages of his TrueCar holdings,
 22 with Defendants Guthrie and Pierantoni selling half or more of their total holdings;
 23 (ii) the insiders sold in concert with each other, with 80% of the sales occurring
 24 simultaneously in late July 2017, immediately after the Lock-Up Period expired and
 25 soon after the USAA website changes were implemented; and (ii) all of these
 26 insiders' Class Period sales were dramatically out of line with their sales (or lack
 27 thereof) in the twelve months prior to the Class Period.

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1 **X. ADDITIONAL ALLEGATIONS OF DEFENDANTS’ SCIENTER**

2 139. As alleged above, numerous facts raise a strong inference that
3 Defendants knew, or were deliberately reckless in disregarding, the true facts
4 regarding USAA’s “significant website redesign,” and the dramatic impact it would
5 have on TrueCar’s revenues, units and financial results. These facts include, in
6 addition to the allegations set forth above, the following:

7 140. *Former TrueCar employees provided detailed facts confirming that, by*
8 *early 2017—before the start of the Class Period—USAA informed Defendants of the*
9 *significant website redesign, which Defendants knew would cause a dramatic*
10 *decline in TrueCar’s traffic, units and revenues.* As set forth above, in late January
11 2017, TrueCar directed management of each of its departments to hold internal
12 meetings with staffers to inform them of USAA’s significant website redesign that
13 would be implemented by June 2017, and the expected negative fallout it would
14 cause to TrueCar’s bottom line. ¶¶ 39-50. Former employees described how, at the
15 Company’s internal meeting for the Consumer Support department, staffers were
16 shown presentations detailing the exact changes USAA would implement, which
17 consisted of a series of additional questions USAA members would be asked about
18 their personal finances before they could access the TrueCar car buying site. They
19 were also provided with “Call Flow Sheets,” or template forms that were specifically
20 designed for the expected influx of USAA member complaints in response to the
21 changes. Indeed, management was clear that USAA’s significant changes to the car
22 buying site would hurt TrueCar’s USAA traffic and therefore its financial results.
23 No less than three former employees—CWs 1, 4 and 5—provided detailed accounts
24 independently corroborating the timing and substance of the Consumer Support
25 meeting, which was attended by members of senior management, including Brandie
26 Aldrich, former Senior Manager of Consumer Support. *See id.* In light of this,
27 Defendants were clearly informed about USAA’s significant website redesign—and
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1 the particulars of what that redesign would involve—long before it was scheduled
2 to be implemented. Indeed, as Defendant Perry admitted once the truth was
3 revealed: “[W]e saw [the USAA website changes] coming. It wasn’t like we were
4 blind to them.”

5 141. *TrueCar acknowledged in its own SEC filings that even minor changes*
6 *to the USAA car buying site would significantly impact the Company’s financial*
7 *results.* TrueCar explicitly stated in its SEC filings that “[s]hould USAA . . . decide
8 to de-emphasize the marketing of our platform, or if their marketing efforts are
9 otherwise unsuccessful, our revenue, business and financial results will be harmed.”
10 Those filings also provided a specific example of a relatively minor change to the
11 car buying site by USAA that previously had a significant impact on the Company’s
12 financial results, stating: “For example, in the past USAA adjusted the location and
13 prominence of the links to our platform on its web pages, adversely affecting the
14 volume of traffic to our platform.” ¶ 37. In light of the fact that the changes here
15 amounted to, as Defendants admitted, a “significant website redesign,” there was no
16 question Defendants knew the changes would profoundly and adversely affect the
17 Company’s financial results.

18 142. *TrueCar was responsible for hosting, managing and operating the car*
19 *buying website for USAA.* As the Company’s own SEC filings disclosed, as part of
20 its affinity partnership with USAA, TrueCar was in charge of “maintaining” the car
21 buying website for USAA—meaning that, as outlined in the Services Agreement
22 between TrueCar and USAA, TrueCar was in charge of hosting, managing and
23 operating the site. ¶¶ 31-35. This meant that, as confirmed by former TrueCar
24 employees, TrueCar would have been directly involved in any alterations affecting
25 the car buying site, and would have had to have been informed of such changes well
26 in advance of their implementation. ¶¶ 49-50. For example, CW 2, former Senior
27 Partner Development Manager at TrueCar’s offices in Santa Monica, stated that
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1 TrueCar’s creative team worked closely with USAA on the car buying site, and
2 would have been involved in any process to change the site since the site was “owned
3 and operated by TrueCar.” CW 2 further stated that the particular changes USAA
4 implemented here would have taken at least “months to add,” requiring countless
5 meetings between the two companies and “lots of testing before it was made live.”
6 Indeed, CW 6, a former TrueCar Software Engineer, stated that his superior Marco
7 Santini—the Senior Director of Development at TrueCar—had attended “numerous
8 meetings” with USAA personnel throughout early to mid-2017. *See id.*

9 143. *TrueCar had a highly intertwined relationship with USAA.* Aside from
10 managing the car buying website for USAA, TrueCar’s relationship with USAA was
11 highly intertwined. ¶¶ 28-38. According to analysts who followed TrueCar, USAA
12 was “pivotal to [TrueCar’s] beginnings,” as it was its main investor at the
13 Company’s inception, and remained its largest shareholder—owning 14% at the
14 outset of the Class Period—throughout the Class Period. USAA also had long had
15 representation on TrueCar’s Board, with Defendant Claus becoming the USAA
16 Board representative in April 2014. Two years later, Defendant Claus was elected
17 as Chairman of TrueCar’s Board, a role he held throughout the Class Period. ¶¶ 28-
18 31. Additionally, as the Services & Maintenance Agreement between TrueCar and
19 USAA showed, and as former TrueCar employees confirmed, USAA largely
20 “dictated” TrueCar’s business, providing detailed directions on how TrueCar was to
21 manage the car buying site. Specifically, USAA mandated that TrueCar drug test
22 and conduct thorough background checks of its employees who had access to USAA
23 member data or who interacted with USAA members, allow USAA to make random
24 physical visits of TrueCar’s facilities, and require its employees to attend USAA
25 orientations and culture training sessions before they could work on the car buying
26 site. Defendants otherwise admitted that, even at the executive level, TrueCar
27 interacted with USAA on a day-to-day basis. ¶¶ 32-35. In light of USAA’s
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1 extensive involvement in TrueCar’s business, there is no question TrueCar and its
2 executives were well informed about USAA’s decision to significantly redesign the
3 car buying site.

4 144. *USAA was critically important to TrueCar’s business.* As TrueCar
5 acknowledged in its SEC filings, USAA was “[t]he largest source of user traffic and
6 unit sales from our affinity group marketing partners,” accounting for 32% of all
7 units in 2016. TrueCar’s SEC filings stated that, as a result, “USAA has a significant
8 influence on our operating results.”

9 145. *The Officer Defendants’ roles on TrueCar’s Disclosure Committee are*
10 *probative of scienter.* During the Class Period, each of the Officer Defendants
11 served on the Company’s Disclosure Committee, which held meetings prior to the
12 filing of TrueCar’s quarterly and annual reports during the Class Period to ensure
13 their accuracy. Significantly, the duties of Disclosure Committee members
14 included, among other things, making periodic inquiries to relevant Company
15 personnel about whether there were any changes to TrueCar’s business that would
16 require disclosure. Such inquiries would have necessarily included inquiries to
17 TrueCar employees who managed the Company’s USAA affinity partnership, which
18 accounted for nearly a third of TrueCar’s annual revenues, about whether USAA had
19 decided to change anything regarding the car buying site.

20 146. *Defendants made repeated public statements representing USAA’s*
21 *contribution to the Company’s growth, claiming it would consistently achieve unit*
22 *and revenue growth in excess of 20% throughout 2017.* Defendants Perry and
23 Guthrie repeatedly touted not only the significance of its affinity partnership with
24 USAA, but how that partnership would be a key driver of the Company’s
25 accelerating unit and revenue growth—allowing that growth to consistently remain
26 in excess of 20%—for the remainder of 2017. ¶¶ 53-78. These statements
27 demonstrate that Defendants closely monitored unit growth (which they publicly
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1 acknowledged they monitored in real time, ¶ 70), viewed it as critical, and were
2 incentivized to give investors the impression that it would remain at the record “mid-
3 20%” range.

4 147. *Defendants had “real time” access to the Company’s sharp decline in*
5 *USAA traffic and units during the Class Period.* As multiple former TrueCar
6 employees confirmed, Defendants had internal access to USAA traffic and unit data
7 through multiple Company databases, including “Dashboard” and “Turbo System,”
8 and closely monitored this information, which was critical to TrueCar’s success, in
9 “real time.” ¶¶ 69-70. Defendants therefore witnessed the dramatic and sharp
10 decline in USAA traffic and revenues that former TrueCar employees confirmed
11 occurred immediately after USAA’s significant website redesign was implemented
12 in June 2017. ¶¶ 63-70. Indeed, Defendant Guthrie admitted after the truth about
13 the significant USAA website redesign was revealed that he had contemporaneously
14 witnessed USAA unit growth sharply fall in August 2017. ¶ 85. Additionally, as
15 CW 8 stated, senior management had in fact held a “fireside” meeting that month—
16 which Defendant Perry attended—to discuss “downward trend” meaning the
17 dramatic declines in traffic, units and revenues Defendants were observing. ¶ 68.

18 148. *Defendant Guthrie’s and Pierantoni’s extensive and suspiciously timed*
19 *insider trading is highly probative of scienter.* As set forth above, Defendants
20 Guthrie and Pierantoni each sold half or more of their total TrueCar holdings, with
21 the majority of those sales occurring in the week after the 90-day Lock-Up Period
22 following the April 26, 2017 Offering expired. By that time, TrueCar had
23 implemented USAA’s significant website redesign, though investors did not know
24 it yet. Significantly, Defendant Guthrie alone obtained nearly \$14 million in
25 proceeds from his sales of TrueCar stock. ¶¶ 130-138. Guthrie and Pierantoni were
26 required to review and sign an acknowledgement that they had read and understood
27 TrueCar’s Code of Business Conduct and Ethics, which outlines TrueCar’s
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1 prohibition on insider trading. Thus, Defendants Guthrie and Pierantoni knew that
2 selling their shares while in possession of material non-public information violated
3 U.S. securities laws and TrueCar’s Code of Business Conduct and Ethics.

4 149. *Defendant Guthrie’s abrupt resignation is probative of scienter.* On
5 January 28, 2018, only a few months after Defendant Guthrie profited off substantial
6 and suspiciously timed insider sales to the tune of \$14 million—and less than three
7 months after the truth was revealed about the USAA website redesign and its impact
8 on TrueCar’s business in November 2017—Defendant Guthrie abruptly resigned
9 from his position as CFO of the Company, citing “personal reasons.”

10 150. *The fact that Defendants knew about USAA’s significant website*
11 *redesign and its impact in January 2017 but revealed nothing until they were forced*
12 *to do so in the third quarter of 2017 is probative of scienter.* Despite being informed
13 by USAA about the significant website redesign months in advance of its
14 implementation, Defendants did not inform investors. Defendants instead continued
15 to deceptively warn of USAA changing the car buying website as a substantial “risk”
16 that had not yet occurred. Defendants revealed the truth only when they were forced
17 to, in the third quarter of 2017 when they could no longer hide the impact of the
18 USAA website changes on TrueCar’s financial results. Tellingly, prior to that time,
19 Defendants obtained tens of millions of dollars from their insider sales as a result of
20 the market’s ignorance of the significant USAA website changes and TrueCar’s
21 resulting inflated stock price.

22 151. *Defendants’ misrepresentations were material.* As set forth above, and
23 as Defendants themselves acknowledged in their public filings, USAA was critical
24 to TrueCar’s success, comprising 32% of its overall units and revenues on an annual
25 basis. Defendants also referenced USAA as being a key affinity partnership that set
26 it aside from its peers in a highly competitive industry. Defendants’ scheme to
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1 conceal a significant change in that key relationship that would profoundly impact
2 TrueCar's unit and revenue growth was unquestionably material.

3 **XI. LOSS CAUSATION**

4 152. Throughout the Class Period, the price of TrueCar common stock was
5 artificially inflated as a result of Defendants' materially false and misleading
6 statements identified above. Defendants engaged in a scheme to deceive the market,
7 and a course of conduct that operated as a fraud or deceit on Class Period purchasers
8 of TrueCar common stock, by failing to disclose and misrepresenting the adverse
9 facts detailed herein. When Defendants' prior misrepresentations and fraudulent
10 conduct were disclosed and became apparent to the market, the price of TrueCar
11 common stock fell precipitously as the prior artificial inflation dissipated. As a result
12 of their purchases of TrueCar common stock during the Class Period, Lead Plaintiff
13 and the other Class members suffered economic loss, i.e., damages, under the federal
14 securities laws.

15 153. By issuing materially false and misleading financial statements, among
16 other adverse facts detailed herein, Defendants presented a misleading picture of
17 TrueCar's business. Defendants' false and misleading statements had the intended
18 effect, and caused TrueCar common stock to trade at artificially inflated levels
19 throughout the Class Period, with shares of TrueCar common stock closed as high
20 as \$21.56 per share on July 14, 2017. On November 6, 2017, the last trading day
21 before Defendants' fraud began to be revealed, TrueCar common stock traded at
22 \$16.34 per share, the last closing price prior to indication of issues with TrueCar's
23 most important affinity relationship, USAA.

24 154. Defendants' after market disclosures on November 6, 2017 revealed to
25 the market the false and misleading nature of Defendants' statements and omissions.
26 On that day, as described above, TrueCar revealed that USAA had implemented a
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1 significant website redesign that profoundly reduced TrueCar’s unit and revenue
2 growth.

3 155. In response to Defendants’ disclosures, the price of TrueCar common
4 stock precipitously declined. The Company’s share price plummeted by over 35%,
5 closing down \$5.76 per share from \$16.34 per share on November 6, 2017 to \$10.58
6 per share on November 7, 2017, wiping out over \$580 million in market
7 capitalization in one day, on unusually heavy trading volume.

8 156. Analysts were stunned by the Company’s admissions and negatively
9 reacted to TrueCar’s financial fallout caused by USAA’s significant and unexpected
10 website redesign. For example, RBC Capital Markets issued a report stating “TRUE
11 posted weak results and lowered FY guidance following poor performance from
12 their USAA partner,” because USAA’s “significant website redesign,” which the
13 report stated was launched in June 2017, “adversely impact[ed] traffic, prospects ad
14 unit sales through the [TrueCar] platform.” Morgan Stanley similarly issued a report
15 on TrueCar, stating “TRUE pointed to issues in their USAA channel (units sold
16 down 5% y/y v. 2Q of +17%) as USAA redesigned their website . . . These additional
17 steps in the process led to a decrease in UVs, Prospects and Units sold.” Cowen
18 issued a report stating that “TRUE’s 3Q17 results were largely disappointing, as
19 revenue and units missed our consensus estimate and mgmt. guidance given lower
20 units from USAA, a key channel partner,” and noted that the website changes
21 “effectively created more friction points for the USAA member during the car
22 buying process, leading to traffic declines . . . This dynamic will persist into 4Q17.”

23 157. As shown, the drastic and continuing decline in TrueCar’s stock price
24 was a direct result of the nature and extent of Defendants’ fraud finally being
25 revealed to investors and the market. The timing and magnitude of the decline in
26 the Company’s stock price negates any inference that the loss suffered by Lead
27 Plaintiff and the other Class members was caused by changed market conditions,
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1 macroeconomic or industry factors, or Company-specific facts unrelated to
2 Defendants' fraudulent conduct.

3 **XII. PRESUMPTION OF RELIANCE**

4 158. At all relevant times, the market for TrueCar common stock was
5 efficient for the following reasons, among others:

6 a. TrueCar's stock met the requirements for listing, and was listed
7 and actively traded on the NASDAQ, a highly efficient and automated market;

8 b. As a regulated issuer, TrueCar filed periodic public reports with
9 the SEC and the NASDAQ;

10 c. TrueCar regularly communicated with public investors via
11 established market communication mechanisms, including through regular
12 disseminations of press releases on the national circuits of major newswire
13 services, and through other wide-ranging public disclosures, such as
14 communications with the financial press and other similar reporting services;
15 and

16 d. TrueCar was followed by numerous securities analysts employed
17 by major brokerage firms who wrote reports which were distributed to those
18 brokerage firms' sales force and certain customers. Each of these reports was
19 publicly available and entered the market place;

20 159. As a result of the foregoing, the market for TrueCar's common stock
21 reasonably and promptly digested current information regarding the Company from
22 all publicly-available sources and reflected such information in the Company's
23 common stock price. All purchasers of TrueCar's common stock during the Class
24 Period suffered similar injury through their purchase of the Company's common
25 stock at artificially inflated prices and a presumption of reliance applies.

26 160. A Class-wide presumption of reliance is also appropriate in this action
27 under the U.S. Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United*
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1 *States*, 406 U.S. 128 (1972), because the Class’ claims are grounded on Defendants’
2 material omissions. Because this action involves Defendants’ failure to disclose
3 material adverse information regarding TrueCar’s business and operations—
4 information that Defendants were obligated to disclose—positive proof of reliance
5 is not a prerequisite to recovery. All that is necessary is that the facts withheld be
6 material in the sense that a reasonable investor might have considered them
7 important in making investment decisions. Given the importance of the Class Period
8 material misstatements and omissions set forth above, that requirement is satisfied
9 here.

10 **XIII. INAPPLICABILITY OF THE STATUTORY SAFE HARBOR AND**
11 **THE BESPEAKS CAUTION DOCTRINE**

12 161. The statutory safe harbor or bespeaks caution doctrine applicable to
13 forward-looking statements under certain circumstances does not apply to any of the
14 false and misleading statements pleaded in this Complaint. The statements alleged
15 to be false or misleading herein all relate to then-existing facts and conditions. In
16 addition, to the extent certain of the statements alleged to be false or misleading may
17 be characterized as forward-looking, they were not adequately identified as forward-
18 looking statements when made, and there were no meaningful cautionary statements
19 identifying important facts that could cause actual results to differ materially from
20 those in the purportedly forward-looking statements.

21 162. To the extent that the statutory safe harbor does apply to any forward-
22 looking statements pleaded herein, Defendants are liable for those false forward-
23 looking statements because at the time each of those forward-looking statements was
24 made, each of these Defendants had actual knowledge that the particular forward-
25 looking statement was materially false or misleading. Defendants are liable for the
26 statements pleaded because, at the time each of those statements was made,
27 Defendants knew the statement was false and the statement was authorized and/or
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1 approved by an executive officer and/or director of TrueCar who knew that such
2 statement was false when made.

3 **XIV. CLASS ACTION ALLEGATIONS**

4 163. Lead Plaintiff brings this action as a class action pursuant to Fed. R.
5 Civ. P. 23(a) and 23(b)(3) on behalf of a Class consisting of all those who purchased
6 or otherwise acquired (1) any of the publicly-traded securities of TrueCar from
7 February 16, 2017 through November 6, 2017, inclusive, and who were damaged
8 thereby, or (2) purchased or acquired the common stock of TrueCar pursuant or
9 traceable to the secondary offering conducted on or about April 26, 2017 and were
10 damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers
11 and directors of TrueCar at all relevant times, members of their immediate families,
12 and their legal representatives, heirs, agents, affiliates, successors or assigns,
13 Defendants’ liability insurance carriers, and any affiliates or subsidiaries thereof,
14 and any entity in which Defendants or their immediate families have or had a
15 controlling interest.

16 164. The members of the Class are so numerous that joinder of all members
17 is impracticable. Throughout the Class Period, TrueCar shares were actively traded
18 on the NASDAQ. As of November 3, 2017, there were over 99.99 million shares of
19 TrueCar common stock outstanding. While the exact number of Class members is
20 unknown to Lead Plaintiff at this time, and can only be ascertained through
21 appropriate discovery, Lead Plaintiff believes that there are at least hundreds-of-
22 thousands of members of the proposed Class. Class members who purchased
23 TrueCar common stock may be identified from records maintained by the Company,
24 or its transfer agent(s), and may be notified of this class action using a form of notice
25 similar to that customarily used in securities class actions.

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1 165. Lead Plaintiff’s claims are typical of Class members’ claims, as all
2 members of the Class were similarly affected by Defendants’ wrongful conduct in
3 violation of federal laws, as complained of herein.

4 166. Lead Plaintiff will fairly and adequately protect Class members’
5 interests, and have retained competent counsel experienced in class actions and
6 securities litigation.

7 167. Common questions of law and fact exist as to all Class members and
8 predominate over any questions solely affecting individual Class members. Among
9 the questions of fact and law common to the Class are:

10 a. whether the federal securities laws were violated by Defendants’
11 acts, as alleged herein;

12 b. whether the Defendants made statements to the investing public
13 during the Class Period that were false, misleading or omitted material facts;

14 c. whether Defendants acted with scienter; and

15 d. the proper way to measure damages.

16 168. A class action is superior to all other available methods for the fair and
17 efficient adjudication of this action because joinder of all Class members is
18 impracticable. Additionally, the damage suffered by some individual Class members
19 may be relatively small so that the burden and expense of individual litigation make
20 it impossible for such members to individually redress the wrongs done to them.
21 There will be no difficulty in the management of this action as a class action.

22 **XV. CLAIMS FOR RELIEF UNDER THE EXCHANGE ACT**

23 **COUNT ONE**

24 **For Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b)**
25 **(Against All Exchange Act Defendants)**

26 169. Lead Plaintiff repeats and re-alleges each and every allegation
27 contained above as if fully set forth herein.

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1 170. This Count is asserted on behalf of all members of the Class against
2 Defendants TrueCar, Guthrie, Perry and Pierantoni for violations of Section 10(b)
3 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder,
4 17 C.F.R. § 240.10b-5.

5 171. During the Class Period, Defendants disseminated or approved the false
6 statements specified above, which they knew were, or disregarded with deliberate
7 recklessness, misleading because they contained misrepresentations and failed to
8 disclose material facts necessary in order to make the statements made, in light of
9 the circumstances under which they were made, not misleading.

10 172. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-
11 5 promulgated thereunder in that they: (a) employed devices, schemes, and artifices
12 to defraud; (b) made untrue statements of material facts or omitted to state material
13 facts necessary in order to make the statements made, in light of the circumstances
14 under which they were made, not misleading; and/or (c) engaged in acts, practices,
15 and a course of business that operated as a fraud or deceit upon Lead Plaintiffs and
16 other investors similarly situated in connection with their purchases of TrueCar
17 common stock during the Class Period.

18 173. Defendants, individually and in concert, directly and indirectly, by the
19 use of means or instrumentalities of interstate commerce and/or of the mails,
20 engaged and participated in a continuous course of conduct that operated as a fraud
21 and deceit upon Lead Plaintiff and the other members of the Class; made various
22 untrue and/or misleading statements of material facts and omitted to state material
23 facts necessary in order to make the statements made, in light of the circumstances
24 under which they were made, not misleading; made the above statements
25 intentionally or with a reckless disregard for the truth; and employed devices and
26 artifices to defraud in connection with the purchase and sale of TrueCar shares,
27 which were intended to, and did: (a) deceive the investing public, including Lead
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1 Plaintiff and the other members of the Class, regarding, among other things,
2 TrueCar’s business and operations; (b) artificially inflate and maintain the market
3 price of TrueCar shares; and (c) cause Lead Plaintiff and the other members of the
4 Class to purchase the Company’s common stock at artificially inflated prices, and to
5 suffer losses when the true facts became known.

6 174. Defendants TrueCar, Guthrie, Perry and Pierantoni are liable for all
7 materially false and misleading statements made during the Class Period, as alleged
8 above.

9 175. As described above, Defendants acted with scienter throughout the
10 Class Period, in that they acted either with intent to deceive, manipulate, or defraud,
11 or with severe recklessness. The misrepresentations and omissions of material facts
12 set forth herein, which presented a danger of misleading buyers or sellers of TrueCar
13 common stock, were either known to the Defendants, or were so obvious that the
14 Defendants should have been aware of them.

15 176. Lead Plaintiffs and the other members of the Class have suffered
16 damages in that, in direct reliance on the integrity of the market, they paid artificially
17 inflated prices for TrueCar common stock, which inflation was removed from its
18 price when the true facts became known. Lead Plaintiffs and the other members of
19 the Class would not have purchased TrueCar common stock at the prices they paid,
20 or at all, if they had been aware that the market price had been artificially and falsely
21 inflated by these Defendants’ misleading statements.

22 177. Defendants’ failure to disclose USAA’s significant redesign of the co-
23 branded car buying site, adversely and materially impacting TrueCar’s traffic, units
24 and revenues, also violated Regulation S-K Item 303(a)(3)(ii), requiring disclosure
25 of “any known trends or uncertainties that have had or that the registrant reasonably
26 expects will have a material . . . unfavorable impact on net sales or revenues or
27 income from continuing operations.”
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1 178. As a direct and proximate result of these Defendants' wrongful conduct,
2 Lead Plaintiffs and the other members of the Class suffered damages attributable to
3 the material misstatements and omissions alleged herein in connection with their
4 purchases of TrueCar common stock during the Class Period.

5 **COUNT TWO**

6 **For Violations Of Section 20(a) of the Exchange Act**
7 **(Against the Officer Defendants)**

8 179. Lead Plaintiff repeats and re-alleges each and every allegation
9 contained above as if fully set forth herein.

10 180. This Count is asserted on behalf of all members of the Class against
11 Defendants Guthrie, Pierantoni and Perry for violations of Section 20(a) of the
12 Exchange Act, 15 U.S.C. § 78t(a).

13 181. During their tenures as officers and/or directors of TrueCar, each of
14 these Defendants was a controlling person of the Company, within the meaning of
15 Section 20(a) of the Exchange Act. *See* ¶¶ 20-22. By reason of their positions of
16 control and authority as officers and/or directors of TrueCar, these Defendants had
17 the power and authority to direct the management and activities of the Company and
18 its employees, and to cause the Company to engage in the wrongful conduct
19 complained of herein. These Defendants were able to and did control, directly and
20 indirectly, the content of the public statements made by TrueCar during the Class
21 Period, including its materially misleading statements, thereby causing the
22 dissemination of the false and misleading statements and omissions of material facts
23 as alleged herein.

24 182. In their capacities as senior corporate officers of the Company, and as
25 more fully described above, Defendants Guthrie, Perry and Pierantoni had direct
26 involvement in the day-to-day operations of the Company, in reviewing and
27 managing its regulatory and legal compliance, and in its accounting and reporting
28 functions. Defendants Guthrie, Perry and Pierantoni signed the Company's SEC

1 filings during the Class Period, and were directly involved in providing false
2 information, and in certifying and approving the false statements disseminated by
3 TrueCar during the Class Period. Defendants Guthrie, Perry and Pierantoni were also
4 directly involved in providing false information, and Defendants Guthrie and Perry
5 certified and approved the false statements disseminated by TrueCar during the
6 Class Period. As a result of the foregoing, Defendants Guthrie, Perry and Pierantoni,
7 together and individually, were controlling persons of TrueCar within the meaning
8 of Section 20(a) of the Exchange Act.

9 183. As set forth above, TrueCar violated Section 10(b) of the Exchange Act
10 by its acts and omissions as alleged in this Complaint.

11 184. By virtue of their positions as controlling persons of Truecar, and as a
12 result of their own aforementioned conduct, Defendants Guthrie, Perry and
13 Pierantoni are liable pursuant to Section 20(a) of the Exchange Act, jointly and
14 severally with, and to the same extent as, the Company is liable under Section 10(b)
15 of the Exchange Act and Rule 10b-5 promulgated thereunder, to Lead Plaintiff, and
16 the other members of the Class, who purchased or otherwise acquired TrueCar
17 common stock. As detailed above in ¶¶ 20-151, during the respective times these
18 Defendants served as officers and/or directors of TrueCar, each of these Defendants
19 was culpable for the material misstatements and omissions made by the Company.

20 185. As a direct and proximate result of these Defendants' conduct, Lead
21 Plaintiff and the Class suffered damages in connection with their purchase or
22 acquisition of TrueCar common stock.

23 **XVI. SECURITIES ACT CLAIMS**

24 186. In this part of the Complaint, and in Counts III through V below (the
25 "Securities Act Claims"), Lead Plaintiff asserts strict liability and negligence claims
26 under Sections 11, 12(a)(2) and 15 of the Securities Act on behalf of the Class (as
27 defined in ¶¶ 163-69), except that Lead Plaintiff explicitly disclaims subpart [c] of ¶
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1 167 from these Securities Act allegations). Lead Plaintiff expressly disclaims any
2 allegations of knowing or reckless misconduct, and to avoid an (unfounded)
3 argument by Defendants that the claims below somehow “sound in fraud,” it is
4 necessary to state or summarize facts also stated above.

5 **A. Background for the Securities Act Claims**

6 187. The Securities Act Claims arise out of the public offering on April 26,
7 2017 of 10.35 million shares of TrueCar common stock at an offering price of \$16.50
8 per share, generating approximately \$170,775,000 million in gross proceeds (the
9 “Offering”).⁶ In the Offering, TrueCar sold 1,150,000 million shares of common
10 stock, realizing a total of approximately \$18,975,000 million in gross proceeds, and
11 the selling shareholders sold 9,200,000 million shares of common stock for a total
12 of approximately \$151,800,000 million in gross proceeds.

13 188. The Offering was conducted pursuant to a shelf registration statement
14 filed with the SEC on Form S-3, dated January 19, 2017 and declared effective on
15 February 6, 2017 (the “Registration Statement”); a Prospectus filed with the SEC,
16 dated January 19, 2017 (the “Prospectus”); and a Prospectus Supplement filed with
17 the SEC, dated April 26, 2017 (the “Prospectus Supplement” and, together with the
18 Registration Statement and the Prospectus, the “Offering Documents”).⁷

19 189. As discussed in detail below, the Offering Documents, as well as the
20 documents incorporated by reference therein, contain untrue statements of material
21 fact or omit to state material facts necessary in order to make the statements, in light
22 of the circumstances under which they were made, not misleading.

23 _____
24 ⁶ 1.35 million of the 10.35 million shares sold in the Offering were offered to the
25 public as a result of the Underwriter Defendants’ decision to exercise their
overallotment option.

26 ⁷ The Offering Documents incorporate by reference the Company’s (i) 2016 Form
27 10-K for the year ended December 31, 2016 filed with the SEC on March 1, 2017;
28 (ii) portions of the Definitive Proxy Statement filed with the SEC on April 5, 2017;
(iii) 8-Ks filed with the SEC on February 16, 2017 and March 10, 2017; and (iv) the
description of the Company’s common stock contained in the Registration
Statement.

1 **B. The Securities Act Parties**

2 **1. Lead Plaintiff**

3 190. Lead Plaintiff Oklahoma Police purchased publicly-traded TrueCar
4 common stock from Defendant Goldman, Sachs & Co. during the Class Period,
5 including shares sold pursuant and/or traceable to the Offering at artificially inflated
6 prices, and suffered damages as a result of the violations of the federal securities
7 laws alleged herein. Evidence of Oklahoma Police’s transactions in the Company’s
8 common stock during the Class Period is set forth in Lead Plaintiff’s certification.
9 (*See* ECF No. 33-2.)

10 **2. Securities Act Defendants**

11 191. Each of the following Defendants is statutorily liable under Sections 11,
12 12(a)(2) and/or 15 of the Securities Act for the materially untrue statements or
13 material omissions contained in and incorporated into the Offering Documents.

14 (i) *TrueCar*

15 192. Defendant TrueCar develops and publishes an online automobile
16 information and communication platform. Defendant TrueCar was the issuer of the
17 common stock offered pursuant to the Offering. TrueCar common stock trades on
18 the NASDAQ under the symbol TRUE.

19 (ii) *The Underwriter Defendants*

20 193. Goldman, Sachs & Co. (“Goldman”) was co-lead underwriter of the
21 Offering. Including its overallotment share, Goldman sold and distributed
22 approximately 35% of the common stock offered (3,671,585 shares), worth
23 approximately \$60,581,160 million, earning a commission of approximately
24 \$2,877,605 million.

25 194. J.P. Morgan Securities LLC (“JPM”) was co-lead underwriter of the
26 Offering. Including its overallotment share, JPM sold and distributed approximately
27 30% of the common stock offered (3,147,073 shares), worth approximately
28 \$51,926,700 million, earning a commission of approximately \$2,466,518 million.

1 195. RBC Capital Markets, LLC (“RBC”) was an underwriter of the
2 Offering. Including its overallotment share, RBC sold and distributed approximately
3 15% of the common stock offered (1,573,537 shares), worth approximately
4 \$25,963,360 million, earning a commission of approximately \$1,233,260 million.

5 196. JMP Securities LLC (“JMP”) was an underwriter of the Offering.
6 Including its overallotment share, JMP sold and distributed approximately 10% of
7 the common stock offered (1,049,024 shares), worth approximately \$17,308,900
8 million, earning a commission of approximately \$822,173.

9 197. B. Riley & Co., LLC (“B. Riley”) was an underwriter of the Offering.
10 Including its overallotment share, B. Riley sold and distributed approximately 4.4%
11 of the common stock offered (454,390 shares), worth approximately \$7,497,440
12 million, earning a commission of approximately \$356,128.

13 198. Craig-Hallum Capital Group LLC (“CHCG”) was an underwriter of the
14 Offering. Including its overallotment share, CHCG sold and distributed
15 approximately 1.7% of the common stock offered (181,756 shares), worth
16 approximately \$ 2,998,980 million, earning a commission of approximately
17 \$142,452.

18 199. Stephens Inc. (“Stephens”) was an underwriter of the Offering.
19 Including its overallotment share, Stephens sold and distributed approximately 1.7%
20 of the common stock offered (181,756 shares), worth approximately \$2,998,980
21 million, earning a commission of approximately \$142,452.

22 200. Loop Capital Markets LLC (“LCM”) was an underwriter of the
23 Offering. Including its overallotment share, LCM sold and distributed
24 approximately 00.88% of the common stock offered (90,878 shares), worth
25 approximately \$1,499,480 million, earning a commission of approximately \$71,225.

26 201. Defendants Goldman, JPM, RBC, JMP, B. Riley, CHCG, Stephens and
27 LCM are collectively referred to herein as the “Underwriter Defendants.”
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1 well as the Company’s 2016 Form 10-K filed with the SEC on March 1, 2017, and
2 the February 16, 2017 Form 8-K, which were incorporated into the Offering
3 Documents. These defendants are collectively referred to herein as the “Officer
4 Defendants.”

5 208. By virtue of their positions as officers of TrueCar, and their status as
6 signatories of the Registration Statement and 2016 Form 10-K, each of the Officer
7 Defendants exercised significant influence over the operations of TrueCar and each
8 had the power to control, and did control, TrueCar in its conduct of the April 2017
9 Offering.

10 209. Based on their positions as officers of TrueCar and their status as
11 signatories of the Registration Statement and 2016 Form 10-K, each of the Officer
12 Defendants was obligated under the federal securities laws to conduct a reasonable
13 investigation into the truthfulness and accuracy of the various statements contained
14 in or incorporated by reference into the Offering Documents. Any reasonable
15 investigation would have entailed a review of the current status of TrueCar’s
16 relationship with USAA, its most significant affinity group marketing partner
17 driving 32% of the Company’s revenue at the time of the Offering. Such a review,
18 in turn, would have revealed that the Offering Documents contained material
19 misrepresentations, as alleged below. None of the Officer Defendants made a
20 reasonable investigation into the truthfulness and accuracy of the Offering
21 Documents.

22 (iv) *The Director Defendants*

23 210. Defendant Chip Perry joined the TrueCar board of directors (the
24 “Board”) in December 2015 and remained on the Board through the end of the Class
25 Period.

26 211. Defendant Abhishek Agrawal (“Agrawal”) became a member of the
27 Board in November 2013 and remained on the Board through the end of the Class
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1 Period, although he declined to stand for re-election at the 2017 Annual Stockholders
2 meeting.

3 212. Defendant Robert Buce (“Buce”) became a member of the Board in
4 April 2005 and remained on the Board through the end of the Class Period. He also
5 served as the Executive Vice President and Chief Financial Officer of TrueCar from
6 September 2005 to September 2008.

7 213. Defendant Christopher Claus (“Claus”) became a member of the Board
8 in April 2014 and Chairman of the Board in February 2016 and remained on the
9 Board through the end of the Class Period. From December 1994 to March 2014,
10 Claus served in various senior executive roles at USAA, including Executive Vice
11 President of USAA Enterprise Advice Group and President of USAA Financial
12 Services Group. Previously, he served as the Senior Vice President and then
13 President of USAA Investment Management Company and Vice President of
14 Investment Sales and Services. From January 2009 through the present, Claus was
15 and still is a member of the board of directors of USAA Real Estate Company.

16 214. Defendant Steven Dietz (“Dietz”) became a member of the Board in
17 February 2006 and remained on the Board through the end of the Class Period.

18 215. Defendant John Krafcik (“Krafcik”) became a member of the Board in
19 February 2014 and remained on the Board through the end of the Class Period. He
20 also served as TrueCar’s President from April 2014 until September 2015.

21 216. Defendant Erin Lantz (“Lantz”) became a member of the Board in
22 November 2016 and remained on the Board through the end of the Class Period.

23 217. Defendant Wesley Nichols (“Nichols”) became a member of the Board
24 in November 2016 and remained on the Board through the end of the Class Period.

25 218. Defendant Ion Yardigaroglu (“Yardigaroglu”) became a member of the
26 Board in August 2007 and remained on the Board through the end of the Class
27 Period.

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1 219. Defendants Perry, Agrawal, Buce, Claus, Dietz, Krafcik, Lantz, Nichols
2 and Yardigaroglu are collectively referred to herein as the “Director Defendants”
3 and, together with the Officer Defendants, the “Individual Defendants.”

4 220. Each of the Director Defendants was a member of the TrueCar Board
5 during the Class Period, including at the time of the filing of the Offering
6 Documents, and each signed the Registration Statement as well as the Company’s
7 2016 Form 10-K filed with the SEC on March 1, 2017, which was incorporated into
8 the Offering Documents.

9 221. TrueCar’s SEC filings state that its “business and affairs are managed
10 under the direction of the Board[.]” Accordingly, by virtue of their positions as
11 directors of TrueCar, and their status as signatories of the Registration Statement and
12 2016 Form 10-K, each of the Director Defendants exercised significant influence
13 over the operations of TrueCar and each had the power to control, and did control,
14 TrueCar in its conduct of the April 2017 Offering.

15 222. Based on their positions as directors of TrueCar and their status as
16 signatories of the Registration Statement and 2016 Form 10-K, each of the Director
17 Defendants was obligated under the federal securities laws to conduct a reasonable
18 investigation into the truthfulness and accuracy of the various statements contained
19 in or incorporated by reference into the Offering Documents. Any reasonable
20 investigation would have entailed a review of the current status of TrueCar’s
21 relationship with USAA, its most significant affinity group marketing partner
22 driving 32% of the Company’s revenue at the time of the Offering. Such a review,
23 in turn, would have revealed that the Offering Documents contained material
24 misrepresentations, as alleged below. None of the Director Defendants made a
25 reasonable investigation into the truthfulness and accuracy of the Offering
26 Documents.

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1 223. TrueCar, the Underwriter Defendants, the Officer Defendants and the
2 Director Defendants are termed the “Securities Act Defendants.”

3 **XVII. THE OFFERING DOCUMENTS CONTAINED MATERIAL**
4 **MISREPRESENTATIONS**

5 224. In the Offering Documents, the Securities Act Defendants disclosed
6 various risks related to TrueCar’s April 2017 Offering. Certain of those disclosures
7 discuss the financial significance of the Company’s relationships with its affinity
8 group marketing partners for which TrueCar maintains car-buying websites.

9 225. The Offering Documents stated that any adverse change in the
10 Company’s relationship with TrueCar that may occur “in the future” would cause
11 TrueCar’s financial results to decline. For instance, the Offering Documents stated:

12 In addition, USAA has broad discretion in how the car-buying site we
13 maintain for USAA is promoted and marketed on its own website.
14 Changes in this promotion and marketing have in the past and may in
15 the future adversely affect the volume of user traffic we receive from
16 USAA. Changes in our relationship with USAA or its promotion and
17 marketing of our platform could adversely affect our business and
18 operating results in the future.

19 226. Additionally, the Offering Documents also specifically represented that,
20 if USAA were to use its broad discretion to change the car buying website in a way
21 that “de-emphasized” TrueCar’s car buying platform in any way, TrueCar’s business
22 and revenues would be significantly harmed:

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

25 [. . .] At any given time, USAA’s car-buying service may or may not
26 be a priority relative to its other offerings. Consequently, changes in
27 how USAA promotes and markets the car-buying we maintain for them
28 can and has, from time to time in the past, affected the volume of
purchases generated by USAA members. For example, in the past
USAA adjusted the location and prominence of the links to our platform
on its web pages, adversely affecting the volume of traffic to our
platform. Should USAA or one or more of our other affinity group
marketing partners decide to de-emphasize the marketing of our
platform, or if their marketing efforts are otherwise unsuccessful, our
revenue, business and financial results will be harmed.

1 227. These statements were materially false and misleading and omitted
2 material information. The statements warning of the risk that USAA “may” change
3 the co-branded car buying website “in the future,” thereby significantly harming
4 TrueCar’s business and revenues, represented that no such change had yet occurred.
5 However, by January 2017—months before the April 2017 Offering—USAA had
6 already significantly redesigned the car buying website to require USAA members
7 to answer numerous additional questions pertaining to their personal finances before
8 they could access the TrueCar car buying site. Pursuant to the Company’s own
9 statements in the Offering Documents, this “de-emphasis” of TrueCar’s car buying
10 platform would and did significantly harm TrueCar’s revenue, business and financial
11 results.

12 228. In addition to incorporating by reference TrueCar’s 2016 Form 10-K,
13 which includes the same materially false statements alleged above, the Offering
14 Documents incorporated by reference TrueCar’s February 16, 2017 Form 8-K,
15 which included the Company’s February 16, 2017 fourth quarter and full year 2016
16 earnings press release.

17 229. The Company’s February 16, 2017 earnings release represented that
18 TrueCar was “re-accelerating [its] top-line growth while also improving [] margins,”
19 and would “continue to drive double-digit rates of unit and revenue growth for some
20 time.” Additionally, the earnings release represented that the Securities Act
21 Defendants had “set the stage for strong growth and margin expansion over the next
22 few years.”

23 230. These statements were materially false and misleading and omitted
24 material information. Specifically, “double-digit rates of unit and revenue growth”
25 were not going to continue as USAA had already decided to significantly change its
26 co-branded website with TrueCar with a “significant website redesign” that would
27 adversely affect the Company’s financial results. Changes to USAA’s website
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1 would negatively and materially impact TrueCar’s business and revenue as “in the
2 past USAA adjusted the location and prominence of the links to [TrueCar’s]
3 platform on its web pages, adversely affecting the volume of traffic to [the
4 Company’s] platform.” In fact, USAA’s 2017 changes were far more significant
5 than merely changing the location of links to the TrueCar platform. Accordingly,
6 the above statements about TrueCar’s business, operations, and prospects, were
7 materially false and misleading.

8 **XVIII. CLAIMS FOR RELIEF UNDER THE SECURITIES ACT**

9 **COUNT III**

10 **For Violations of Section 11 of the Securities Act**
11 **(Against TrueCar, the Individual Defendants and the Underwriter**
12 **Defendants)**

13 231. Lead Plaintiff repeats and realleges each and every allegation above
14 relating to the Securities Act Claims as if fully set forth herein. The Securities Act
15 Defendants’ liability under this Count is predicated on the participation of each
16 Defendant in conducting the Offering pursuant to the Offering Documents and the
17 documents incorporated by reference therein, which contained untrue statements of
18 material fact, or omitted material facts. This Count is based solely in strict liability
19 and negligence. This Claim for Relief does not sound in fraud and any allegations
20 of knowing or reckless misrepresentations in the Offering Documents or the
21 documents incorporated by reference therein are excluded from this Count. For
22 purposes of asserting this and its other claims under the Securities Act, Lead Plaintiff
23 does not allege that the Securities Act Defendants acted with intentional, reckless or
24 otherwise fraudulent intent.

25 232. This Count is brought by Lead Plaintiff pursuant to Section 11 of the
26 Securities Act, 15 U.S.C. §77k, against the Securities Act Defendants named in this
27 Count on behalf of itself and members of the Class who purchased or otherwise
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1 acquired the securities sold pursuant and/or traceable to the Offering and were
2 damaged by the acts alleged herein.

3 233. Defendant TrueCar was the issuer, within the meaning of Section 11 of
4 the Securities Act and pursuant to the Offering Documents, of the registered
5 securities sold in the Offering.

6 234. As discussed above, TrueCar issued and TrueCar and the Selling
7 Shareholders sold to the Underwriter Defendants 10.35 million shares of common
8 stock in the Offering. The Individual Defendants each signed the Registration
9 Statement—included in the Offering Documents—as a senior officer and/or director
10 of TrueCar within the meaning of Section 11 of the Securities Act. The Underwriter
11 Defendants acted as the underwriters of the Offering within the meaning of Section
12 11 of the Securities Act by selling and distributing the TrueCar common stock
13 offered to the investing public and purchased by Lead Plaintiff and members of the
14 Class.

15 235. The common stock described in this Count was issued and sold
16 pursuant to the Offering Documents, which include the Registration Statement. All
17 purchases of the registered securities after the issuance of the Offering Documents
18 are traceable to the Offering Documents.

19 236. As alleged above, the Offering Documents contained untrue statements
20 of material fact concerning, among other things, the current status of TrueCar's
21 relationship with USAA at the time of the Offering.

22 237. The Securities Act Defendants issued and disseminated, caused to be
23 issued and disseminated, and participated in the issuance and dissemination of,
24 material misstatements to the investing public which were contained in the Offering
25 Documents, as set forth above.

26 238. The Securities Act Defendants' failure to disclose USAA's significant
27 redesign of the co-branded car buying site, adversely and materially impacting
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1 TrueCar’s traffic, units and revenues, also violated Regulation S-K Item
2 303(a)(3)(ii), requiring disclosure of “any known trends or uncertainties that have
3 had or that the registrant reasonably expects will have a material . . . unfavorable
4 impact on net sales or revenues or income from continuing operations.”

5 239. In connection with offering the registered securities to the public and
6 the sale of those securities, the Securities Act Defendants, directly or indirectly, used
7 the means and instrumentalities of interstate commerce, the United States mails and
8 a national securities exchange.

9 240. As the issuer of the registered securities, TrueCar is strictly liable for
10 the untrue statements of material fact described herein.

11 241. None of the other Securities Act Defendants named in this Count made
12 a reasonable investigation or possessed reasonable grounds for the belief that the
13 statements contained in the Offering Documents were accurate and complete in all
14 material respects. Had they exercised reasonable care, they would have known of
15 the material misstatements alleged herein.

16 242. Class members did not know, nor in the exercise of reasonable
17 diligence could they have known, that the Offering Documents, including the
18 Registration Statement, contained untrue statements of material fact when they
19 purchased or acquired registered securities pursuant and/or traceable to the Offering.

20 243. As a direct and proximate result of the acts and omissions of the
21 Securities Act Defendants in violation of the Securities Act, the Class suffered
22 substantial damage in connection with its purchase of TrueCar common stock sold
23 through the Offering.

24 244. By reason of the foregoing, the Securities Act are liable under Section
25 11 of the Securities Act to the members of the Class who purchased or otherwise
26 acquired the securities sold pursuant and/or traceable to the Offering Documents.

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1 249. As alleged above, the Offering Documents contained untrue statements
2 of material fact concerning, among other things, the current status of TrueCar’s
3 relationship with USAA at the time of the Offering.

4 250. By means of the Offering Documents and by using the means and
5 instruments of transportation and communication in interstate commerce and of the
6 mails, the Securities Act Defendants named in this Count, through public offerings,
7 solicited and sold TrueCar common stock to members of the Class.

8 251. As the issuer of the registered securities, TrueCar is strictly liable for
9 the untrue statements of material fact described herein.

10 252. None of the Underwriter Defendants named in this Count made a
11 reasonable investigation or possessed reasonable grounds for the belief that the
12 statements contained in the Offering Documents were accurate and complete in all
13 material respects. Had they exercised reasonable care, they would have known of
14 the material misstatements alleged herein.

15 253. Members of the Class purchased TrueCar common stock pursuant to
16 the materially untrue Offering Documents. At the time they purchased shares in the
17 Offering, no member of the Class knew, or by the reasonable exercise of care could
18 have known, of the material misstatements in the Offering Documents, which
19 include the Prospectus and Supplemental Prospectus.

20 254. As a direct and proximate result of the acts and omissions of the
21 Defendants TrueCar and the Underwriter Defendants named in this Count in
22 violation of the Securities Act, the Class suffered substantial damage in connection
23 with its purchase of TrueCar common stock sold pursuant to the Offering
24 Documents.

25 255. By reason of the foregoing, the Securities Act Defendants named in this
26 Count are liable under Section 12(a)(2) of the Securities Act to the members of the
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1 Class who purchased or otherwise acquired TrueCar common stock sold pursuant to
2 the Offering Documents.

3 256. Accordingly, members of the Class who purchased TrueCar common
4 stock pursuant to the Offering Documents have the right to rescind and recover the
5 consideration paid for such securities from the Underwriter Defendants upon tender
6 of their stock to TrueCar and hereby elect to rescind and tender such securities.
7 Members of the Class who have sold their TrueCar common stock issued in the
8 Offering are entitled to rescissory damages.

9 257. This claim is brought within one year of the discovery of the untrue
10 statements in the Offering Documents, and within three years after the Offering.

11 **COUNT V**

12 **For Violations of Section 15 of the Securities Act**
13 **(Against the Individual Defendants)**

14 258. Lead Plaintiff repeats and realleges each and every allegation above
15 relating to the Securities Act Claims as if fully set forth herein. This Claim for Relief
16 does not sound in fraud and any allegations of knowing or reckless
17 misrepresentations in the Offering Documents or the documents incorporated by
18 reference therein are excluded from this Count. For purposes of asserting this and
19 its other claims under the Securities Act, Lead Plaintiff does not allege that the
20 Securities Act Defendants acted with intentional, reckless or otherwise fraudulent
21 intent.

22 259. This Count is brought by Lead Plaintiff pursuant to Section 15 of the
23 Securities Act, 15 U.S.C. §77o, against the Individual Defendants on behalf of itself
24 and members of the Class who purchased or otherwise acquired shares of TrueCar
25 common stock pursuant and/or traceable to the Offering Documents and were
26 damaged by the acts alleged herein. For purposes of this Count, Lead Plaintiff
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1 asserts only strict liability and negligence claims and expressly disclaims any
2 allegation of fraud or intentional misconduct.

3 260. As set forth in Counts III and IV above, TrueCar is strictly liable under
4 Sections 11 and 12(a)(2) of the Securities Act for untrue statements of material fact
5 in the Offering Documents.

6 261. At all relevant times, the Individual Defendants were controlling
7 persons of TrueCar within the meaning of Section 15 of the Securities Act. As set
8 forth herein, by virtue of their positions, voting power, ownership, rights as against
9 TrueCar, and/or specific acts, the Individual Defendants had the requisite power to
10 directly or indirectly control or influence TrueCar to engage in the acts described
11 herein, including by causing TrueCar to conduct the Offering pursuant to the
12 Offering Documents and documents incorporated by reference therein, and
13 exercised the same.

14 262. Specifically, the Officer Defendants each served as an executive officer
15 of TrueCar at the time of the Offering. As such, at all relevant times the Officer
16 Defendants each participated in the operation and management of TrueCar,
17 including participating in the preparation and dissemination of the Offering
18 Documents, and the documents incorporated by reference therein, and/or otherwise
19 participated in the process necessary to conduct the Offering. By virtue of their
20 positions as officers of TrueCar, and their status as signatories of the Registration
21 Statement and 2016 Form 10-K, each of the Officer Defendants had the power to
22 control, and did control, TrueCar in its conduct of the Offering, including controlling
23 the contents of the Offering Documents and documents incorporated by reference
24 therein, which contained materially false statements.

25 263. Similarly, each of the Director Defendants served as directors on
26 TrueCar's Board at the time the Offering was conducted and/or at the time the
27 Registration Statement and 2016 Form 10-K were signed. As directors of a publicly
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1 owned company, the Director Defendants had a duty to disseminate accurate and
2 truthful information with respect to the status of TrueCar's relationship with USAA
3 at the time of the Offering. Each Director Defendant signed the Registration
4 Statement and the 2016 Form 10-K incorporated by reference therein and/or were
5 directors at the time the Offering was conducted, the Offering Documents were
6 disseminated to the investing public and the Registration Statement became effective.
7 Thus, the Director Defendants controlled the contents and dissemination of the
8 Offering Documents.

9 264. By reason of the aforementioned conduct and by virtue of their
10 positions as controlling persons of TrueCar, each of the Individual Defendants are
11 liable under Section 15 of the Securities Act, jointly and severally with, and to the
12 same extent as TrueCar is liable under Sections 11 and 12(a)(2) of the Securities
13 Act, to members of the Class who purchased or otherwise acquired TrueCar common
14 stock pursuant and/or traceable to the Offering Documents. As a direct and
15 proximate result of the conduct of these Securities Act Defendants, members of the
16 Class suffered damages in connection with their purchase or acquisition of these
17 securities.

18 **XIX. PRAYER FOR RELIEF**

19 265. Wherefore, Lead Plaintiff prays for relief and judgment as follows:

20 a. Declaring this action to be a proper class action pursuant to Rule
21 23 of the Federal Rules of Civil Procedure;

22 b. Awarding Lead Plaintiff and the class members damages,
23 including interest;

24 c. Awarding Lead Plaintiff reasonable costs, including attorneys'
25 fees and expenses; and

26 d. Awarding such equitable/injunctive or other relief for the benefit
27 of the Class as the court may deem just and proper.

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1 **XX. JURY DEMAND**

2 266. Lead Plaintiff demands a trial by jury.

3 Dated: August 24, 2018

Respectfully submitted,

4 **KAPLAN FOX & KILSHEIMER LLP**

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-and-

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*Lead Counsel for Lead Plaintiff Oklahoma
Police Pension and Retirement Fund and the
Class*

1 **PROOF OF SERVICE VIA ELECTRONIC POSTING PURSUANT TO**
2 **CENTRAL DISTRICT OF CALIFORNIA LOCAL RULES**
3 **AND ECF GENERAL ORDER NO. 10-07**

4 I HEREBY CERTIFY that, on August 24, 2018, I electronically filed the
5 foregoing with the Clerk of Court using the CM/ECF system, which will send a
6 notice of electronic filing to all registered users. I certify under penalty of perjury
7 under the laws of the United States of America that the foregoing is true and correct.

8 Executed on August 24, 2018.

9 /s/ Justin B. Farar
10 Justin B. Farar

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