

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018
or

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

For the transition period from _____ to _____

Commission File Number 1-34761



AutoWeb, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

33-0711569

(I.R.S. Employer Identification No.)

**18872 MacArthur Boulevard, Suite 200
Irvine, California 92612-1400**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(949) 225-4500**

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

Title of each class

Common Stock, par value \$0.001 per share

Name of each exchange on which registered

The Nasdaq Capital Market

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

Based on the closing sale price of \$4.52 for our common stock on The Nasdaq Capital Market on June 30, 2018, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately \$44 million.

As of March 5, 2019, 12,985,950, shares of our common stock were outstanding.

Documents Incorporated by Reference

Portions of our Definitive Proxy Statement for the 2019 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.

AutoWeb, Inc.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission (“SEC”) encourages companies to disclose forward-looking information so that investors can better understand a company’s future prospects and make informed investment decisions. This Annual Report on Form 10-K and our proxy statement, parts of which are incorporated herein by reference, contain such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “anticipates,” “could,” “may,” “estimates,” “expects,” “projects,” “intends,” “pending,” “plans,” “believes,” “will” and words of similar substance, or the negative of those words, used in connection with any discussion of future operations or financial performance identify forward-looking statements. In particular, statements regarding expectations and opportunities, new product expectations and capabilities, and our outlook regarding our performance and growth are forward-looking statements. This Annual Report on Form 10-K also contains statements regarding plans, goals and objectives. There is no assurance that we will be able to carry out our plans or achieve our goals and objectives or that we will be able to do so successfully on a profitable basis. These forward-looking statements are just predictions and involve risks and uncertainties, many of which are beyond our control, and actual results may differ materially from these statements. Factors that could cause actual results to differ materially from those reflected in forward-looking statements include but are not limited to, those discussed in “Item 1A. Risk Factors,” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Investors are urged not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date on which they were made. Except as may be required by law, we do not undertake any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements contained herein are qualified in their entirety by the foregoing cautionary statements.

PART I

Item 1. *Business*

AutoWeb, Inc. was incorporated on May 17, 1996, under the laws of the State of Delaware. Unless specified otherwise, as used in this Annual Report on Form 10-K, the terms “we,” “us,” “our,” the “Company” or “AutoWeb” refer to AutoWeb, Inc. and its subsidiaries.

Available Information

Our corporate website is located at www.autoweb.com. Information on our website is not incorporated by reference in this Annual Report on Form 10-K. At or through the Investor Relations section of our website we make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other filings with the Securities and Exchange Commission.

Overview

We are a digital marketing company for the automotive industry that assists automotive retail dealers (“Dealers”) and automotive manufacturers (“Manufacturers”) market and sell new and used vehicles to consumers through our programs for online lead and traffic referrals, Dealer marketing products and services, online advertising and mobile products.

Our consumer-facing automotive websites (“Company Websites”) provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles (“Leads”). Leads are internally-generated from our Company Websites (“Internally-Generated Leads”) or acquired from third parties (“Non-Internally-Generated Leads”) that generate Leads from their websites (“Non-Company Websites”). Our click traffic referral program provides consumers who are shopping for vehicles online with targeted offers based on make, model and geographic location. As these consumers conduct online research on our Company Websites or on the site of one of our network of automotive publishers, they are presented with relevant offers on a timely basis and, upon the consumer clicking on the displayed advertisement, are sent to the appropriate website location of one of our Dealer, Manufacturer or advertising customers.

Products and Services

We sell Internally-Generated Leads and Non-Internally-Generated Leads directly to Dealers and indirectly to Dealers through a wholesale market consisting of Manufacturers and other third parties in the automotive Lead distribution industry. The click traffic program links consumers to Dealers and Manufacturer websites when the consumers click on advertisements on Company Websites as well as websites operated by third parties that have contracted with the Company as publishers under the click traffic program. In addition to our Leads and click traffic programs, we also offer Dealers and Manufacturers other products and services, including WebLeads+ and Payment Pro[®], to assist them in capturing online, in-market customers and selling more vehicles by improving conversion of Leads to sale transactions.

Lead Programs

We provide Dealers and Manufacturers with opportunities to market their vehicles efficiently to potential vehicle buyers. Dealers participate in our Lead programs, and Manufacturers participate in our Lead programs, our display advertising programs and our direct marketing programs, reaching consumers who are in the market to acquire a vehicle. For consumers, we provide, at no cost to the consumer, an easy way to obtain valuable information to assist them in their vehicle shopping process. Leads may be submitted by consumers through our Company Websites or through Non-Company Websites. For consumers using our Company Websites, we provide research information, including vehicle specification data, safety data, pricing data, photos, videos, regional rebate and incentive data, and additional tools, such as the compare and configuration tools, to assist them in this process. We also provide additional content on our Company Websites, including our database of articles, such as consumer and professional reviews, and other analyses. Additional automotive information is also available on our Company Websites to assist consumers with specific vehicle research, such as the trade-in value of their current vehicle.

New Vehicle Leads Program. Our Leads program for new vehicles allows consumers to submit requests for pricing and availability of specific makes and models. A new vehicle Lead provides a Dealer with information regarding the make and model of a vehicle in which the consumer is interested, and may also include additional data regarding the consumer's needs, including any vehicle trade-in, whether the consumer wishes to lease or buy, and other options that are important to the vehicle acquisition decision. A Lead will usually also include the consumer's name, phone number and email address and may include a postal address.

Dealers participating in our new vehicle Leads program are provided with iControl by AutoWeb, our proprietary technology that allows Dealers many options to filter and control the volume and source of their Leads. iControl by AutoWeb can be controlled at the dealership (or by a representative of AutoWeb on behalf of the dealership), at the Dealer group level from a web-based, easy-to-use console that makes it quick and simple for dealerships to change their Lead acquisition strategy to adjust for inventory conditions at their dealerships and broader industry patterns (such as changes in gas prices or changes in consumer demand). From the console, dealerships can easily contract or expand territories and increase, restrict or block specific models and Lead web sources, making it much easier to target inventory challenges and focus marketing resources more efficiently.

Our Leads are subject to quality verification that is designed to maintain the high-quality of our Leads and increase the Lead buy rates for our Lead customers. Quality verification includes the validation of name, phone number, email address and postal address. Our quality verification also involves proprietary systems as well as arrangements with third-party vendors specializing in customer validation. After a Lead has been subjected to quality verification, if we have placement coverage for the Lead within our own Dealer network, we send the Lead to Dealers that sell the type of vehicle requested in the consumer's geographic area. We also send an email message to the consumer with the Dealer's name and phone number, and if the Dealer has a dedicated internet manager, the name of that manager. Dealers contact the consumer with a price quote and availability information for the requested vehicle. In addition to sales of Leads directly to Dealers in our network, we also sell Leads wholesale to Manufacturers for delivery to their Dealers and to third parties that have placement coverage for the Lead with their own customers.

Dealers participate in our retail new vehicle Lead program by entering into contracts directly with us or through major Dealer groups. Generally, our Dealer contracts may be terminated by either party on 30 days' notice and are non-exclusive. The majority of our retail new vehicle Lead revenues consists of either a monthly subscription or a per-Lead fee paid by Dealers in our network. We reserve the right to adjust our fees to Dealers upon 30 days' prior notice at any time during the term of the contract. Manufacturers (directly or through their marketing agencies) and other third parties participate in our wholesale new vehicle Lead programs generally by entering into agreements where either party has the right to terminate upon prior notice, with the length of time for the notice varying by contract. Revenues from retail new vehicle Leads accounted for 18%, 19% and 22% of total revenues in 2018, 2017 and 2016, respectively. Revenues from wholesale Leads accounted for 52%, 46% and 46% of total revenues in 2018, 2017 and 2016, respectively.

Used Vehicle Leads Program. Our used vehicle Lead program allows consumers to search for used vehicles according to specific search parameters, such as the price, make, model, mileage, year and location of the vehicle. The consumer is able to locate and display the description, price and, if available, digital images of vehicles that satisfy the consumer's search parameters. The consumer can then submit a Lead for additional information regarding a vehicle that we then deliver to the Dealer offering the vehicle. In addition to sending Leads directly to Dealers through our Lead delivery system, consumers may choose to contact the Dealer using a toll free number posted next to the vehicle search results. We charge each Dealer that participates in the used Vehicle Leads program a monthly subscription or per Lead fee. Revenues from used vehicle Leads accounted for 7%, 9% and 10% of total revenues in 2018, 2017 and 2016, respectively.

Other Dealer Products and Services

In addition to Leads and AutoWeb traffic programs, we also offer products and services that assist Dealers in connecting with in-market consumers and closing vehicle sales.

WebLeads+. Designed to work in connection with a Dealer's participation in our Lead programs, WebLeads+ is a third-party product that offers a Dealer multiple coupon options that display relevant marketing messages to consumers visiting the Dealer's website. When a Dealer uses WebLeads+, consumers visiting the Dealer's website are encouraged to take action in two ways. First, while interacting with the Dealer website, a consumer is presented with a customized special offer formatted for easy Lead submission. If a vehicle quote is requested, the Lead goes directly into the dealership management tool so a salesperson can promptly address the customer's questions. Second, if the consumer leaves the Dealer's website but remains online, the WebLeads+ product keeps the coupon active in a new browser, providing the Dealer a repeat branding opportunity and giving the consumer an easy way to re-engage with the Dealer's website through submission of a Lead. The additional Leads generated by the coupons are seamlessly integrated into our Extranet tool.

Payment Pro®. Payment Pro® is a Dealer website conversion tool based on a third-party product that offers consumers real-time online monthly payment information based on an instant evaluation process. The payments are based on the consumer's credit, the actual vehicle being researched and the Dealer finance rates without requiring the consumer to provide personal information, such as date of birth or social security number. The Lead goes directly into the Dealer's management tool so that a salesperson can promptly address the consumer's inquiry.

Advertising Programs

Our Company Websites attract an audience of prospective automotive buyers that advertisers can target through display advertising. A primary way advertisers use our Company Websites to reach consumers is through vehicle content targeting. This allows automotive marketers to reach consumers while they are researching one of our automotive segments such as mini-vans or SUVs and offer Manufacturers sponsorship opportunities to assist in their efforts both in terms of customer retention and conquest strategies. Our Company Websites also offer Manufacturers the opportunity to feature their makes and models within highly contextual content. Through their advertising placements, Manufacturers can direct consumers to their respective websites for further information. We believe this transfer of focused, interested consumers to Manufacturer sites is the most significant action measured by Manufacturers in evaluating our performance and value for the Manufacturer's marketing programs. Through our agreement with a third party, the third party sells our fixed placement advertising across our Company Websites to automotive advertisers. We also offer a direct marketing platform that enables Manufacturers to selectively target in-market consumers during the often-extended vehicle shopping process. Designed to keep a specific automotive brand in consideration, our direct marketing programs allow automotive marketers to deliver specific communication through either email or direct mail formats to in-market consumers during their purchase cycle.

Our click traffic program is our pay-per-click advertising program. The click traffic program utilizes proprietary technology to offer consumers who are shopping targeted offers based on make, model and geographic location. As these consumers are conducting research on one of AutoWeb's consumer facing websites or on the site of one of our network of automotive publishers, they are presented with relevant offers on a timely basis and, upon the consumer clicking on the displayed advertisement, are sent to the appropriate website location of one of our Dealer, Manufacturer or advertising customers. The AutoWeb network of publisher websites reaches and engages with millions of potential car buyers each month, and we believe it provides high-intent, high-quality traffic that Dealers and other customers cannot typically reach through their own marketing efforts. The click traffic program is flexible and in addition to driving traffic to a vehicle detail page, it can also send website traffic to new vehicle sales, service, used vehicles or to any other department where a customer wants to engage with in-market consumers. In addition, we believe that the click traffic program can be used to conquest competitive shoppers who are researching another brand more effectively than can typically be done using other search engines. Advertisers only pay for the clicks they receive, and are able to structure campaigns with flexible budgets and no long-term commitments in order to manage spend versus key performance indicators. Ongoing feedback from our customers is that this traffic provides highly targeted marketing opportunities and is a valuable tool to help Dealers sell more vehicles.

Advertising revenues, including direct marketing, accounted for 22%, 24% and 16% of total revenues in 2018, 2017 and 2016, respectively.

Strategy

Our goal is to garner a larger share of the billions of dollars spent annually by Dealers and Manufacturers on automotive marketing services. We plan to achieve this objective through the following principal strategies:

Increasing The Supply of High-Quality Leads. High-quality Leads are those Leads that result in high transaction (i.e., vehicle acquisition) closing rates for our Dealer customers. Internally-Generated Leads are generally higher quality than Non-Internally-Generated Leads and increase the overall quality of our Lead portfolio. Non-Internally-Generated Leads are of varying quality depending on the source of these Leads. We plan to increase the supply of high-quality Leads generated to sell to our customers primarily by:

- ***Increasing traffic acquisition activities for our Company Websites.*** Traffic to our Company Websites is monetized primarily through the creation of Leads that are delivered to our Dealer or Manufacturer customers to help them market and sell new and used vehicles, and through the sale of advertising space on our Company Websites. We plan to increase the traffic to our Company Websites through effective search engine optimization (“SEO”) and search engine marketing (“SEM”) traffic acquisition activities and enhancements to our Company Websites. SEO is the practice of optimizing keywords in website content to drive traffic to a website through natural search, and SEM is the practice of bidding on keywords on search engines to drive traffic to a website

- o ***SEO and SEM traffic acquisition activities.*** Traffic to our Company Websites is obtained through a variety of sources and methods, including direct navigation to our Company Websites, SEO, SEM, direct marketing and partnering with other website publishers that provide links to our websites. Our goal is that over time, paid traffic such as SEM will be balanced by greater visitation from direct navigation and SEO, which we expect to result in increased Lead volumes and gross profit margins.

- o ***Continuing to enhance the quality and user experience of our Company Websites.*** We continuously make enhancements to our Company Websites, including enhancements of the design and functionality of our Company Websites. These enhancements are intended to position our Company Websites as comprehensive best in class destinations for automotive purchase research by consumers. By doing so, we believe we will increase the volume of our Internally-Generated Leads.

- ***Increasing the conversion rate of visitors to Leads on our Company Websites.*** Through increased SEO and SEM activities and significant content, tools and user interface enhancements to our websites, we believe we will be able to increase the number of website visits and improve website “engagement,” and thereby increase the conversion of page views into Leads. We believe that an increased conversion rate of page views into Leads could result in higher revenue per visitor.
- ***Relationships with Suppliers of High-Quality, Non-Internally-Generated Leads.*** We plan to continue to develop and maintain strong relationships with suppliers of Non-Internally-Generated Leads that consistently provide high-quality Leads.

Increasing Leads Sales to our Customers. Our principal source of revenue comes from sales of Leads to our retail and wholesale Lead customers. Our goal is to increase sales of Leads to our customers primarily by:

- ***Increasing Lead Sales to Dealers.*** Sales of Leads to our Dealer network constitute a significant source of our revenues. During 2018, we continued to focus our Dealer acquisition and retention strategies on dealerships to which we could deliver a higher percentage of our Internally-Generated Leads. We believe this will result in increased vehicle sales for our Dealers and ultimately stronger relationships with us because, based on our evaluation of the performance data and information discussed above, we believe our Internally-Generated Leads are of high-quality. Our goal is to increase the number of Leads sold to our retail Dealer customers by:
 - o increasing the quality of the Leads sold to our Dealers,
 - o increasing the number of Dealers in our Dealer network,
 - o reducing Dealer churn in our Dealer network,
 - o providing customizable Lead programs to meet our Dealers’ unique marketing requirements,
 - o providing additional value added marketing services that help Dealers more effectively utilize the internet to market and sell new and used vehicles,
 - o increasing overall Dealer satisfaction by improving all aspects of our services,
 - o increasing the size of our retail Dealer footprint,
 - o focusing on higher revenue Dealers that are more cost-effective to support, and
 - o enhancing our internal Lead generation activities by leveraging our expanded retail lead coverage.
- ***Increasing Lead Sales to Wholesale Customers.*** We currently have agreements to sell Leads to most Manufacturer Lead programs. We intend to continue to demonstrate the value of third-party leads to Manufacturers by utilizing close rate and cross sell data that demonstrates that third party leads result in incremental sales for the Manufacturers. Our intention is to increase revenue by having Manufacturers enhance business rules, program capacity, pricing and coverage so that each Manufacturer can purchase more of our Internally-Generated Leads.

Continuing to develop the click traffic program for online automotive advertisers and publishers. Our click traffic program uses proprietary technology and a pay-per-click business model to analyze web traffic and adjust advertiser costs accordingly based on traffic quality. This traffic network is targeted to attract high-intent, high-volume publishers and is intended to allow them to monetize traffic that has previously been under-monetized. In-market car shoppers are presented with highly relevant display advertisements and benefit from an online experience that delivers information that consumers use in making their car buying decisions. Manufacturers benefit from this high-quality traffic from serious in-market car buyers. Our click traffic program enables Manufacturers and Dealers to optimize their advertising by driving traffic to appropriate areas of their Tier 1 (Manufacturer national advertising), Tier 2 (Manufacturer and advertising associations regional advertising) and Tier 3 (Dealer) websites.

We believe that Manufacturers and Dealers will see the measurable attribution from this click traffic and will reallocate marketing spend from traditional channels into this emerging medium. We also plan to grow the size of this addressable marketplace by adding high-quality and high-volume automotive publishers to our network, by targeting in-market consumers on a variety of social media platforms and by continuing to optimize this advertising platform on our consumer facing websites. In addition, we believe that the flexibility of our solution combined with high-quality traffic with automotive purchase intent may allow us to grow our click advertiser base as the level of attribution from this product is understood by advertising partners.

Increasing Display Advertising Revenues. As traffic to, and time spent on, our Company Websites by consumers increases, we will seek to increase our advertising revenues. Through our agreement with a third party, we benefit from the third party's relationships with major automotive Manufacturers and/or the third party's advertising agencies by increasing revenue for our traditional display advertising. It is our belief that if the volume of our traffic increases, advertisers will recognize this increased value by agreeing to purchase additional advertising space available on our Company Websites. Additionally, we believe that our AutoWeb Traffic Product provides an opportunity to increase AutoWeb advertising revenue through additional monetization opportunities for our existing and growing traffic.

Focus on Mobile Technologies. As consumers increasingly engage with internet content using mobile devices, AutoWeb will continue to focus on mobile technologies that facilitate communication between Dealers and consumers on smart phones and tablets at the time, place, and in a manner preferred by many consumers. This focus on the mobile platform is a core part of our strategy moving forward regarding lead generation, automotive research, website advertising and traffic generation.

Continuing to Expand our Products and Services. We gather significant amounts of data on consumer intent as it relates to purchasing vehicles. We intend to use this data to create products and services, including direct business database offerings, that we believe will ultimately help Manufacturers and Dealers market and sell more new and used vehicles. Our objective is to generate revenues from this asset in the most effective and efficient ways possible.

Strategic Acquisitions, Investments and Alliances. Our goal is to grow and enhance our business. We may do so, in part, through strategic acquisitions, investments and alliances. We continue to review strategic opportunities that may provide opportunities for growth. We believe that strategic acquisitions, investments and alliances may allow us to increase market share, benefit from advancements in technology and strengthen our business operations by enhancing our product and service offerings.

Our ability to implement the foregoing strategies and plans is subject to risks and uncertainties, many of which are beyond our control. Accordingly, there is no assurance that we will successfully implement our strategies and plans. See "Item 1A. Risk Factors" of this Annual Report on Form 10-K.

Seasonality

Our quarterly revenues and operating results have fluctuated in the past and may fluctuate in the future due to various factors, including consumer buying trends, changing economic conditions, Manufacturer incentive programs and actual or threatened severe weather events. Lead volume is typically highest in summer (third quarter) and winter (first quarter) months, followed by spring (second quarter) and fall (fourth quarter) months.

Intellectual Property

Our intellectual property includes patents related to our innovations, products and services; trademarks related to our brands, products and services; copyrights in software and creative content; trade secrets; and other intellectual property rights and licenses of various kinds. We seek to protect our intellectual property assets through patent, copyright, trade secret, trademark and other laws and through contractual provisions. We enter into confidentiality and invention assignment agreements with our employees and contractors, and non-disclosure agreements with third parties with whom we conduct business in order to secure our proprietary rights and additionally limit access to, and disclosure of, our proprietary information. We have registered trademarks with the United States Patent and Trademark Office, including AutoWeb®, AutoWeb.com®, the global highway logo, Autobytel, Autobytel.com, MyGarage, iControl by Autobytel®, TextShield®, and Payment Pro®. We cannot provide any assurances that any of our intellectual property rights will be enforceable by us in litigation.

Additional information regarding certain risks related to our intellectual property is included in Part I, Item 1A “Risk Factors” of this Annual Report on Form 10-K.

Competition

In the automotive-related digital marketing services marketplace we compete for Dealer and Manufacturer customers. Competition with respect to our core Lead referral programs continued to be impacted by changing industry conditions in 2018. We continue to compete with several companies that maintain business models similar to ours, some with greater resources. In addition, competition has increased from larger competitors that traditionally have competed only in the used vehicle market. Dealers continue to invest in their proprietary websites and traffic acquisition activities, and we expect this trend to continue as Dealers strive to own and control more Lead generating assets under their captive brands. Additionally, all major Manufacturers that market their vehicles in the U.S. have their own websites that market their vehicles direct to consumers and generate Leads for delivery direct to the Manufacturers’ Dealers. We compete based on quality of our Leads and pricing.

We believe that third-party Leads have been the standard in our industry for many years. However, we continue to observe new and emerging business models, including pay-per-sale and consumer pay models, relating to the generation and delivery of Leads. From time to time, new products and services are introduced that take the focus away from third-party Lead generation, which we believe is a profitable way to sell vehicles to in-market buyers. Dealers and Manufacturers may decide to pull back on their third-party Lead programs to test these new approaches.

In the display advertising marketplace, we compete with major internet portals, transaction-based websites, automotive related companies, numerous lifestyle websites and emerging entrants in the relatively new automotive click revenue medium. According to Emarketer forecasts, the top two digital advertising platforms in the U.S. are Google and Facebook, which Emarketer expects to maintain their dominant hold on digital advertising dollars. We also compete with traditional marketing channels such as print, radio and television.

In pay-per-click advertising, we compete with established search engine providers as well as with a growing number of digital marketing platforms focused on generating dealership website traffic from inventory listings and social media campaigns. In addition, some industry providers who have historically specialized in inventory aggregation or on providing SEM agency services to Dealers are now expanding into the area of website traffic generation. Also, many dealership website providers are now offering traffic solutions as part of their bundle of services.

In addition, some traditional data providers are moving to deliver personalized digital marketing services at scale. These digital marketing hubs and data management platforms provide marketers with standardized access to audience data, content, workflow triggers and operational analytics to automate execution and optimization of multichannel campaigns. These services could be used as a source of lead generation and website traffic by Dealers and Manufacturers and could replace our existing product offerings.

Customers

We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), Media.net Advertising, and General Motors. During 2018, approximately 37% of our total revenues were derived from these three customers, and approximately 41% or \$11.2 million of gross accounts receivable related to these three customers at December 31, 2018. Urban Science Applications accounted for 18% and 21% of total revenues and accounts receivable, respectively, as of December 31, 2018. Media.net Advertising accounted for 10% and 6% of total revenues and accounts receivable, respectively, as of December 31, 2018. General Motors accounted for 9% and 13% of total revenues and accounts receivable, respectively, as of December 31, 2018.

Operations and Technology

We believe that our future success is significantly dependent upon our ability to provide high-performance, reliable and comprehensive websites, advertising systems; enhance consumer and Dealer product and service offerings; maintain the highest levels of information privacy; and ensure transactional security. Our Company Websites and advertising systems are hosted at secure third-party data center facilities and public cloud providers. These data centers and public cloud systems utilize redundant power infrastructure, redundant network connectivity, multiple locations, distributed services, fire detection and suppression systems and security systems to prevent unauthorized access and to provide high availability of their services, upon which our technology is built, deployed and operated. Our network and computer systems are built on industry standard technology.

System enhancements are primarily intended to accommodate increased traffic across our Company Websites, improve the speed in which Leads and advertisements are processed and introduce new and enhanced products and services. System enhancements entail the implementation of sophisticated new technology and system processes. We implement industry standard automation and delivery processes and employ centralized quality assurance to improve the quality, scalability, security, and availability of our products. We plan to continue to make investments in technology as we believe appropriate.

Government Regulation

We are subject to laws and regulations generally applicable to providers of digital marketing services, including federal and state laws and regulations governing data security and privacy; voice, email and text messaging communications with consumers; unfair and deceptive acts and practices; advertising; contests, sweepstakes and promotions; and content regulation. For additional important information related to government regulation of our business, including governmental regulations relating to the marketing and sale of automobiles, see the information set forth in Part I, Item 1A “Risk Factors” of this Annual Report on Form 10-K.

Employees

As of March 5, 2019, we had 199 employees.

Item 1A. Risk Factors

The risks described below are not the only risks that we face. The following risks as well as risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially and adversely affect our business, results of operations, financial condition, earnings per share, cash flow or the trading price of our stock, individually and collectively referred to in these Risk Factors as our “**financial performance**.” See also the discussion of “Forward-Looking Statements” immediately preceding Part I of this Annual Report on Form 10-K.

We may be unable to increase Lead revenues and could suffer a decline in revenues due to dealer attrition.

We derive more than 98% of our Lead revenues from Lead fees paid by Dealers and Manufacturers participating in our Lead programs. Our Lead fees decreased \$10.1 million, or 9%, in 2018 compared to 2017. Our ability to increase revenues from sales of Leads is dependent on a mix of interrelated factors that include increasing Lead revenues by attracting and retaining Dealers and Manufacturers and increasing the number of high-quality Leads we sell to Dealers and Manufacturers. We are also focused on higher revenue Dealers that are more cost-effective to support. Our sales strategy is intended to result in more profitable relationships with our Dealers both in terms of cost to supply Leads and to support the Dealers. Dealer churn impacts our revenues, and if our sales strategy does not mitigate the loss in revenues by maintaining the overall number of Leads sold by increasing sales to other Dealers or Manufacturers while maintaining the overall margins we receive from the Leads sold, our revenues would decrease. We cannot provide any assurances that we will be able to increase Lead fee revenues, prevent Dealer attrition or offset the revenues lost due to Dealer attrition by other means, and our failure to do so could materially and adversely affect our financial performance.

We may lose customers or quality Lead supplies to our competitors.

Our ability to provide increased numbers of high-quality Leads to our customers is dependent on increasing the number of Internally-Generated Leads and acquiring high-quality Non-Internally-Generated Leads from third parties. Originating Internally-Generated Leads is dependent on our ability to increase consumer traffic to our Company Websites by providing secure and easy to use websites with relevant and quality content for consumers and increasing visibility of our brands to consumers and by our SEM activities. We compete for Dealer and Manufacturer customers and for acquisition of Non-Internally-Generated Leads with companies that maintain automotive Lead referral businesses that are very similar to ours. Many of these competitors are larger than us and have greater financial resources than we have. If we lose customers or quality Lead supply volume to our competitors, or if our pricing or cost to acquire Leads is impacted, our financial performance will be materially and adversely impacted.

Our financial performance could be materially and adversely affected by changes in internet search engine algorithms and dynamics.

We use Google to generate a significant portion of the traffic to our websites, and, to a lesser extent, we use other search engines and meta-search websites to generate traffic to our websites, principally through pay-per-click advertising campaigns. The pricing and operating dynamics on these search engines can experience rapid change commercially, technically and competitively. For example, Google frequently updates and changes the logic that determines the placement and display of results of a consumer's search, such that the placement of links to our websites can be negatively affected and our costs to improve or maintain our placement in search results can increase.

We are affected by general economic and market conditions, and, in particular, conditions in the automotive industry.

Our financial performance is affected by general economic and market factors, conditions in the automotive industry, and the market for automotive marketing services, including, but not limited to, the following:

- Pricing and purchase incentives for vehicles;
- The expectation that consumers will be purchasing fewer vehicles overall during their lifetime as a result of better quality vehicles and longer warranties;
- The impact of fuel prices on demand for the number and types of vehicles;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale customers in our customer base;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations;
- The competitive impact of consolidation in the online automotive consumer referral industry;
- The effect of changes in transportation policy, including the potential increase of public transportation options; and
- The effect of fewer vehicles being purchased as a result of new business models and changes in consumer attitudes regarding the need for vehicle ownership.

Concentration of credit risk and risks due to significant customers could materially and adversely affect our financial performance.

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are primarily maintained with three financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. Generally, these deposits may be redeemed upon demand. Accounts receivable are primarily derived from fees billed to Dealers and Manufacturers. We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), General Motors and Media.net Advertising. During 2018 approximately 37% of the Company's total revenues were derived from these customers, and they accounted for approximately 41% or \$11.2 million of gross accounts receivable at December 31, 2018. No collateral is required to support our accounts receivables, and we maintain an allowance for bad debts for potential credit losses. If there is a decline in the general economic environment that negatively affects the financial condition of our customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required, and the adverse impact on our financial performance could be material.

We depend on Manufacturers through our third party sales channel for a significant amount of our advertising revenues, and we may not be able to maintain or grow these relationships.

We depend on Manufacturers through our third party sales channel for a significant amount of our advertising revenues. A decline in the level of advertising on our websites, reductions in advertising rates or any significant failure to develop additional sources of advertising would cause our advertising revenues to decline, which could have a material adverse effect on our financial performance. We periodically negotiate revisions to existing agreements and these revisions could decrease our advertising revenues in future periods and a number of our advertising agreements with Manufacturers may be terminated at any time without cause. We may not be able to maintain our relationship with Manufacturers on favorable terms or find alternative comparable relationships capable of replacing advertising revenues on terms satisfactory to us. If we cannot do so, our advertising revenues would decline, which could have a material adverse effect on our financial performance.

Our ability to maintain and add to our relationships with advertisers and thereby increase advertising revenues is dependent on our ability to attract consumers and acquire traffic to our Company Websites and monetize that traffic at profitable margins with advertisers. Our consumer facing websites compete with offerings from the major internet portals, transaction based sites, automotive-related verticals (websites with content that is primarily automotive in nature) and numerous lifestyle websites. Our advertising business is characterized by minimal barriers to entry, and new competitors may be able to launch competitive services at relatively low costs. If our Company Websites do not provide a compelling, differentiated user experience, we may lose visitors to competing sites, and if our website traffic declines, we may lose relevance to our major advertisers who may reduce or eliminate their advertising buys from us, which could have a material and adverse effect on our financial performance.

Uncertainty exists in the application of various laws and regulations to our business. New laws or regulations applicable to our business, or expansion or interpretation of existing laws and regulations to apply to our business, could subject us to licensing, claims, judgments and remedies, including monetary liabilities and limitations on our business practices, and could increase administrative costs or materially and adversely affect our financial performance.

We operate in a regulatory climate in which there is uncertainty as to the application of various laws and regulations to our business. Our business could be significantly affected by different interpretations or applications of existing laws or regulations, future laws or regulations, or actions or rulings by judicial or regulatory authorities. Our operations may be subjected to adoption, expansion or interpretation of various laws and regulations, and compliance with these laws and regulations may require us to obtain licenses at an undeterminable and possibly significant initial and annual expense. These additional expenditures may increase future overhead, thereby potentially reducing our future results of operations. There can be no assurances that future laws or regulations or interpretations or expansions of existing laws or regulations will not impose requirements on internet commerce that could substantially impair the growth of e-commerce and adversely affect our financial performance. The adoption of additional laws or regulations may decrease the popularity or impede the expansion of e-commerce and internet marketing, restrict our present business practices, require us to implement costly compliance procedures or expose us and/or our customers to potential liability.

We may be deemed to "operate" or "do business" in states where our customers conduct their business, resulting in regulatory action. If any state licensing laws were determined to be applicable to us, and if we are required to be licensed and we are unable to do so, or we are otherwise unable to comply with laws or regulations, we could be subject to fines or other penalties or be compelled to discontinue operations in those states. In the event any state's regulatory requirements impose state specific requirements on us or include us within an industry-specific regulatory scheme, we may be required to modify our marketing programs in that state in a manner that may undermine the program's attractiveness to consumers or Dealers. In the alternative, if we determine that the licensing and related requirements are overly burdensome, we may elect to terminate operations in that state. In each case, our financial performance could be materially and adversely affected. We have identified below areas of government regulation, which if changed or interpreted to apply to our business, we believe could be costly for us and could materially and adversely affect our financial performance.

Automotive Dealer/ Broker and Vehicle Advertising Laws. All states comprehensively regulate vehicle sales and lease transactions, including strict licensure requirements for Dealers (and, in some states, brokers) and vehicle advertising. Most of these laws and regulations, we believe, specifically address only traditional vehicle purchase and lease transactions, not internet-based Lead referral programs such as our programs. If we determine that the licensing or other regulatory requirements in a given state are applicable to us or to a particular marketing services program, we may elect to obtain required licenses and comply with applicable regulatory requirements. However, if licensing or other regulatory requirements are overly burdensome, we may elect to terminate operations or particular marketing services programs in that state or elect to not operate or introduce particular marketing services programs in that state. In some states we have modified our marketing programs or pricing models to reduce uncertainty regarding our compliance with local laws. As we introduce new services, we may need to incur additional costs associated with additional licensing regulations and regulatory requirements.

Financial Broker and Consumer Credit Laws. Through our websites consumers can click through to Dealer, Manufacturer and potential lender websites to obtain information regarding automotive financing. All online applications for financing quotes are completed on the respective third party's websites. We receive marketing fees from financial institutions and Dealers in connection with this marketing activity. We do not demand, nor do we receive any fees from consumers for these services. In the event states require us to be licensed as a financial broker or finder, we may be unable to comply with a state's laws or regulations, or we could be required to incur significant fees and expenses to obtain any financial broker required license and comply with regulatory requirements. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act established a new consumer financial protection bureau with broad regulatory powers, which could lead to regulation of our advertising business directly or indirectly through regulation of automotive finance companies and other financial institutions.

Insurance Broker Laws. We provide links on our websites and referrals from call centers enabling consumers to be referred to third parties to receive quotes for insurance from such third parties. All online applications for quotes are completed on the respective insurance carriers' or other third party websites, and all applications for quotes obtained through call center referrals are conducted by the insurance carrier or other third party. We receive marketing fees from participants in connection with this marketing activity. We do not receive any premiums from consumers nor do we charge consumers fees for our services.

Changes in the taxation of internet commerce may result in increased costs.

Because our business is dependent on the internet, the adoption of new local, state or federal tax laws or regulations or new interpretations of existing laws or regulations by governmental authorities may subject us to additional local, state or federal sales, use or income taxes and could decrease the growth of internet usage or marketing or the acceptance of internet commerce which could, in turn, decrease the demand for our services and increase our costs. As a result, our financial performance could be materially and adversely affected. State taxing authorities are reviewing and re-evaluating the tax treatment of companies engaged in internet commerce, including the application of sales taxes to internet marketing businesses similar to ours, as a source of tax revenues. We accrue for tax contingencies based upon our estimate of the taxes ultimately expected to be paid, which we update over time as more information becomes available, new legislation or rules are adopted or taxing authorities interpret their existing statutes and rules to apply to internet commerce, including internet marketing businesses similar to ours. The amounts ultimately paid in resolution of reviews or audits by taxing authorities could differ materially from the amounts we have accrued and result in additional tax expense, and our financial performance could be materially and adversely affected.

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

The Company is subject to taxation in the United States. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("TCJA"). The legislation implements many new U.S. domestic and international tax provisions. Many aspects of the TCJA remain unclear, and although additional clarifying guidance is expected to be issued (by the Internal Revenue Service ("IRS"), the U.S. Treasury Department or via a technical correction law change), it may not be clarified for some time. In addition, a number of U.S. states have not yet updated their laws to take into account the new federal legislation. As a result, there may be further impacts of the new law on our financial performance. It is possible that the TCJA, or interpretations under it, could change and could have an adverse effect on us, and such effect could be material.

We may require additional capital to implement new strategic plans, modernize and upgrade our technology and systems, pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, or is not available on favorable terms, our financial performance could be materially and adversely affected.

We may require additional capital to implement new strategic plans, modernize and upgrade our technology and systems, pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to develop new products or services, improve existing products and services, enhance our operating infrastructure and acquire complementary businesses and technologies. As a result, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all.

Any debt financing that we may secure in the future could involve restrictive covenants that may make it more difficult for us to obtain additional capital. Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to implement new strategic plans, modernize and upgrade our technology and systems, pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our financial performance could be materially and adversely affected.

Data Security and Privacy Risks

Our business is subject to various laws, rules and regulations relating to data security and privacy. New data security and privacy laws, rules and regulations may be adopted regarding the internet or other online services that could limit our business flexibility or cause us to incur higher compliance costs. In each case, our financial performance could be materially and adversely affected. We have identified below some of these risks that we believe could materially and adversely affect our financial performance.

Anti-spam laws, rules and regulations. Various state and federal laws, rules and regulations regulate email communications and internet advertising and restrict or prohibit unsolicited email (commonly known as “spam”). These laws, rules or regulations may adversely affect our ability to market our services to consumers in a cost-effective manner. The federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (“CAN-SPAM”) imposes complex and often burdensome requirements in connection with sending commercial emails. In addition, state laws regulating the sending of commercial emails, including California’s law regulating the sending of commercial emails, to the extent found to not be preempted by CAN-SPAM, may impose requirements or conditions more restrictive than CAN-SPAM. Violation of these laws, rules or regulations may result in monetary fines or penalties or damage to our reputation.

Data privacy laws, rules and regulations. Various laws, rules and regulations govern the collection, use, retention, sharing and security of data that we receive from our users, advertisers and affiliates. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use and disclosure of user data and personal information. Any failure, or perceived failure, by us to comply with our posted privacy policies, Federal Trade Commission requirements or orders or other federal or state privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others. Further, failure or perceived failure by us to comply with our policies, applicable requirements or industry self-regulatory principles related to the collection, use, sharing or security of personal information or other privacy-related matters could result in a loss of user confidence in us, damage to our brands, and ultimately in a loss of users, advertisers or Lead referral and advertising affiliates. We cannot predict whether new legislation or regulations concerning data privacy and retention issues related to our business will be adopted, or if adopted, whether they could impose requirements that may result in a decrease in our user registrations and materially and adversely affect our financial performance. Proposals that have or are currently being considered include restrictions relating to the collection and use of data and information obtained through the tracking of internet use, including the possible implementation of a “Do Not Track” list, that would allow internet users to opt-out of such tracking. Other proposals include enhanced rights for consumers to obtain information regarding the sharing or sale of their personal information and rights to opt-out or prevent the sharing or sale of their personal information to third parties, similar to the European Union’s General Data Protection Regulation. The State of California has already enacted AB 375, the California Consumer Privacy Act of 2018, which includes significant new personal data privacy rights for consumers. The law becomes effective on January 1, 2020, but may be amended before it becomes effective. Depending on the provisions of the law that become effective, compliance with this law could have a material and adverse effect on our financial performance.

Security risks associated with online Leads collection and referral, advertising and e-commerce risks associated with other online fraud and scams. A significant issue for online businesses like ours is the secure transmission of confidential and personal information over public networks. Concerns over the security of transactions conducted on the internet, consumer identity theft and user privacy issues have been significant barriers to growth in consumer use of the internet, online advertising and e-commerce. Despite our implementation of security measures, our computer systems or those of our vendors may be susceptible to electronic or physical computer break-ins, viruses and other disruptive harms and security breaches. In addition, consumers may experience losses of personally identifiable information as a result of corporate identity theft. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may specifically compromise our security measures. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures on a timely basis. Any perceived or actual unauthorized disclosure of personally identifiable information that we collect or store, whether through breach of our network by an unauthorized party, employee theft or misuse, or otherwise, could harm our reputation and brands, substantially impair our ability to attract and retain our audiences, or subject us to claims or litigation arising from damages suffered by consumers or Lead or traffic suppliers. If consumers experience identity theft related to personally identifiable information we collect or store, we may be exposed to liability, adverse publicity and damage to our reputation. To the extent that identity theft gives rise to reluctance to use our websites or to supply us leads or traffic, or a decline in consumer confidence in financial transactions over the internet, our business could be adversely affected. Alleged or actual breaches of the network of one of our business partners or competitors whom consumers associate with us could also harm our reputation and brands. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. For example, California law requires companies to inform individuals of any security breaches that result in their personal information being stolen. Because our success depends on the acceptance of online services and e-commerce, we may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by those breaches. Internet fraud has been increasing over the past few years, and the Company has experienced fraudulent use of our name and trademarks on websites in connection with the purported sale of vehicles offered on third party websites, with payments to be handled through an online escrow service purported to be owned and operated by the Company. These fraudulent online transactions and scams, should they continue to increase in prevalence, could affect our reputation with consumers and give rise to claims by consumers for funds transferred to the fraudulent accounts, which could materially and adversely affect our financial performance.

We are insured for some, but not all, of the foregoing risks. Even for those risks for which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all costs, liabilities or losses we might incur or experience.

Telemarketing Risks. We are subject to various federal and state laws, rules, regulations and orders regarding telemarketing and privacy, including restrictions on the use of unsolicited emails and restrictions on marketing activities conducted through the use of telephonic communications (including text messaging to mobile telephones). Our financial performance could be adversely affected by newly-adopted or amended laws, rules, regulations and orders relating to telemarketing and increased enforcement of such laws, rules, regulations or orders by governmental agencies or by private litigants. One example of regulatory changes that may affect our financial performance are the regulations under the Telephone Consumer Protection Act (“TCPA”). Regulations adopted by the Federal Communications Commission under the TCPA require the prior express written consent of the called party before a caller can initiate telemarketing calls (i) to wireless numbers (including text messaging) using an automatic telephone dialing system or an artificial or prerecorded voice; or (ii) to residential lines using an artificial or prerecorded voice. Failure to comply with the TCPA can result in significant penalties, including statutory damages. We may become subject to lawsuits (including class-action lawsuits) alleging that our business violated the TCPA. Under the TCPA, plaintiffs may seek actual monetary loss or statutory damages of \$500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. Such litigation, even if not meritorious, could result in substantial costs and diversion of management attention and an adverse outcome could materially and adversely affect our financial performance. Our efforts to comply with these regulations may negatively affect conversion rates of leads, and thus, our revenue or profitability.

Technology Risks

Our business is dependent on keeping pace with advances in technology. If we are unable to keep pace with advances in technology, consumers may stop using our services and our revenues will decrease. Our financial performance may be materially and adversely impacted by material investments in technology. The internet and electronic commerce markets are characterized by rapid technological change, changes in user and customer requirements, frequent new service and product introductions embodying new technologies, including mobile internet applications, and the emergence of new industry standards and practices that could render our existing websites and technology obsolete. These market characteristics are intensified by the evolving nature of the market and the fact that many companies are expected to introduce new internet products and services in the near future. If we are unable to adapt to changing technologies, our financial performance could be materially and adversely affected. Our performance will depend, in part, on our ability to continue to enhance our existing services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our websites, mobile applications and other proprietary technology entails significant technical and business risks. We may not be successful in using new technologies effectively or adapting our websites or other proprietary technology to customer requirements or to emerging industry standards. In addition, our financial performance could be materially and adversely affected by material investments in technology in order to keep pace with technological advances.

Interruptions or failures in our information technology platforms, communication systems or security systems could materially and adversely affect our financial performance. Our information technology and communications systems are susceptible to outages and interruptions due to fire, flood, earthquake, power loss, telecommunications failures, cyber attacks, terrorist attacks, technology operations and development failures, failure of redundant systems and disaster recovery plans and similar events. Such outages and interruptions could damage our reputation and harm our operating results. Despite our network security measures, our information technology platforms are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage and similar disruptions from unauthorized tampering, as well as coordinated denial-of-service attacks. We do not have multiple site capacity for all of our services. In the event of delays or disruptions to services we rely on third party providers to perform disaster recovery planning and services on our behalf. We are vulnerable to extended failures to the extent that planning and services are not adequate to meet our continued technology platform, communication or security systems’ needs. We rely on third party providers for our primary and secondary internet connections. Our co-location service and public cloud services that provide infrastructure and platform services, environmental and power support for our technology platforms, communication systems and security systems are received from third party providers. We have little or no control over these third party providers. Any disruption of the services they provide us or any failure of these third party providers to effectively design and implement sufficient security systems or plan for increases in capacity could, in turn, cause delays or disruptions in our services. We are insured for some, but not all, of these events. Even for those events for which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all losses we might incur or experience. We have recently conducted evaluations of our technology and business systems, and based on these evaluations, we believe that our technology infrastructure, our accounting and business systems and disaster recovery procedures are in need of upgrades and replacements. Failure to implement these updates and upgrades could result in systems failures, inability to promptly recover from system failures, and data security risks. We anticipate incurring significant expenses in upgrading and replacing technology infrastructure and business systems over the next three years. Our financial performance may be materially and adversely impacted by material investments in new technology infrastructure and business systems.

We are dependent upon third parties for certain support services and should they fail to perform, our financial performance could be materially and adversely affected. We rely on various third parties to provide certain support services. Should a third party fail to perform or perform adequately, our financial performance could be materially and adversely affected.

We are exposed to risks associated with overseas operations. We currently maintain website, software development and operations in Guatemala. These overseas operations are subject to many inherent risks, including but not limited to:

- Political and social instability;
- Exposure to different business practices and legal standards, particularly with respect to labor and employment laws and intellectual property;
- Continuation of overseas conflicts and the risk of terrorist attacks and resulting heightened security;
- The imposition of governmental controls and restrictions and unexpected changes in regulatory requirements;
- Theft and other crimes;
- Nationalization of business and blocking of cash flows;
- Changes in taxation and tariffs;
- Difficulties in staffing and managing international operations; and
- Foreign currency exchange fluctuations.

These risks can significantly impact our overseas operations and outsourcing. Increases in the cost, or disruptions, of such operations and outsourcing, could materially and adversely affect our financial performance. In addition, we are subject to certain anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, in addition to the laws of the foreign countries in which we operate. If we or any of our employees or agents violates these laws, we could become subject to sanctions or significant penalties that could negatively affect our reputation and financial performance.

We may acquire other companies, and there are many risks associated with acquisitions. As part of our business strategy we evaluate potential acquisitions that we believe will complement or enhance our existing business. We currently do not have any definitive agreements to acquire any company or business, and we may not be able to identify or complete any acquisition in the future. Acquisitions involve numerous risks that include the following, any of which could materially and adversely affect our financial performance:

- We may not fully realize all of the anticipated benefits of an acquisition or may not realize them in the timeframe expected, including due to acquisitions where we expand into product and service offerings or enter or expand into markets in which we are not experienced;
- In order to complete acquisitions, we may issue common stock or securities convertible into or exercisable for common stock, potentially creating dilution for existing stockholders. Issuance of equity securities may also restrict utilization of net operating loss carryforwards because of an annual limitation due to ownership change limitations under the Internal Revenue Code;
- We may borrow to finance acquisitions, and the amount and terms of any potential future acquisition-related or other borrowings may not be favorable to the Company and could affect our liquidity and financial condition;
- Acquisitions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans;
- Our due diligence process may fail to identify significant issues with an acquired company that may result in unexpected or increased costs, expenses or liabilities that could make an acquisition less profitable or unprofitable;
- The failure to further our strategic objectives that may require us to expend additional resources to develop products, services and technology internally;
- An announced business combination and investment transaction may not close timely or at all, which may cause our financial results to differ from expectations in a given quarter; and
- Business combination and investment transactions may lead to litigation that can be costly to defend or settle, even if no actual liability exists.

- Integrations of acquisitions are often complex, time-consuming and expensive, and if acquisitions are not successfully integrated they could materially and adversely affect our financial performance. The challenges involved with integration of acquisitions include:
 - Diversion of management attention to assimilating the acquired business from other business operations and concerns;
 - Integration of management information and accounting systems of the acquired business into our systems, and the failure to fully realize all of the anticipated benefits of an acquisition;
 - Difficulties in assimilating the operations and personnel of an acquired business into our own business;
 - Difficulties in integrating management information and accounting systems of an acquired business into our current systems;
 - Convincing our customers and suppliers and the customers and suppliers of the acquired business that the transaction will not diminish client service standards or business focus and that they should not defer purchasing decisions or switch to other suppliers;
 - Consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes;
 - Persuading employees that business cultures are compatible, maintaining employee morale, retaining key employees and integrating employees into the Company;
 - Coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures; and
 - Managing integration issues shortly after or pending the completion of other independent transactions.

Securities Market Risks

The public market for our common stock may be volatile, especially because market prices for internet-related and technology stocks have often been unrelated to operating performance. Our common stock is currently listed on The Nasdaq Capital Market under the symbol “AUTO,” but we cannot assure that an active trading market will be sustained or that the market price of the common stock will not decline. The stock market in general periodically experiences significant price fluctuations. The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as:

- Actual or anticipated variations in our quarterly operating results;
- Historical and anticipated operating metrics such as the number of participating Dealers, volume of Lead deliveries to Dealers, the number of visitors to Company Websites and the frequency with which they interact with Company Websites;
- Announcements of new product or service offerings;
- Technological innovations;
- Low trading volumes;
- Concentration of holdings in our common stock resulting in low public float for our shares;
- Decisions by holders of large blocks of our stock to sell their holdings on accelerated time schedules, including by reason of their decision to liquidate investment funds that hold our stock;
- Limited analyst coverage of the Company;
- Competitive developments, including actions by Manufacturers;
- Changes in financial estimates by securities analysts or our failure to meet such estimates;
- Conditions and trends in the internet, electronic commerce and automotive industries;
- Adoption of new accounting standards affecting the technology or automotive industry;
- Rumors, whether or not accurate, about us, our industry or possible transactions or other events;
- The impact of open market repurchases of our common stock; and
- General market or economic conditions and other factors.

Further, the stock markets, and in particular The Nasdaq Capital Market, have experienced price and volume fluctuations that have particularly affected the market prices of equity securities of many technology companies and have often been unrelated or disproportionate to the operating performance of those companies. These broad market factors have affected and may adversely affect the market price of our common stock. In addition, general economic, political and market conditions, such as recessions, interest rates, energy prices, international currency fluctuations, terrorist acts, political revolutions, military actions or wars, may adversely affect the market price of our common stock. In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been instituted against companies with publicly traded securities.

Our common stock could be delisted from The Nasdaq Capital Market if we are not able to satisfy continued listing requirements, in which case the price of our common stock and our ability to raise additional capital and issue equity-based compensation may be adversely affected, and trading in our stock may be less orderly and efficient. For our common stock to continue to be listed on The Nasdaq Capital Market, the Company must satisfy various continued listing requirements established by The Nasdaq Stock Market LLC. In the event the Company were not able to satisfy these continued listing requirements, we expect that our common stock would be quoted on an over-the-counter market. These markets are generally considered to be less efficient and less broad than The Nasdaq Capital Market. Investors may be reluctant to invest in the common stock if it is not listed on The Nasdaq Capital Market or another stock exchange. Delisting of our common stock could have a material adverse effect on the price of our common stock and would also eliminate our ability to rely on the preemption of state securities registration and qualification requirements afforded by Section 18 of the Securities Act of 1933 for “covered securities.” The loss of this preemption could result in higher costs associated with raising capital, could limit resale of our stock in some states, and could adversely impact our ability to issue equity-based compensation to Company employees.

No assurances can be given that the Company will continue to be able to meet the continued listing requirements for listing of our common stock on The Nasdaq Capital Market.

Risks Associated with Litigation

Misappropriation or infringement of our intellectual property and proprietary rights, enforcement actions to protect our intellectual property and claims from third parties relating to intellectual property could materially and adversely affect our financial performance. Litigation regarding intellectual property rights is common in the internet and technology industries. We expect that internet technologies and software products and services may be increasingly subject to third party infringement claims as the number of competitors in our industry segment grows and the functionality of products in different industry segments overlaps. Our ability to compete depends upon our proprietary systems and technology. While we rely on trademark, trade secret, patent and copyright law, confidentiality agreements and technical measures to protect our proprietary rights, we believe that the technical and creative skills of our personnel, continued development of our proprietary systems and technology, brand name recognition and reliable website maintenance are more essential in establishing and maintaining a leadership position and strengthening our brands. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our services or to obtain and use information that we regard as proprietary. Policing unauthorized use of our proprietary rights is difficult and may be expensive. We have no assurance that the steps taken by us will prevent misappropriation of technology or that the agreements entered into for that purpose will be enforceable. Effective trademark, service mark, patent, copyright and trade secret protection may not be available when our products and services are made available online. In addition, if litigation becomes necessary to enforce or protect our intellectual property rights or to defend against claims of infringement or invalidity, this litigation, even if successful, could result in substantial costs and diversion of resources and management attention. We also have no assurances that our products and services do not infringe on the intellectual property rights of third parties. Claims of infringement, even if unsuccessful, could result in substantial costs and diversion of resources and management attention. If we are not successful, we may be subject to preliminary and permanent injunctive relief and monetary damages which may be trebled in the case willful infringements.

Our financial performance could be adversely affected by actions of third parties that could subject us to litigation. We could face liability for information retrieved or obtained from or transmitted over the internet by third parties and liability for products sold over the internet by third parties. We could be exposed to liability with respect to third party information that may be accessible through our websites, links or vehicle review services. These claims might, for example, be made for defamation, negligence, patent, copyright or trademark infringement, personal injury, breach of contract, unfair competition, false advertising, invasion of privacy or other legal theories based on the nature, content or copying of these materials. These claims might assert, among other things that, by directly or indirectly providing links to websites operated by third parties we should be liable for copyright or trademark infringement or other wrongful actions by such third parties through those websites. It is also possible that, if any third party content provided on our websites contains errors, consumers could make claims against us for losses incurred in reliance on such information. Any claims could result in costly litigation, divert management's attention and resources, cause delays in releasing new or upgrading existing services or require us to enter into royalty or licensing agreements.

We also enter into agreements with other companies under which any revenues that results from the purchase or use of services through direct links to or from our websites or on our websites is shared. In addition, we acquire personal information and data in the form of Leads purchased from third party websites involving consumers who submitted personally identifiable information and data to the third parties and not directly to us. These arrangements may expose us to additional legal risks and uncertainties, including disputes with these parties regarding revenue sharing, local, state and federal government regulation and potential liabilities to consumers of these services, even if we do not provide the services ourselves or have direct contact with the consumer. These liabilities can include liability for violations by these third parties of laws, rules and regulations, including those related to data security and privacy laws and regulations; unsolicited email, text messaging, telephone or wireless voice marketing; and licensing. We have no assurance that any indemnification provided to us in our agreements with these third parties, if available, will be adequate.

Our financial performance could be materially and adversely affected by other litigation. From time to time, we are involved in litigation or legal matters not related to intellectual property rights and arising from the normal course of our business activities. The actions filed against us and other litigation or legal matters, even if not meritorious, could result in substantial costs and diversion of resources and management attention and an adverse outcome in litigation could materially and adversely affect our financial performance. Our liability insurance may not cover all potential claims to which we are exposed and may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of our insurance coverage could have a material adverse effect on our financial performance.

Our certificate of incorporation and bylaws, tax benefit preservation plan and Delaware law contain provisions that could discourage a third party from acquiring us or limit the price third parties are willing to pay for our stock.

Provisions of our restated certificate of incorporation and bylaws relating to our corporate governance and provisions in our Tax Benefit Preservation Plan could make it difficult for a third party to acquire us, and could discourage a third party from attempting to acquire control of us. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock and may have the effect of delaying or preventing a change in control. The issuance of preferred stock also could decrease the amount of earnings and assets available for distribution to the holders of common stock or could adversely affect the rights and powers, including voting rights, of the holders of the common stock.

Our restated certificate of incorporation allows us to issue preferred stock with rights senior to those of the common stock without any further vote or action by the stockholders. Our restated certificate of incorporation also provides that the board of directors is divided into three classes, which may have the effect of delaying or preventing changes in control or change in our management because less than a majority of the board of directors are up for election at each annual meeting. In addition, provisions in our restated certificate of incorporation and bylaws:

- Require that actions to be taken by our stockholders may be taken only at an annual or special meeting of our stockholders and not by written consent;
- Specify that special meetings of our stockholders can be called only by our board of directors, a committee of the board of directors, the Chairman of our board of directors or our President;
- Establish advance notice procedures for stockholders to submit nominations of candidates for election to our board of directors and other proposals to be brought before a stockholders meeting;
- Provide that our bylaws may be amended by our board of directors without stockholder approval;
- Allow our board of directors to establish the size of our board of directors;
- Provide that vacancies on our board of directors or newly created directorships resulting from an increase in the number of our directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- Do not give the holders of our common stock cumulative voting rights with respect to the election of directors.

These provisions could make it more difficult for stockholders to effect corporate actions such as a merger, asset sale or other change in control of us.

Under our Tax Benefit Preservation Plan, rights to purchase capital stock of the Company (“Rights”) have been distributed as a dividend at the rate of five Rights for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of \$73.00 (as this price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company’s outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company’s outstanding common stock. If a person or group acquires 4.90% or more of our common stock, all Rights holders, except the acquirer, will be entitled to acquire at the then exercise price of a Right that number of shares of our common stock which, at the time, has a market value of two times the exercise price of the Right. The Tax Benefit Preservation Plan authorizes our board of directors to exercise discretionary authority to deem a person acquiring common stock in excess of 4.90% not to be an “Acquiring Person” under the Tax Benefit Preservation Plan, and thereby not trigger the Rights, if the Board finds that the beneficial ownership of the shares by the person acquiring the shares will not be likely to directly or indirectly limit the availability to the Company of the net operating loss carryovers and other tax attributes that the plan is intended to preserve or is otherwise in the best interests of the Company.

We are also subject to Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly-held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a “business combination” includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an “interested stockholder” is a person who, together with affiliates and associates, owns or did own 15% or more of the corporation’s voting stock. Section 203 could discourage a third party from attempting to acquire control of us.

If our internal controls and procedures fail, our financial condition, results of operations and cash flow could be materially and adversely affected.

Pursuant to the Sarbanes-Oxley Act, management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal controls over financial reporting are processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. Our ability to report our financial results on a timely and accurate basis could be adversely affected by a failure in our internal control over financial reporting. If our financial statements are not fairly presented, investors may not have an accurate understanding of our operating results and financial condition. If our financial statements are not timely filed with the SEC, we could be delisted from The Nasdaq Capital Market. If either or both of these events occur, it could have a material adverse effect on our ability to operate our business and the market price of our common stock. In addition, a failure in our internal control over financial reporting could materially and adversely affect our financial performance.

Our internal controls may not prevent all potential errors or fraud. Any control system, no matter how well designed and implemented, can only provide reasonable and not absolute assurance that the objectives of the control system will be achieved. We, or our independent registered public accountants, may identify material weaknesses in our internal controls which could adversely affect our ability to ensure proper financial reporting and could affect investor confidence in us and the price of our common shares. We previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, and in our Quarterly Reports on Form 10-Q for each interim period in 2018, material weaknesses in our internal control over financial reporting in respect to (i) evaluation and measurement of goodwill for impairment and (ii) valuation of deferred tax assets. Management implemented a number of remediation actions as discussed in Part II, Item 9A of this Annual Report on Form 10-K, and has had sufficient time to test the design and operating effectiveness during the three months ended December 31, 2018. As such, management has concluded that the material weaknesses described above were remediated as of December 31, 2018.

If we lose our key personnel or are unable to attract, train and retain additional highly qualified sales, marketing, managerial and technical personnel, our business may suffer.

Our future success depends on our ability to identify, hire, train and retain highly qualified sales, marketing, managerial and technical personnel. In addition, as we introduce new services we may need to hire additional personnel. We may not be able to attract, assimilate or retain such personnel in the future. The inability to attract and retain the necessary executive, managerial, technical, sales and marketing personnel could have a material adverse effect on our financial performance.

Our business and operations are substantially dependent on the performance of our executive officers and key employees. Each of these executive officers could be difficult to replace. There is no guarantee that these or any of our other executive officers and key employees will remain employed with us. The loss of the services of one or more of our executive officers or key employees could have a material adverse effect on our financial performance.

Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide competitive compensation packages, including cash and stock-based compensation. Our primary forms of stock-based incentive awards are stock options and restricted stock. If the anticipated value of such stock-based incentive awards does not materialize, if our stock-based compensation otherwise ceases to be viewed as a valuable benefit, or if our total compensation package is not viewed as being competitive, our ability to attract, retain and motivate executives and key employees could be weakened.

Our current executives may view the business differently than prior members of management, and over time may make changes to our strategic focus, operations or business plans with corresponding changes in how we report our results of operations. We can make no assurances that our current executives will be able to properly manage any such shift in focus or that any changes to our business would ultimately prove successful. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees, retaining and motivating existing employees or integrating new executives and employees, our business could be materially and adversely affected.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our headquarters are located in Irvine, California. Our headquarters consist of approximately 33,000 square feet of leased office space under a lease that expires in July 2020. Our Tampa, Florida SEM operations are located in offices consisting of approximately 13,000 square feet under a lease that expires in May 2024. Our website development operations located in Guatemala City, Guatemala occupy approximately 10,000 square feet of leased office space under leases that expire in March 2020. We also have other operations located in Boston, Massachusetts under a 2,000 square foot office lease expiring in October 2020. We believe that our existing facilities are adequate to meet our needs and that existing needs and future growth can be accommodated by leasing alternative or additional space.

Item 3. Legal Proceedings

From time to time, we may be involved in litigation matters arising from the normal course of our business activities. Litigation, even if not meritorious, could result in substantial costs and diversion of resources and management attention, and an adverse outcome in litigation could materially adversely affect our business, results of operations, financial condition, cash flows, earnings per share and stock price.

Item 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock, par value \$0.001 per share, is listed on The Nasdaq Capital Market and trades under the symbol “AUTO.”

As of March 5, 2019, there were 174 holders of record of our common stock. We have never declared or paid any cash dividends on our common stock and we do not expect to pay any cash dividends in the foreseeable future. Payment of any future dividends will depend on our earnings, cash flows and financial condition and will be subject to legal and contractual restrictions.

Item 6. Selected Financial Data

The tables below set forth our selected consolidated financial data. We prepared this information using the consolidated financial statements of AutoWeb for the five years ended December 31, 2018. Certain amounts in the selected consolidated financial data have been reclassified to conform to the current year presentation. You should read these selected consolidated financial data together with the Consolidated Financial Statements and related Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K and also Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	Years ended December 31,				
	2018 ⁽¹⁾	2017 ⁽²⁾	2016	2015	2014
	<i>(Amounts in thousands, except per-share data)</i>				
RESULTS OF OPERATIONS:					
Total revenues	\$ 125,589	\$ 142,125	\$ 156,684	\$ 133,226	\$ 106,278
Net income (loss)	\$ (38,816)	\$ (64,964)	\$ 3,871	\$ 4,646	\$ 3,411
Basic earnings (loss) per common share	\$ (3.04)	\$ (5.48)	\$ 0.36	\$ 0.47	\$ 0.38
Diluted earnings (loss) per common share	\$ (3.04)	\$ (5.48)	\$ 0.29	\$ 0.37	\$ 0.32
Weighted average diluted shares	12,756	11,853	13,303	12,662	11,212

- (1) Net loss in 2018 included DealerX license intangible asset impairment of \$9.0 million, goodwill impairment of \$5.1 million and customer relationship intangible asset impairment of \$1.6 million.
- (2) Net loss in 2017 included goodwill impairment of \$37.7 million and \$16.7 million recording of an income tax valuation allowance.

	Years ended December 31,				
	2018	2017	2016	2015	2014
	<i>(Amounts in thousands)</i>				
FINANCIAL POSITION:					
Cash and cash equivalents	\$ 13,600	\$ 24,993	\$ 38,512	\$ 23,993	\$ 20,747
Total assets	\$ 57,416	\$ 92,913	\$ 165,281	\$ 153,588	\$ 104,749
Non-current liabilities	\$ —	\$ 9,000	\$ 16,500	\$ 21,750	\$ 11,061
Accumulated deficit	\$ (327,716)	\$ (288,900)	\$ (230,424)	\$ (234,295)	\$ (238,941)
Stockholders’ equity	\$ 33,515	\$ 67,167	\$ 119,609	\$ 108,201	\$ 69,258

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

You should read the following discussion of our results of operations and financial condition in conjunction with the “Risk Factors” included in Part I, Item 1A and our Consolidated Financial Statements and related Notes thereto included in Part II, Item 8 of this Annual Report on Form 10-K. See also the discussion of “Forward-Looking Statements” immediately preceding Part I of this Annual Report on Form 10-K.

Overview

As reflected under the section “**Results of Operations**” in this Item 7, the decline in total revenue for 2018 compared to 2017 was primarily due to less efficient traffic acquisition, lower retail dealer count and lead volumes, a decrease in click revenue caused by lower pricing per click, and a decrease in display advertising revenues from a decline in traffic to our websites. We believe that a large part of the inefficiency in traffic acquisition was the result of increased traffic acquisition costs as we invest in new traffic acquisition strategies, as well as the consumer shift to mobile and our ability to efficiently convert traffic to leads. Cost of revenues increased compared to 2017 primarily due to increased traffic acquisition costs associated with both lead and click volume. Gross profit decreased compared to 2017 due to decreased revenue and increased cost of revenues reflected in the need to need to improve cost of revenue efficiency, with the major contributor to the increase in cost of revenues being the one-time impairment charge related to the DealerX License Agreement. As a percentage of total revenue, gross profit declined for 2018 compared to 2017, driven primarily by the decline in total revenues, increased traffic acquisition costs and the DealerX License Agreement impairment charge.

During the third quarter of 2018, we completed a comprehensive review of our products, traffic acquisition, pricing policies, distribution channels, technology infrastructure, strategic positioning and organizational capabilities. This review involved a significant change in key management and organizational structure. We moved into the fourth quarter of 2018 and the first quarter of 2019 with a plan that we intend to execute strategically. We will continue to work with our traffic partners to optimize our SEM methodologies and rebuild our high-quality traffic streams. We also expect to invest in new product development and technology infrastructure, and to continue to restructure our organization to better align with our revised strategy, which will likely result in material costs. We have begun to deploy various initiatives to address these issues, which began with addressing our lead generation capabilities to stabilize the declines in the largest part of our business, integrating our products to create a unified solution of leads, clicks and emails, and building out the team to execute on our strategy.

We cannot provide an exact timeframe for resolution of these issues, as we are early in the implementation of our revised strategy. However, our plan is designed to enable us to grow impressions, improve conversion, expand distribution, and increase capacity. We believe that this focus, along with plans to develop new, innovative products, will create opportunities for improved quality of delivery and strengthen our position for revenue growth. We now have our full senior leadership team in place. In addition to our new chief executive officer, we added a new chief financial officer, chief operating officer, chief technology officer and chief people officer, which we believe should increase the pace of change and improve operational execution. Through 2018, we largely focused on stabilizing the leads business as it comprises the majority of our revenue. Our next area of focus for 2019 will be on our click traffic product.

During 2018, we began to mobile enable our core new car lead generation websites, which led to improvements in conversion. Mobile enablement will be a considerable area of focus for us throughout 2019 as we evolve our sites to deliver a better experience for consumers to drive conversion. We anticipate that we will mobile enable the rest of our lead generation sites sometime in 2019. We also recently developed an approach to mobile enable our click traffic product. This is a critical next step in our mobile enablement plan. The click product allows us to more effectively monetize visits to our websites. Further, it provides our clients with a unique opportunity to engage consumers with relevant messaging in a unique format. We are in the early stages of testing of the mobile enablement of our click traffic product in the first quarter of 2019. We made progress implementing new traffic acquisition strategies and ramping our new click algorithm during the fourth quarter of 2018. However, there is still work to be done with the algorithm as we are seeing some benefits to revenue per click but not our click through rate. Ultimately, mobile optimization of our websites and products is the goal, and we still have a good bit of work to do in this area.

Expanding on the automotive industry at large, we expect total vehicle sales and the seasonally-adjusted annual rate to be down in 2019. LMC Automotive has forecasted 2019 U.S. total light vehicle sales and retail light-vehicle sales at 17.0 million and 13.7 million, respectively, representing declines in U.S. total light vehicle sales and retail light-vehicle sales of 1.9% and 1.5%, respectively, over 2018 sales. AutoNews has reported that light vehicle sales are off to the slowest start for a year since 2014, with year-to-date sales down about 3%. We believe it will be difficult for Manufacturers to maintain their historic volumes due to affordability challenges with interest rates and overall less Manufacturer incentives. However, we continue to believe we can operate well in this environment as we believe Dealers will seek out their highest return on investment marketing channels to drive sales. And with our detailed attribution and product quality improvements, we believe we will continue to have a strong place in their marketing budgets as we believe we are one of the most efficient marketing channels they have.

Although we are not able at this time to disclose any guidance as to 2019 financial performance with detail or accuracy, we do anticipate some level of volatility in our total revenues, cost of revenues, gross profit, and gross margin for 2019. We expect incremental cash burn to continue in the first half of 2019 as we invest in our people, products and technology. Our plan is to improve our liquidity and balance sheet through non-dilutive measures as we are currently in discussions with various banks for the establishment of a secured credit facility. We cannot provide any assurances that we will be successful in obtaining this line of credit or if it will be available to us on favorable terms.

Operating Metrics

We evaluate several key operating metrics that we believe are instrumental to understanding the direction of our business, including lead traffic, volume and sourcing; retail dealer count and lead capacity; click traffic, click volume and revenue per click; and lead quality.

Lead Traffic, Volume and Sourcing. Lead traffic is the number of consumers who visited our entire portfolio of owned lead websites during the applicable review period. Lead volume means the total new and used vehicle leads invoiced to retail and wholesale customers for the applicable review period. Lead sourcing reflects the source of our Leads, whether Internally-Generated Leads or Non-Internally-Generated Leads acquired from third parties. Although we are not able at this time to disclose guidance as to 2019 Lead traffic or Lead volume with any detail or accuracy, we do anticipate some level of volatility in our Lead traffic and Lead volume, and we anticipate that our Lead sourcing mix between Internally-Generated Leads and Non-Internally Generated Leads will vary as we balance quality and quantity of our core Lead product.

Retail Dealer Count and Capacity. Retail dealer count means the number of franchised dealers contracted for delivery of retail new vehicle Leads plus the number of vehicle dealers (franchised or independent) contracted for delivery of retail used vehicle Leads. Retail lead capacity means the sum of the number of new and used vehicle Leads contracted for by new or used retail vehicle Dealers that the Dealers wish to receive each month (i.e., “targets”) during the applicable review period. For 2019, we do not anticipate a straight-line trajectory for our distribution metrics that include Dealer count and Retail lead capacity as we continue to refine our strategy. We believe we have work to do to refine our distribution channel effectiveness and do a better job at ramping our relationships with the top 150 dealer groups in the United States. We expect some volatility for both dealer count and lead capacity during 2019 as we continue to evolve our engagement model for both retail dealers and the top 150 dealer groups.

Click Traffic and Volume and Revenue per Click. Click traffic means the total visits to Company-owned click referral websites during the applicable review period. Click volume means the number of times during the applicable review period that consumers clicked on advertisements on the Company’s click referral websites during the applicable review period. Revenue per click means the total click revenue divided by click volume for the applicable review period. We anticipate that click volume and revenue per click for the first quarter of 2019 will be down sequentially compared to the fourth quarter of 2018, as the customer mix is too weighted in terms of non-endemic (i.e., non-automotive) advertisers. We intend to continue to focus on shifting this mix back towards endemic (i.e., automotive) advertisers, and we are taking steps in this direction. However, this is an area that we believe will require several quarters of focus to get performance back to a level that is representative of what we believe is its true potential.

Lead Quality. Our business, results of operations, and financial condition are impacted by the volume and quality of our Leads. We measure Lead quality by the conversion of Leads to actual vehicle sales, which we refer to as the “buy rate.” Buy rate is the percentage of the consumers submitting Leads that we delivered to our customers represented by the number of these consumers who purchased vehicles within ninety days of the date of the Lead submission. We rely on detailed feedback from Manufacturers and wholesale customers to confirm the performance of our Leads. Our Manufacturer and other wholesale customers each match the Leads we deliver to our customers against vehicle sales to provide us with information about vehicle purchases by the consumers who submitted Leads that we delivered to these customers. We also obtain vehicle registration data from a third-party provider. This information, together with our internal analysis allows us to estimate the buy rate for the consumers who submitted the Internally-Generated Leads that we delivered to our customers. Based on the most current information and our internal analysis, we have estimated that, on average, consumers who submit Internally-Generated Leads that we deliver to our customers have an estimated buy rate of approximately 17%. Buy rates that individual Dealers may achieve can be impacted by factors such as the strength of processes and procedures within the dealership to manage communications and follow up with consumers.

Results of Operations

The following table sets forth our results of operations as a percentage of total revenues for the years ended December 31, 2018, 2017 and 2016 (certain percentages below may not sum due to rounding):

	Years Ended December 31,		
	2018	2017	2016
Revenues:			
Lead fees	77.2%	75.3%	83.4%
Advertising	22.4	24.0	15.6
Other revenues	0.4	0.7	1.0
Total revenues	100.0	100.0	100.0
Cost of revenues	80.7	69.9	63.0
Cost of revenues - impairment	7.2	—	—
Gross margin	12.2	30.1	37.0
Operating expenses:			
Sales and marketing	9.9	10.1	11.6
Technology support	11.0	8.8	8.9
General and administrative	12.8	8.5	9.4
Depreciation and amortization	3.9	3.4	3.2
Goodwill impairment	4.1	26.5	—
Long-lived asset impairment	1.6	—	—
Total operating expenses	43.3	57.2	33.1
Operating income (loss)	(31.1)	(27.1)	3.9
Interest and other income (expense), net	0.2	(0.7)	0.4
(Loss) income before income tax provision	(30.9)	(27.8)	4.3
Income tax provision	—	17.9	1.8
Net income (loss)	(30.9)%	(45.7)%	2.5%

Revenues by groups of similar services and gross profits are as follows (dollars in thousands):

	Years Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Revenues:							
Lead fees	\$ 96,936	\$ 107,045	\$ 130,684	\$ (10,109)	(9)%	\$ (23,639)	(18)%
Advertising	28,169	34,142	24,508	(5,973)	(17)	9,634	39
Other revenues	484	938	1,492	(454)	(48)	(554)	(37)
Total revenues	125,589	142,125	156,684	(16,536)	(12)	(14,559)	(9)
Cost of revenues	101,315	99,352	98,771	1,963	2	581	1
Cost of revenues - impairment	9,014	—	—	9,014	100	—	—
Gross profit	\$ 15,260	\$ 42,773	\$ 57,913	\$ (27,513)	(64)%	\$ (15,140)	(26)%

2018 Compared to 2017

Lead fees. Lead fees revenues decreased \$10.1 million, or 9%, compared to 2017 primarily due to less efficient traffic acquisition and lower retail dealer count and lead volumes.

Advertising. Advertising revenues decreased \$6.0 million, or 17%, compared to 2017 due to a \$4.9 million decrease in click revenue caused by lower pricing per click, coupled with a \$1.1 million decrease in display advertising revenues from a decline in traffic to our website.

Other revenues. Other revenues decreased to \$0.5 million compared to 2017 primarily due to lower customer utilization of the SaleMove product, which we ceased selling on November 30, 2018, and of our Textshield product.

Cost of Revenues. Cost of revenues consists of Lead and traffic acquisition costs and other costs. Lead and traffic acquisition costs consist of payments made to our third-party Lead providers, including internet portals and online automotive information providers, as well as SEM costs. Other cost of revenues consists of fees paid to third parties for data and content, including SEO activity, included on our properties, connectivity costs, development costs related to our websites, compensation related expense and technology license fees, server equipment depreciation and technology amortization directly related to the Company Websites. SEM, sometimes referred to as paid search marketing, is the practice of bidding on keywords on search engines to drive traffic to a website.

Cost of revenues increased \$2.0 million compared to 2017 primarily due to increased traffic acquisition costs associated with both lead and click volume.

Cost of Revenues – Impairment. Cost of revenues-impairment expense of \$9.0 million was recorded in the quarter ended September 30, 2018 due to the Company’s decision to terminate the support provisions of a perpetual license to use a third party’s platform and technology for targeted online marketing (“**DealerX License Agreement**”). This significantly impacted the usability of the domain and resulted in an impairment charge to the related intangible asset. The Company did not have a comparable charge in 2017.

Gross Profit. Gross profit decreased \$27.5 million, or 64%, compared to 2017 due to decreased revenue and increased cost of revenues as discussed above. The major contributor to the increase in cost of revenues was the one-time impairment charge related to the DealerX License Agreement of \$9.0 million, or 7% of total revenues. As a percentage of total revenue, gross profit was 12% and 30% for the years ended December 31, 2018 and 2017, respectively. The change was driven primarily by the \$16.5 million decline in total revenues, \$2.0 million increase in traffic acquisition costs and the \$9.0 million impairment charge.

2017 Compared to 2016

Lead fees. Lead fees decreased \$23.6 million or 18% in 2017 compared to 2016. The decrease in Lead fees was a result of the elimination of poor-quality traffic in the second quarter of 2017, decreased Lead sales to Dealers combined with increased Dealer churn and the disposal of our specialty finance leads product in December 2016.

Advertising. The \$9.6 million or 39% increase in advertising revenues in 2017 compared to 2016 was primarily due to an increase in click revenue as a result of both increased click volume and pricing.

Other revenues. Other revenues decreased \$0.6 million or 37% in 2017 compared to 2016. The decrease in other revenues was primarily due to lower customer utilization of the mobile offerings and SaleMove product.

Cost of Revenues. The \$0.6 million or 1% increase in cost of revenues in 2017 compared to 2016 was primarily due to the increased costs in traffic acquisition activity. Cost of revenues increased as a percentage of total revenues as a result of the \$0.6 million increase in cost of revenues and the \$23.6 million, or 18%, decrease in total revenues.

Operating expenses, interest and other income (expense) and income tax provision (benefit) were as follows (dollars in thousands):

	<u>Years Ended December 31,</u>			<u>2018 vs. 2017 Change</u>		<u>2017 vs. 2016 Change</u>	
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Operating expenses:							
Sales and marketing	\$ 12,419	\$ 14,315	\$ 18,118	\$ (1,896)	(13)%	\$ (3,803)	(21)%
Technology support	13,838	12,567	13,986	1,271	10	(1,419)	(10)
General and administrative	16,077	12,001	14,613	4,076	34	(2,612)	(18)
Depreciation and amortization	4,897	4,781	5,068	116	2	(287)	(6)
Goodwill impairment	5,133	37,688	—	(32,555)	(86)	37,688	—
Long-lived asset impairment	1,968	—	—	1,968	100	—	—
Total operating expenses	<u>\$ 54,332</u>	<u>\$ 81,352</u>	<u>\$ 51,785</u>	<u>\$ (27,020)</u>	<u>(33)%</u>	<u>\$ 29,567</u>	<u>57%</u>
Interest and other income (expense), net	<u>\$ 250</u>	<u>\$ (946)</u>	<u>\$ 558</u>	<u>\$ 1,196</u>	<u>NM%</u>	<u>\$ (1,504)</u>	<u>NM%</u>
Income tax provision (benefit)	<u>\$ (6)</u>	<u>\$ 25,439</u>	<u>\$ 2,815</u>	<u>\$ (25,445)</u>	<u>(100)%</u>	<u>\$ 22,624</u>	<u>NM%</u>

NM – Not meaningful

2018 Compared to 2017

Sales and Marketing. Sales and marketing expense includes costs for developing our brand, personnel costs, and other costs associated with Dealer sales, website advertising, Dealer support and bad debt expense.

Sales and marketing expense for the year ended December 31, 2018 decreased \$1.9 million, or 13%, compared to the 2017 period primarily due to lower headcount-related costs and media spend, offset by severance costs.

Technology Support. Technology support includes compensation, benefits, software licenses and other direct costs incurred by the Company to enhance, manage, maintain, support, monitor and operate the Company's websites and related technologies, and to operate the Company's internal technology infrastructure.

Technology support expense for the year ended December 31, 2018 increased \$1.3 million, or 10%, compared to the year ended December 31, 2017. The change was due primarily to severance and other headcount-related costs, coupled with costs associated with realignment of the information technology function in the quarter ended September 30, 2018.

General and Administrative. General and administrative expense consists of certain executive, financial, human resources, legal and facilities personnel expenses and costs related to operating as a publicly-traded company.

General and administrative expense for the year ended December 31, 2018 increased \$4.0 million, or 33%, compared to the 2017 period due primarily to \$1.4 million in severance-related costs associated with the departure of the Company's former chief executive officer in April 2018, coupled with increased compensation-related costs and professional fees.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2018 decreased \$0.1 million to \$4.9 million compared to \$4.8 million in the 2017 period.

Goodwill impairment. During the quarter ended March 31, 2018, the Company performed an evaluation of enterprise goodwill for impairment due to the decline in the Company's stock price. The carrying value of the Company was higher than its fair value based on market capitalization at that date and as a result, a non-cash impairment charge of \$5.1 million was recorded. The prior year impairment analysis was completed in October 2017, which resulted in an impairment charge of \$37.7 million.

Long-lived asset impairment. The Company records impairment losses on long-lived assets when events and circumstances indicate that the assets might be impaired. Events that may indicate that the assets might be impaired include, but are not limited to, a significant downturn in the economy, a loss of a major customer or group of customers or a significant decrease in the market value of an asset. During the third quarter of 2018, the Company recorded an impairment of approximately \$0.4 million related to asset advances to SaleMove, Inc. ("**SaleMove**"), which were determined to be non-recoverable at September 30, 2018. In addition, approximately \$1.6 million was recorded as an impairment to customer relationships related to a 2015 acquisition after an analysis determined a significant percentage of acquired customers were no longer part of the dealer base.

Interest and Other Income (Expense), net. Interest and other income (expense), net increased \$1.2 million to net interest and other income of \$0.3 million for the year ended December 31, 2018 compared to net interest and other expense of \$0.9 million in the 2017 period. The change was due to a \$0.7 million decrease in interest expense due to the payoff of term loans and a revolving line of credit during the fourth quarter of 2017 and the first quarter of 2018, respectively. In addition, during the fourth quarter of 2017, the Company recorded a \$0.6 million loss on its investment in GoMoto, Inc. ("**GoMoto**").

Income tax provision (benefit). Income tax benefit was \$6,000 for the year ended December 31, 2018 compared to income tax expense of \$25.4 million for the year ended December 31, 2017. The decrease in income tax expense was due to the impact of the TCJA, which lowered the effective tax rate for the year ended December 31, 2018 compared to the prior year period. In addition, the TCJA limits the Company's annual deduction for business interest expense to an amount equal to 30% of the Company's "adjusted taxable income" (as defined in the Internal Revenue Code) for the taxable year effective January 1, 2018. The amount of any business interest not allowed as a deduction for any taxable year may be carried forward indefinitely and utilized in future years, subject to this and other applicable interest deductibility limitations. Operating losses during the year ended December 31, 2018 did not result in any tax benefit due as valuation allowances were recorded against the deferred tax assets.

2017 Compared to 2016

Sales and Marketing. Sales and marketing expense for the year ended December 31, 2017 decreased by \$3.8 million or 21% compared to the prior year, due to a decrease in overall headcount related expenses.

Technology Support. Technology support expense for the year ended December 31, 2017 decreased by \$1.4 million or 10% compared to the prior year, primarily due to a decrease in headcount related costs.

General and Administrative. General and administrative expense for the year ended December 31, 2017 decreased by \$2.6 million or 17% compared to the prior year. The decrease was due to a decrease in headcount related costs.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2017 decreased \$0.3 million or 6% from the year ended December 31, 2016 primarily due to some intangible assets becoming fully amortized during the year.

Goodwill impairment. We evaluate the carrying value of enterprise goodwill for impairment, at a minimum, on an annual basis. During 2017, we performed our annual impairment test by comparing the carrying value of the Company to its fair value based on market capitalization at that date. As a result of this testing, a non-cash impairment charge of \$37.7 million was recorded during 2017.

Interest and Other Income (Expense), net. Interest and other (expense) was \$0.9 million for the year ended December 31, 2017 compared to interest and other income of \$0.6 million for the year ended December 31, 2016. Interest expense was \$0.8 million and \$0.9 million for the years ended December 31, 2017 and 2016, respectively. The year ended December 31, 2017 included an impairment charge of \$0.6 million related to SaleMove. The year ended December 31, 2016 also included gain on disposal of the finance leads product of \$2.2 million offset by a \$0.8 million write-off related to our investment in GoMoto.

Income tax provision. Income tax expense was \$25.4 million for the year ended December 31, 2017 compared to income tax expense of \$2.8 million for the year ended December 31, 2016. The Company's effective tax rate of (64.4)% for the year ended December 31, 2017 differed from the federal statutory rate principally as a result of deferred tax asset adjustments relating to the change in the U.S. federal rate, goodwill impairment, and establishing additional valuation allowances on our deferred tax assets. The Company's effective tax rate of 42.1% for the year ended December 31, 2016 differed from the federal statutory rate principally as a result of deferred tax asset adjustments, state income taxes and permanent non-deductible tax items.

Segment Information

We conduct our business within one business segment, which is defined as providing digital marketing services to the automotive industry. Our operations are aggregated into a single reportable operating segment based upon similar economic and operating characteristics as well as similar markets.

Liquidity and Capital Resources

The table below sets forth a summary of our cash flow for the years ended December 31, 2018, 2017 and 2016 (dollars in thousands):

	Years Ended December 31,		
	2018	2017	2016
Net cash (used in) provided by operating activities	\$ (2,920)	\$ 11,488	\$ 18,242
Net cash used in investing activities	(771)	(10,402)	(2,774)
Net cash used in financing activities	(7,702)	(14,605)	(949)

Our principal sources of liquidity are our cash and cash equivalents and our cashflows from operations. Our cash and cash equivalents totaled \$13.6 million as of December 31, 2018 compared to \$25.0 million as of December 31, 2017.

On June 7, 2012, September 17, 2014, and September 6, 2017, we announced that the board of directors had authorized us to repurchase up to \$2.0 million, \$1.0 million, and \$3.0 million, respectively, of our common stock. We repurchased 226,698 shares of our common stock with an average price of \$8.37 per share during 2017. No shares were repurchased during 2018 or 2016. The authorization may be increased or otherwise modified, renewed, suspended or terminated by us at any time, without prior notice. We may repurchase our common stock from time to time on the open market or in private transactions. Shares repurchased under this program have been retired and returned to the status of authorized and unissued shares. We funded repurchases and anticipate that we would fund future repurchases through the use of available cash. The repurchase authorization does not obligate us to repurchase any particular number of shares. The timing and actual number of repurchases of additional shares, if any, under our stock repurchase program will depend upon a variety of factors, including price, market conditions, release of quarterly and annual earnings, and other legal, regulatory, and corporate considerations at our sole discretion. The impact of repurchases on our Tax Benefit Preservation Plan, as amended, and on the our use of net operating loss carryovers and other tax attributes if we were to experience an "ownership change," as defined in Section 382 of the Internal Revenue Code, is also a factor that we consider in connection with share repurchases. As of December 31, 2018, \$2.3 million remains available for stock repurchases under the program.

The Company's credit facility agreement with MUFG Union Bank, N.A. terminated on March 31, 2018, upon repayment of all outstanding borrowings under the agreement.

We believe that our cash and cash equivalents and cashflows from operations will be sufficient to meet our working capital requirements for the next 12 months. However, our future capital requirements will depend on many factors, including but not limited to, implementing new strategic plans, modernizing and upgrading our technology and systems, pursuing business objectives and responding to business opportunities, challenges or unforeseen circumstances, developing new or improving existing products or services, enhancing our operating infrastructure and acquiring complementary businesses and technologies. To the extent that our existing liquidity is insufficient to fund our future activities, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all.

Net Cash Provided by (Used in) Operating Activities. Net cash used in operating activities totaled \$2.9 million for the year ended December 31, 2018 compared to cash provided of \$11.5 million in the prior year. Net cash used in 2018 was due primarily to a net loss of \$38.8 million, offset by a \$16.1 million non-cash charge related to the impairment of goodwill and intangible assets, \$14.5 million in other non-cash expenses including depreciation and share-based compensation, and a net change in assets and liabilities of \$5.3 million.

Net cash provided by operating activities in 2017 of \$11.5 million resulted primarily from net loss of \$65.0 million, adjustments for non-cash charges to earnings of \$75.9 million and an increase in working capital.

Net Cash Used in Investing Activities. Net cash used in investing activities of \$0.8 million in 2018 primarily related to purchase of property and equipment and expenditures related to capitalized internal use software of \$0.9 million, offset by \$0.1 million in proceeds from the sale of the SaleMove investment.

Net cash used in investing activities of \$10.4 million in 2017 primarily consisted of \$1.8 million in purchases of property and equipment and expenditures related to capitalized internal use software and \$8.6 million used to purchase intangible assets.

Net Cash Used in Financing Activities. Net cash used in financing activities of \$7.7 million in 2018 primarily consisted of payments of \$8.0 million to pay down the revolving credit facility in March 2018, offset by proceeds of \$0.3 million from the issuance of common stock.

Net cash used in financing activities of \$14.6 million in 2017 consisted of payments on term loan borrowings of \$14.1 million and cash used to repurchase Company common stock of \$1.9 million. Stock options for 248,344 shares of the Company's common stock were exercised in the year ended December 31, 2017, resulting in \$1.4 million of cash inflow.

Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations as of December 31, 2018 (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term Debt Obligations (a)	\$ 1,000	\$ 1,000	\$ —	\$ —	\$ —
Operating Lease Obligations (b)	4,208	1,497	1,581	931	199
Total	\$ 5,208	\$ 2,497	\$ 1,581	\$ 931	\$ 199

- (a) Long-term debt obligations as defined by ASC 470, "Debt," and disclosed in Note 6 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.
- (b) Operating lease obligations as defined by ASC 840, "Leases," and disclosed in Note 8 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our significant accounting policies are discussed in Note 2 – Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements included in Part II, Item 8 - Financial Statements and Supplementary Data. We consider the accounting policies described below to be critical in preparing our consolidated financial statements. These policies require us to make estimates and judgments that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures of contingencies. Our assumptions, estimates and judgments are based on historical experience, current trends and other factors to be relevant at the time we prepare the consolidated financial statements. Although our estimates and assumptions are reasonable, we cannot determine future events. Consequently, actual results could differ materially from our assumptions and estimates.

Revenue Recognition. Revenue is recognized when the Company transfers control of promised goods or services to the Company’s customers, or when the Company satisfies any performance obligations under contract. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for respective goods or services provided. Further, under Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers, contract assets or contract liabilities that arise from past performance but require further performance before obligation can be fully satisfied must be identified and recorded on the balance sheet until respective settlements have been met.

The Company performs the following steps in order to properly determine revenue recognition and identify relevant contract assets and contract liabilities:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when, or as, the Company satisfies a performance obligation.

The Company earns revenue by providing Leads, advertising, and mobile products and services used by Dealers and Manufacturers in their efforts to market and sell new and used vehicles to consumers. The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. The Company records revenue on distinct performance obligations at a single point in time, when control is transferred to the customer.

Allowances for Bad Debts and Customer Credits. The allowance for bad debts is an estimate of bad debt expense that could result from the inability or refusal of customers to pay for services. Additions to the estimated allowance for bad debts are recorded to sales and marketing expenses and are based on factors such as historical write-off percentages, the current business environment and known concerns within the current aging of accounts receivable. Reductions in the estimated allowance for bad debts due to subsequent cash recoveries are recorded as a decrease in sales and marketing expenses. As specific bad debts are identified, they are written-off against the previously established estimated allowance for bad debts with no impact on operating expenses.

The allowance for customer credits is an estimate of adjustments for services that do not meet the customer requirements. Additions to the estimated allowance for customer credits are recorded as a reduction of revenues and are based on the Company’s historical experience of: (i) the amount of credits issued; (ii) the length of time after services are rendered that the credits are issued; (iii) other factors known at the time; and (iv) future expectations. Reductions in the estimated allowance for customer credits are recorded as an increase in revenues. As specific customer credits are identified, they are written-off against the previously established estimated allowance for customer credits with no impact on revenues.

If there is a decline in the general economic environment that negatively affects the financial condition of the Company’s customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required, and the impact on the Company’s business, results of operations, financial condition, earnings per share, cash flow or the trading price of our stock could be material.

Capitalized Internal Use Software and Website Development Costs. The Company capitalizes costs to develop internal use software in accordance with ASC 350-40, Internal-Use Software, and ASC 350-50, Website Development Costs, which require the capitalization of external and internal computer software costs and website development costs, respectively, incurred during the application development stage. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training and maintenance costs are expensed as incurred while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized internal use software development costs are amortized using the straight-line method over an estimated useful life of three to five years. Capitalized website development costs, once placed in service, are amortized using the straight-line method over the estimated useful life of the related websites.

Impairment of Long-Lived Assets and Intangible Assets. The Company periodically reviews long-lived amortizing assets to determine if there is any impairment of these assets. The Company assesses the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of the long-lived assets and other intangibles. Future events could cause the Company to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. The Company assesses the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, the Company would write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on the Company's financial condition and results of operations.

Share-Based Compensation. The Company grants restricted stock and stock option awards (the "Awards") under several of its share-based compensation plans. The Company recognizes share-based compensation based on the Awards' fair value, net of estimated forfeitures on a straight-line basis over the requisite service periods, which is generally over the awards' respective vesting period, or on an accelerated basis over the estimated performance periods for options with performance conditions. Restricted stock fair value is measured on the grant date based on the quoted market price of the Company's common stock, and the stock option fair value is estimated on the grant date using the Black-Scholes option pricing model based on the underlying common stock closing price as of the date of grant, the expected term, stock price volatility and risk-free interest rates.

Income Taxes. The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance, if necessary, to reduce deferred tax assets to an amount it believes is more likely than not to be realized.

Recent Accounting Pronouncements

See Note 2 of the "Notes to Consolidated Financial Statements" in Part II, Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K for recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company does not use financial instruments for trading.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Balance Sheets as of December 31, 2018 and 2017 and our Consolidated Statements of Operations and Comprehensive Income (Loss), Stockholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 2018, together with the report of our independent registered public accounting firm, begin on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that material information relating to the Company and its subsidiaries required to be disclosed by us in the reports that are filed under the Securities Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized and reported in the time periods specified in the SEC's rules and forms, and that this information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only a reasonable assurance of achieving the desired control objectives, and management was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018. Based on this evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2018.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15(d)-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

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

Under the supervision and with the participation of management, including the Company's chief executive officer and chief financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, management used the framework established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2018. Management reviewed the results of its assessment with the Audit Committee of the board of directors.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

We previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and in our Quarterly Reports on Form 10-Q for each interim period in 2018, material weaknesses in our internal controls over financial reporting in evaluating and measuring goodwill for impairment and valuation of deferred tax assets. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In order to remediate the material weaknesses identified, we undertook a number of actions with the oversight of the Audit Committee of the Board of Directors. The following steps were taken to remediate the conditions leading to the above stated material weaknesses:

- (i) Material weakness related to evaluation and measurement of goodwill impairment:
 - Management has implemented procedures to evaluate and review goodwill and other intangibles, including review of reports prepared by third parties for completeness and accuracy.
 - Management has identified and designed key controls to include quantitative and qualitative factors to indicate whether an impairment exists.
- (ii) Material weakness related to valuation of deferred tax assets:
 - Management has implemented procedures to review third party prepared reports for completeness and accuracy.
 - Management and the third-party preparer discuss all significant elements of the prepared reports with evidence of this review.

Management has implemented the remediation actions discussed above and has completed the testing of the design and operating effectiveness of the new procedures and controls. As a result, as of December 31, 2018, management concluded the Company has remediated the previously reported material weaknesses in the internal controls over financial reporting.

Changes in Internal Control Over Financial Reporting

Other than with respect to the material weaknesses discussed above that were identified during the audit of fiscal year ended December 31, 2017 and subsequently remediated as of December 31, 2018, there have been no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Information called for by the Items included under this Part III is incorporated by reference to the sections listed below of our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders that will be filed not later than 120 days after December 31, 2018 ("**2019 Proxy Statement**").

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this Item 10 is incorporated by reference to the following sections of the 2019 Proxy Statement: "Proposal 1-Nomination and Election of Directors;" "Board of Directors;" "Executive Officers;" "Section 16(a) Beneficial Ownership Reporting Compliance;" and the following paragraphs under the section "Corporate Governance Matters," "--Committees of the Board of Directors—Audit Committee," and "--Code of Conduct and Ethics."

Item 11. Executive Compensation

The information called for in this Item 11 is incorporated by reference to the following sections of the 2019 Proxy Statement: "Executive Compensation" and "Corporate Governance Matters--Compensation Committee Interlocks and Insider Participation" and "--Board's Role in Oversight of Risk."

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

The information called for in this Item 12 is incorporated by reference to the following sections of the 2019 Proxy Statement: "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation--Equity Compensation Plans."

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

The information called for in this Item 13 is incorporated by reference to the following sections of the 2019 Proxy Statement: "Corporate Governance Matters--Certain Relationships and Related Party Transactions" and "--Director Independence."

Item 14. Principal Accounting Fees and Services

The information called for in this Item 14 is incorporated by reference to the following sections of the 2019 Proxy Statement: "Independent Registered Public Accounting Firm and Audit Committee Report--Principal Accountant Fees and Services," "--Audit Fees," "--Audit Related Fees," and "--Pre-Approval Policy for Services."

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) *Financial Statements:*

	Page
Index	F-1
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations and Comprehensive Income (Loss)	F-4
Consolidated Statements of Stockholders' Equity	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

(2) *Financial Statement Schedules:*

Schedule II- Valuation Qualifying Accounts	F-28
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All other schedules have been omitted since the required information is presented in the financial statements and the related notes or is not applicable.

(3) *Exhibits:*

The exhibits filed or furnished as part of this Annual Report on Form 10-K are those listed in the following Exhibit Index.

EXHIBIT INDEX

Number	Description
2.1†	Asset Purchase and Sale Agreement dated as of December 19, 2016 by and among Company, Car.com, Inc., a Delaware corporation, and Internet Brands, Inc., a Delaware corporation, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on December 21, 2016 (SEC File No. 001-34761).
3.1	Sixth Restated Certificate of Incorporation of AutoWeb, Inc. (filed with the Secretary of the State of Delaware on October 9, 2017), incorporated by reference to Exhibit 3.4 to the Current Report on Form 8-K filed with the SEC on October 10, 2017 (SEC File No. 001-34761).
3.2	Seventh Amended and Restated Bylaws of AutoWeb dated October 9, 2017, incorporated by reference to Exhibit 3.5 to the to the Current Report on Form 8-K filed with the SEC on October 10, 2017 (SEC File No. 001-34761).
4.1	Tax Benefit Preservation Plan dated as of May 26, 2010 between Company and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; and Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239), Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 16, 2014 (SEC File No. 001-34761), Amendment No. 2 to Tax Benefit Preservation Plan dated as of April 13, 2017, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 14, 2017 (SEC File No. 001-34761).
4.2	Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan, incorporated by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2012 filed with the SEC on November 8, 2012 (SEC File No. 001-34761).
10.1■	Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-8 filed with the SEC on November 1, 1999 (SEC File No. 333-90045), as amended by Amendment No. 1 dated December 5, 2001 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, and Form of Stock Option Agreement under the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, incorporated by reference to Exhibits (d)(10) and (d)(16) , respectively, to the Schedule TO-I filed with the SEC on December 14, 2001 (SEC File No. 005-58067), and Amendment No. 2 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan dated May 1, 2009, incorporated by reference to Exhibit 10.86 to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239).
10.2■	Form of Employee Stock Option Agreement under the Autobytel.com Inc. 1998 Stock Option Plan and the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239).
10.3■	Autobytel.com Inc. 2000 Stock Option Plan, incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed with the SEC on June 15, 2000 (SEC File No. 333-39396); as amended by Amendment No. 1 dated December 5, 2001 to the Autobytel.com Inc. 2000 Stock Option Plan and Form of Stock Option Agreement under the Autobytel.com Inc. 2000 Stock Option Plan, incorporated by reference to Exhibits (d)(12) and (d)(17) , respectively, to the Schedule TO-I, filed with the SEC on December 14, 2001 (SEC File No. 005-58067); Amendment No. 2 to the Autobytel.com Inc. 2000 Stock Option Plan, incorporated by reference to Exhibit 10.46 to the Annual Report on Form 10-K for the Year Ended December 31, 2001 filed with the SEC on March 22, 2002 (SEC File No. 000-22239); and as amended by Amendment No. 3 to the Autobytel.com Inc. 2000 Stock Option Plan dated May 1, 2009, incorporated by reference to Exhibit 10.87 to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239).

- 10.4 ■ Autobyte Inc. Amended and Restated 2001 Restricted Stock and Option Plan, incorporated by reference to [Exhibit 4.7](#) to the Post-Effective Amendment to Registration Statement on Form S-8 filed with the SEC on July 31, 2003 (SEC File No. 333-67692); as amended by Amendment No. 1 to the Autobyte Inc. Amended and Restated 2001 Restricted Stock and Option Plan dated May 1, 2009, incorporated by reference to [Exhibit 10.88](#) to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239); and Form of Restricted Stock Award Agreement under the Autobyte Inc. Amended and Restated 2001 Restricted Stock and Option Plan, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239); Form of Employee Stock Option Agreement under the Autobyte Inc. Amended and Restated 2001 Restricted Stock and Option Plan, incorporated by reference to [Exhibit 10.8](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2014 filed with the SEC on February 26, 2015 (SEC File No. 001-34761).
- 10.5 ■ Autobyte Inc. 2004 Restricted Stock and Option Plan and Form of Employee Stock Option Agreement under the Autobyte Inc. 2004 Restricted Stock and Option Plan, incorporated by reference to [Exhibits 4.8](#) and [4.9](#), respectively, to the Registration Statement on Form S-8 filed with the SEC on June 28, 2004 (SEC File No. 333-116930); as amended by Amendment No. 1 to the Autobyte Inc. 2004 Restricted Stock and Option Plan dated May 1, 2009, incorporated by reference to [Exhibit 10.89](#) to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239); Form of Outside Director Stock Option Agreement under the Autobyte Inc. 2004 Restricted Stock and Option Plan, incorporated by reference to [Exhibit 10.2](#) to the Current Report on Form 8-K filed with the SEC on November 3, 2004 (SEC File No. 000-22239); Form of Stock Option Agreement under the Autobyte Inc. 2004 Restricted Stock and Option Plan, incorporated by reference to [Exhibit 10.65](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2004 filed with the SEC on May 31, 2005 (SEC File No. 000-22239); and Form of Outside Director Stock Option Agreement and Form of Letter Agreement (amending certain stock option agreements with Outside Directors) under the 2004 Restricted Stock and Option Plan, incorporated by reference to [Exhibits 10.1](#) and [10.2](#) to the Current Report on Form 8-K filed with the SEC on September 14, 2005 (SEC File No. 000-22239).
- 10.6 ■ Autobyte Inc. 2006 Inducement Stock Option Plan and Form of Employee Inducement Stock Option Agreement, incorporated by reference to [Exhibits 4.9](#) and [4.10](#), respectively, to the Registration Statement on Form S-8 filed with the SEC on June 16, 2006 (SEC File No. 333-135076); and as amended by Amendment No. 1 to the Autobyte Inc. 2006 Inducement Stock Option Plan dated May 1, 2009, incorporated by reference to [Exhibit 10.90](#) to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239).
- 10.7 ■ Autobyte Inc. 2010 Equity Incentive Plan, incorporated by reference to [Exhibit 10.2](#) to the Current Report on Form 8-K filed with the SEC on June 25, 2010 (SEC File No. 001-34761); Form of Employee Stock Option Award Agreement, Form of 2012 Performance-Based Stock Option Award Agreement, Form of Non-Employee Director Stock Option Award Agreement and Form of (Management) Employee Stock Option Award Agreement under the Autobyte Inc. 2010 Equity Incentive Plan, incorporated by reference to [Exhibits 10.58](#), [10.59](#), [10.60](#) and [10.61](#), respectively, to the Annual Report on Form 10-K for the Year Ended December 31, 2011 filed with the SEC on March 1, 2012 (SEC File No. 001-34761); and Form of 2013 Performance-Based Stock Option Award Agreement under the Autobyte Inc. 2010 Equity Incentive Plan, incorporated by reference to [Exhibit 10.79](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2012 filed with the SEC on February 28, 2013 (SEC File No. 001-34761).
- 10.8 ■ AutoWeb, Inc. (formerly Autobyte Inc.) 2014 Equity Incentive Plan, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on June 23, 2014 (SEC File No. 001-34761); Amended and Restated AutoWeb, Inc. (formerly Autobyte Inc.) 2014 Equity Incentive Plan (supersedes and replaces the AutoWeb, Inc. (formerly Autobyte Inc.) 2014 Equity Incentive Plan filed under [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on June 23, 2014 (SEC File No. 001-34761), incorporated by reference to [Exhibit 10.11](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Non-Employee Director Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobyte Inc.) 2014 Equity Incentive Plan, incorporated by reference to [Exhibit 10.12](#) on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Executive Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobyte Inc.) 2014 Equity Incentive Plan, incorporated by reference to [Exhibit 10.13](#) on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Non-Executive Employee Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobyte Inc.) 2014 Equity Incentive Plan, incorporated by reference to [Exhibit 10.14](#) on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Subsidiary Employee Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobyte Inc.) 2014 Equity Incentive Plan, incorporated by reference to [Exhibit 10.15](#) on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Restricted Stock Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobyte Inc.) 2014 Equity Incentive Plan, incorporated by reference to [Exhibit 10.16](#) on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761).

- [10.9](#) ■ AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 on the Current Report on Form 8-K filed with the SEC on June 27, 2018 (SEC File No. 001-34761).
- [10.10](#) ■ Form of Non-Employee Director Stock Option Award Agreement (Non-Qualified Stock Option) under the AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761).
- [10.11](#) ■ Form of Employee Stock Option Award Agreement (Non-Qualified Stock Option) (Executive) under the AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.9 on the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761).
- [10.12](#) ■ Form of Employee Stock Option Award Agreement (Non-Qualified Stock Option) (Non-Executive) under the AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.10 on the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761).
- [10.13](#) ■ Form of Restricted Stock Award Agreement under the AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.11 on the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761).
- [10.14](#) ■ Form of Amended and Restated Indemnification Agreement between Company and its directors and officers, incorporated by reference to [Exhibit 99.1](#) to the Current Report on Form 8-K filed with the SEC on July 22, 2010 (SEC File No. 001-34761).
- [10.15](#) ■ Form of Indemnification Agreement between the Company and its directors and officers, incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761).
- [10.16](#) ■ Employment Agreement between Jared Rowe and AutoWeb, Inc. dated April 12, 2018, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 18, 2018 (SEC File No. 001-34761).
- [10.17](#) ■ Inducement Stock Option Award Agreement between Jared Rowe and AutoWeb, Inc. dated April 12, 2018, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on April 18, 2018 (SEC File No. 001-34761).
- [10.18](#) ■ Letter Agreement dated October 10, 2006 between Company and Glenn Fuller, as amended by Memorandum dated April 18, 2008, Memorandum dated as of December 8, 2008, and Memorandum dated as of March 1, 2009, incorporated by reference to [Exhibit 10.77](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2008 filed with the SEC on March 13, 2009 (SEC File No. 000-22239); and as amended by Memorandum dated January 31, 2017, incorporated by reference to [Exhibit 10.13](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2016 filed with the SEC on March 9, 2017 (SEC File No. 001-34761).

10.19 ■	Second Amended and Restated Severance Benefits Agreement dated as of April 12, 2018 between Company and Glenn Fuller, incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed with the SEC on May 10, 2018 (SEC File No. 001-34761).
10.20■*	Memorandum dated April 18, 2018 between Company and Glenn Fuller.
10.21 ■	Offer of Employment between Joseph Hannan and Company dated November 21, 2018, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 17, 2018 (SEC File No. 001-34761).
10.22 ■	Inducement Stock Option Award Agreement between Joseph Hannan and Company dated December 17, 2018, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on December 17, 2018 (SEC File No. 001-34761).
10.23 ■	Severance Benefits Agreement between Joseph Hannan and Company dated December 17, 2018, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on December 17, 2018 (SEC File No. 001-34761).
10.24 ■	Offer of Employment between Daniel Ingle and Company dated November 26, 2018, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 16, 2019 (SEC File No. 001-34761).
10.25■*	Inducement Stock Option Award Agreement dated as of January 16, 2019 between Daniel Ingle and Company.
10.26■*	Severance Benefits Agreement dated January 16, 2019 between Daniel Ingle and Company.
10.27 ■	Offer of Employment dated as of October 2, 2018 between Company and Sara Partin, incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2018 filed with the SEC on November 8, 2018 (SEC File No. 001-34761).
10.28 ■	Inducement Stock Option Award Agreement dated as of October 22, 2018 between Company and Sara Partin, incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2018 filed with the SEC on November 8, 2018 (SEC File No. 001-34761).
10.29 ■	Severance Benefits Agreement dated October 22, 2018 between Company and Sara Partin, incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2018 filed with the SEC on November 8, 2018 (SEC File No. 001-34761).
10.30■*	Offer of Employment dated as of November 28, 2018 between Company and Timothy Branham.
10.31■*	Inducement Stock Option Award Agreement dated as of December 17, 2018 between Company and Timothy Branham.
10.32■*	Severance Benefits Agreement dated December 17, 2018 between Company and Timothy Branham.
10.33■	Letter Agreement dated August 6, 2004 between Company and Wesley Ozima, as amended by Memorandum dated March 1, 2009, incorporated by reference to Exhibit 10.81 to the Annual Report on Form 10-K for the Year Ended December 31, 2008 filed with the SEC on March 13, 2009 (SEC File No. 000-22239); and as amended by Memorandums dated January 22, 2016 and January 31, 2017, incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K for the Year Ended December 31, 2016 filed with the SEC on March 9, 2017 (SEC File No. 001-34761).
10.34■	Amended and Restated Severance Agreement dated as of November 15, 2008 between Company and Wesley Ozima, incorporated by reference to Exhibit 10.82 to the Annual Report on Form 10-K for the Year Ended December 31, 2008 filed with the SEC on March 13, 2009 (SEC File No. 000-22239); and as amended by Amendment No. 1 dated October 16, 2012, incorporated by reference to Exhibit 10.74 to the Annual Report on Form 10-K for the Year Ended December 31, 2012 filed with the SEC on February 28, 2013 (SEC File No. 001-34761).

- 10.35 ■ Stock Option Award Agreement under the Autobytel Inc. 2000 Stock Option Plan, Stock Option Award Agreement under the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, and Stock Option Award Agreement under the Autobytel Inc. 2004 Restricted Stock and Option Plan each dated effective as of April 3, 2009 between Company and Jeffrey H. Coats, incorporated by reference to [Exhibits 10.92](#), [10.93](#) and [10.94](#), respectively, to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239); Employee Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan and Employee Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan, each dated as of January 21, 2016 between Company and Jeffrey H. Coats, incorporated by reference to [Exhibits 10.2](#) and [10.3](#), respectively, to the Current Report on Form 8-K filed with the SEC January 27, 2016 (SEC File No. 001-34761).
- 10.36 ■ Second Amended and Restated Employment Agreement dated as of April 3, 2014 between Company and Jeffrey H. Coats, incorporated by reference to [Exhibit 99.1](#) to the Current Report on Form 8-K filed with the SEC on April 8, 2014 (SEC File No. 001-34761); as amended by Amendment No. 1 dated January 21, 2016, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC January 27, 2016 (SEC File No. 001-34761); and as amended by Amendment No. 2 dated September 21, 2016, incorporated by reference to [Exhibit 10.3](#) to the Form 8-K filed with the SEC on September 26, 2016 (SEC File No. 001-34761).
- 10.37 ■* [Separation and Release Agreement](#) dated as of April 30, 2018 between Company and Jeffrey Coats.
- [10.38](#) ■ Consulting Services Agreement between Jeffrey Coats and AutoWeb, Inc. dated April 13, 2018, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on April 18, 2018 (SEC File No. 001-34761).
- [10.39](#) ■ Confidential Separation and Release Agreement dated as of June 1, 2018 between Company and Kimberly Boren, incorporated by reference to Exhibit 10.5 on the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761).
- [10.40](#) ■ Consulting Services Agreement dated as of June 9, 2018 between Company and Kimberly Boren, incorporated by reference to Exhibit 10.6 on the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761).
- 10.41 Fourth Amended and Restated Stockholder Agreement dated as of March 1, 2017, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on March 2, 2017 (SEC File No. 001-34761).
- 10.42 Loan Agreement dated as of February 26, 2013 by and between Company and Union Bank, N.A., a national banking association (“**Loan Agreement**”); as amended by First Amendment dated as of September 10, 2013 to Loan Agreement; as amended by Second Amendment dated as of January 13, 2014 to Loan Agreement, Security Agreement dated January 13, 2014, Commercial Promissory Note dated January 13, 2014 (\$9,000,000 Term Loan), and Commercial Promissory Note dated January 13, 2014 (\$8,000,000 Revolving Loan), incorporated by reference to [Exhibit 10.4](#) to the Current Report on Form 8-K filed with the SEC on January 14, 2014 (SEC File No. 001-34761); as amended by Third Amendment dated as of May 20, 2015 to Loan Agreement, Commercial Promissory Note dated May 20, 2015 (\$15,000,000 Term Loan), and Commercial Promissory Note dated May 20, 2015 (\$8,000,000 Revolving Loan), incorporated by reference to [Exhibits 10.1](#), [10.2](#) and [10.3](#) to the Current Report on Form 8-K filed with the SEC on May 27, 2015 (SEC File No. 001-34761); as amended by Fourth Amendment dated as of June 1, 2016 to Loan Agreement, incorporated by reference to [Exhibit 10.5](#) to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2016 filed with the SEC on August 4, 2016 (SEC File No. 001-34761); as amended by Fifth Amendment dated as of June 28, 2017 to Loan Agreement and Commercial Promissory Note dated on June 28, 2017 (\$8,000,000 Revolving Loan), incorporated by reference to [Exhibits 10.2](#) and [10.3](#) to the Current Report on Form 8-K filed with the SEC on June 29, 2017 (SEC File No. 001-34761); and as amended by Sixth Amendment dated as of December 27, 2017 to Loan Agreement, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on December 27, 2017 (SEC File No. 001-34761).

- 10.43 Lease Agreement dated April 3, 1997 between The Provider Fund Partners, The Colton Company (n/k/a: GFE MacArthur Investments, LLC, as successor-in-interest to The Provider Fund Partners, The Colton Company) and the Company (“**Irvine Lease**”), as amended by Amendment No. 12 dated February 6, 2009 to Irvine Lease, Amendment No. 13 dated February 6, 2009 to Irvine Lease, and Amendment No. 14 to Irvine Lease dated November 9, 2010, incorporated by reference to [Exhibit 10.79](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2011 filed with the SEC on March 1, 2012 (SEC File No. 001-34761); as amended by Amendment No. 15 dated October 31, 2012 to Irvine Lease, incorporated by reference to [Exhibit 10.69](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2012 filed with the SEC on February 28, 2013 (SEC File No. 001-34761); as amended by Amendment No. 16 to Irvine Lease dated August 7, 2015, incorporated by reference to [Exhibit 10.32](#) to the Annual Report on Form 10-K filed with the SEC on March 10, 2016 (SEC File No. 001-34761); and as amended by Amendment No. 17 dated April 14, 2017 to the Irvine Lease dated April 3, 1997 between GFE MacArthur Investments, LLC, successor-in-interest to TFP Partners, and the Company, incorporated by reference to [Exhibit 10.3](#) to the Quarterly Report on Form 10-Q filed with the SEC on May 4, 2017 (SEC File No. 001-34761).
- [10.44](#) Lease Agreement dated December 9, 2015 between Rivergate Tower Owner, LLC and the Company, as amended by Amendment No. 1 dated November 21, 2016, incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K filed with the SEC on March 9, 2017 (SEC File No. 001-34761).
- [10.45](#) Contract for Lease and Deposit dated June 1, 2016 between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1101, incorporated by reference to Exhibit 10.33 to Annual Report on Form 10-K filed with the SEC on March 9, 2017 (SEC File No. 001-34761).
- [10.46](#) Contract for Lease and Deposit dated June 1, 2016 between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1102, incorporated by reference to Exhibit 10.34 to Annual Report on Form 10-K filed with the SEC on March 9, 2017 (SEC File No. 001-34761).
- 10.47‡ Master License and Services Agreement as of October 5, 2017 by and between AutoWeb and DealerX Partners, LLC, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on October 11, 2017 (SEC File No. 001-34761).
- 10.48‡ Stockholder Agreement dated as of October 5, 2017 by and between AutoWeb, DealerX Partners, LLC and Jeffrey Tognetti, incorporated by reference to [Exhibit 10.2](#) to the Current Report on Form 8-K filed with the SEC on October 11, 2017 (SEC File No. 001-34761).
- 10.49 Tax Benefit Preservation Plan Exemption Agreement and Irrevocable Proxy dated November 15, 2017 by and between AutoWeb, Piton Capital Partners LLC, a Delaware limited liability company (“**Piton Capital**”), and Piton Capital’s managing members, incorporated by reference to [Exhibits 10.1](#) and [10.2](#), respectively, to the Current Report on Form 8-K filed with the SEC on November 17, 2017 (SEC File No. 001-34761).
- 10.50 Tax Benefit Preservation Plan Exemption Agreement and Irrevocable Proxies, effective as of November 30, 2018, by and between AutoWeb, Inc. and Daniel M. Negari, The 1 8 999 Trust, a trust organized under the laws of Nevada, Michael R. Ambrose, and The Insight Trust, a trust organized under the laws of Nevada, incorporated by reference to Exhibits [10.1](#), [10.2](#), [10.3](#), [10.4](#) and [10.5](#), respectively, to the Current Report on Form 8-K filed with the SEC on November 30, 2018 (SEC File No. 001-34761).
- 10.51‡ Transitional License and Linking Agreement, made as of January 1, 2017, by and among Internet Brands, Inc., a Delaware corporation, Car.com, Inc., a Delaware corporation, and the Company, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on January 6, 2017 (SEC File No. 001-34761).
- 10.52 Convertible Subordinated Promissory Note dated as of January 13, 2014 (Principal Amount \$1,000,000.00) issued by Company to AutoNationDirect.com, Inc., a Delaware corporation, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on January 14, 2014 (SEC File No. 001-34761).

10.53	Warrant to Purchase 69,930 Shares of Company Common Stock dated as of January 13, 2014 issued by Company to AutoNationDirect.com, Inc., a Delaware corporation, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on January 14, 2014 (SEC File No. 001-34761).
10.54	Form of Warrant to Purchase Common Stock (on an as-converted basis following the conversion of Series B Junior Preferred Stock) dated as of October 1, 2015 issued by the Company to the persons listed on Schedule A thereto, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 6, 2015 (SEC File No. 001-34761).
21.1 *	Subsidiaries of AutoWeb, Inc.
23.1 *	Consent of Independent Registered Public Accounting Firm, Moss Adams LLP.
24.1 *	Power of Attorney (included in the signature page hereto).
31.1 *	Chief Executive Officer Section 302 Certification of Periodic Report dated March 7, 2019.
31.2 *	Chief Financial Officer Section 302 Certification of Periodic Report dated March 7, 2019.
32.1 *	Chief Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated March 7, 2019.
101.INS††	XBRL Instance Document
101.SCH††	XBRL Taxonomy Extension Schema Document
101.CAL††	XBRL Taxonomy Calculation Linkbase Document
101.DEF††	XBRL Taxonomy Extension Definition Document
101.LAB††	XBRL Taxonomy Label Linkbase Document
101.PRE††	XBRL Taxonomy Presentation Linkbase Document
*	Filed herewith.
■	Management Contract or Compensatory Plan or Arrangement.
‡	Certain schedules in this Exhibit have been omitted in accordance with Item 601(b)(2) of Regulation S-K. AutoWeb, Inc. will furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request; provided, however, that AutoWeb, Inc. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.
††	Furnished with this report. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 7th day of March, 2019.

AUTOWEB, INC.

By: /s/ JARED R. ROWE

Jared R. Rowe
President, Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each of AutoWeb, Inc., a Delaware corporation (“**Company**”), and the undersigned Directors and Officers of AutoWeb, Inc. hereby constitute and appoint Jared R. Rowe, Joseph P. Hannan or Glenn E. Fuller as the Company’s or such Director’s or Officer’s true and lawful attorneys-in-fact and agents, for the Company or such Director or Officer and in the Company’s or such Director’s or Officer’s name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this report, and to file each such amendment to this report, with all exhibits thereto, and any and all documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in connection therewith, as fully to all intents and purposes as the Company or such Director or Officer might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
<u>/s/ MICHAEL J. FUCHS</u> Michael J. Fuchs	Chairman of the Board and Director	March 7, 2019
<u>/s/ JARED R. ROWE</u> Jared R. Rowe	President, Chief Executive Officer and Director (Principal Executive Officer)	March 7, 2019
<u>/s/ JOSEPH P. HANNAN</u> Joseph P. Hannan	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 7, 2019
<u>/s/ WESLEY OZIMA</u> Wesley Ozima	Senior Vice President and Controller (Principal Accounting Officer)	March 7, 2019
<u>/s/ MICHAEL A. CARPENTER</u> Michael A. Carpenter	Director	March 7, 2019
<u>/s/ MATIAS DE TEZANOS</u> Matias de Tezanos	Director	March 7, 2019
<u>/s/ CHAN GALBATO</u> Chan Galbato	Director	March 7, 2019
<u>/s/ MARK N. KAPLAN</u> Mark N. Kaplan	Director	March 7, 2019
<u>/s/ JANET M. THOMPSON</u> Janet M. Thompson	Director	March 7, 2019
<u>/s/ JOSE VARGAS</u> Jose Vargas	Director	March 7, 2019

AUTOWEB, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
AutoWeb, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AutoWeb, Inc. (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and schedule (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2018 the Company changed its method of accounting for revenue recognition due to the adoption of Accounting Standards Codification Topic No. 606.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Moss Adams LLP

San Diego, California

March 7, 2019

We have served as the Company’s auditor since 2012.

AUTOWEB, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per-share and share data)

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,600	\$ 24,993
Short-term investment	—	254
Accounts receivable, net of allowances for bad debts and customer credits of \$566 and \$892 at December 31, 2018 and 2017, respectively	26,898	25,911
Prepaid expenses and other current assets	1,245	1,805
Total current assets	41,743	52,963
Property and equipment, net	3,181	4,311
Investments	—	100
Intangible assets, net	11,976	29,113
Goodwill	—	5,133
Long-term deferred tax asset	—	692
Other assets	516	601
Total assets	\$ 57,416	\$ 92,913
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,908	\$ 7,083
Accrued employee-related benefits	3,125	2,411
Other accrued expenses and other current liabilities	8,868	7,252
Current convertible note payable	1,000	—
Total current liabilities	23,901	16,746
Convertible note payable	—	1,000
Borrowings under revolving credit facility	—	8,000
Total liabilities	23,901	25,746
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 11,445,187 shares authorized		
Series A Preferred stock, none issued and outstanding	—	—
Common stock, \$0.001 par value; 55,000,000 shares authorized; 12,960,450 and 13,059,341 shares issued and outstanding at December 31, 2018 and 2017, respectively	13	13
Additional paid-in capital	361,218	356,054
Accumulated deficit	(327,716)	(288,900)
Total stockholders' equity	33,515	67,167
Total liabilities and stockholders' equity	\$ 57,416	\$ 92,913

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

AUTOWEB, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per-share data)

	Years Ended December 31,		
	2018	2017	2016
Revenues:			
Lead fees	\$ 96,936	\$ 107,045	\$ 130,684
Advertising	28,169	34,142	24,508
Other revenues	484	938	1,492
Total revenues	<u>125,589</u>	<u>142,125</u>	<u>156,684</u>
Cost of revenues	101,315	99,352	98,771
Cost of revenues – impairment	9,014	—	—
Gross profit	<u>15,260</u>	<u>42,773</u>	<u>57,913</u>
Operating expenses:			
Sales and marketing	12,419	14,315	18,118
Technology support	13,838	12,567	13,986
General and administrative	16,077	12,001	14,613
Depreciation and amortization	4,897	4,781	5,068
Goodwill impairment	5,133	37,688	—
Long-lived asset impairment	1,968	—	—
Total operating expenses	<u>54,332</u>	<u>81,352</u>	<u>51,785</u>
Operating income (loss)	<u>(39,072)</u>	<u>(38,579)</u>	<u>6,128</u>
Interest and other income (expense), net	250	(946)	558
Income (loss) before income tax provision	<u>(38,822)</u>	<u>(39,525)</u>	<u>6,686</u>
Income tax provision (benefit)	(6)	25,439	2,815
Net income (loss) and comprehensive income (loss)	<u>\$ (38,816)</u>	<u>\$ (64,964)</u>	<u>\$ 3,871</u>
Basic earnings (loss) per common share	<u>\$ (3.04)</u>	<u>\$ (5.48)</u>	<u>\$ 0.36</u>
Diluted earnings (loss) per common share	<u>\$ (3.04)</u>	<u>\$ (5.48)</u>	<u>\$ 0.29</u>

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

AUTOWEB, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Preferred Stock		Additional Paid-In- Capital	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balance at December 31, 2015	10,626,624	\$ 11	168,007	\$ —	\$ 342,485	\$ (234,295)	\$ 108,201
Share-based compensation	—	—	—	—	4,486	—	4,486
Issuance of common stock upon exercise of stock options	386,001	—	—	—	3,051	—	3,051
Net income	—	—	—	—	—	3,871	3,871
Balance at December 31, 2016	11,012,625	11	168,007	—	350,022	(230,424)	119,609
Share-based compensation	—	—	—	—	4,106	—	4,106
Issuance of common stock upon exercise of stock options	248,344	—	—	—	1,355	—	1,355
Issuance of restricted stock	345,000	—	—	—	—	—	—
Conversion of preferred shares	1,680,070	2	(168,007)	—	(2)	—	—
DealerX contingent consideration	—	—	—	—	2,470	—	2,470
Repurchase of common stock	(226,698)	—	—	—	(1,897)	—	(1,897)
Cumulative effect adjustment	—	—	—	—	—	6,488	6,488
Net loss	—	—	—	—	—	(64,964)	(64,964)
Balance at December 31, 2017	13,059,341	13	—	—	356,054	(288,900)	67,167
Share-based compensation	—	—	—	—	4,866	—	4,866
Issuance of common stock upon exercise of stock options	28,467	—	—	—	98	—	98
Cancellation of restricted stock	(188,333)	—	—	—	—	—	—
Issuance of common stock	60,975	—	—	—	200	—	200
Net loss	—	—	—	—	—	(38,816)	(38,816)
Balance at December 31, 2018	<u>12,960,450</u>	<u>\$ 13</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 361,218</u>	<u>\$ (327,716)</u>	<u>\$ 33,515</u>

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

AUTOWEB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income (loss) and comprehensive income (loss)	\$ (38,816)	\$ (64,964)	\$ 3,871
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	8,544	7,653	7,303
Goodwill impairment	5,133	37,688	—
Intangible asset impairment	9,014	—	—
Provision for bad debt	241	346	344
Provision for customer credits	217	247	592
Share-based compensation	4,866	4,103	4,412
Write-down of assets	—	8	115
Long-lived asset impairment	1,968	—	—
Gain on sale of business	—	—	(2,183)
(Gain)/loss on long-term strategic investment	(25)	580	777
Change in deferred tax assets	692	25,264	1,994
Changes in assets and liabilities:			
Accounts receivable	(1,445)	7,130	(3,229)
Prepaid expenses and other current assets	814	(904)	(402)
Other non-current assets	(278)	200	946
Accounts payable	3,825	(2,681)	2,121
Accrued expenses and other current liabilities	2,330	(3,182)	1,581
Net cash provided by (used in) operating activities	<u>(2,920)</u>	<u>11,488</u>	<u>18,242</u>
Cash flows from investing activities:			
Purchases of property and equipment	(896)	(1,799)	(2,148)
Purchase of intangible assets	—	(8,600)	—
Proceeds from sale of investment	125	—	—
Investment in GoMoto	—	—	(375)
Change in short-term investment	—	(3)	(251)
Net cash used in investing activities	<u>(771)</u>	<u>(10,402)</u>	<u>(2,774)</u>
Cash flows from financing activities:			
Payments on revolving credit facility	(8,000)	—	—
Repurchase of common stock	—	(1,897)	—
Proceeds from issuance of common stock	200	—	—
Payments on term loan borrowings	—	(14,063)	(3,937)
Net proceeds from stock option exercises	98	1,355	3,051
Payment of contingent fee arrangement	—	—	(63)
Net cash used in financing activities	<u>(7,702)</u>	<u>(14,605)</u>	<u>(949)</u>
Net increase (decrease) in cash and cash equivalents	(11,393)	(13,519)	14,519
Cash and cash equivalents, beginning of period	24,993	38,512	23,993
Cash and cash equivalents, end of period	<u>\$ 13,600</u>	<u>\$ 24,993</u>	<u>\$ 38,512</u>
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	<u>\$ 4</u>	<u>\$ 650</u>	<u>\$ 760</u>
Cash refunds for income taxes	<u>\$ 223</u>	<u>\$ —</u>	<u>\$ —</u>
Cash paid for interest	<u>\$ 118</u>	<u>\$ 948</u>	<u>\$ 717</u>
Supplemental schedule of non-cash investing and financing activities:			
DealerX contingent consideration	<u>\$ —</u>	<u>\$ 2,470</u>	<u>\$ —</u>
Sale of specialty finance leads business	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,168</u>

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

AUTOWEB, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Organization and Operations of AutoWeb**

AutoWeb, Inc. (“**AutoWeb**” or the “**Company**”) is a digital marketing company for the automotive industry that assists automotive retail dealers (“**Dealers**”) and automotive manufacturers (“**Manufacturers**”) market and sell new and used vehicles to consumers by utilizing the Company’s digital sales enhancing products and services.

The Company’s consumer-facing automotive websites (“**Company Websites**”) provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to connect with Dealers regarding purchasing or leasing vehicles (“**Leads**”). The Company’s click traffic referral program provides consumers who are shopping for vehicles online with targeted offers based on make, model and geographic location. As these consumers conduct online research on Company Websites or on the site of one of our network of automotive publishers, they are presented with relevant offers on a timely basis and, upon the consumer clicking on the displayed advertisement, are sent to the appropriate website location of one of the Company’s Dealer, Manufacturer or advertising customers.

The Company was incorporated in Delaware on May 17, 1996. Its principal corporate offices are located in Irvine, California. The Company’s common stock is listed on The Nasdaq Capital Market under the symbol AUTO. On October 9, 2017, the Company changed its name from Autobytel Inc. to AutoWeb, Inc., assuming the name of AutoWeb, Inc., which was acquired in October 2015. In connection with this name change, the Company’s stock ticker symbol was changed from “ABTL” to “AUTO” on The Nasdaq Capital Market.

On October 5, 2017, the Company and DealerX Partners, LLC, a Florida limited liability company (“**DealerX**”), entered into a Master License and Services Agreement (“**DealerX License Agreement**”). Pursuant to the terms of the DealerX License Agreement, AutoWeb was granted a perpetual license to access and use DealerX’s proprietary platform and technology for targeted, online marketing. DealerX was to operate the platform for AutoWeb and provide enhancements to and support for the DealerX platform for at least an initial five-year period (“**Platform Support Obligations**”), however the Company terminated the Platform Support Obligations effective November 2, 2018, and as a result, recorded an impairment charge. See Note 6 for additional information.

On December 19, 2016, AutoWeb and Car.com, Inc., a wholly owned subsidiary of AutoWeb (“**Car.com**”), entered into an Asset Purchase and Sale Agreement, by and among AutoWeb, Car.com, and Internet Brands, Inc., a Delaware corporation (“**Internet Brands**”), in which Internet Brands acquired substantially all of the assets of the automotive specialty finance leads group of Car.com. The transaction was completed effective as of December 31, 2016. The transaction consideration consisted of \$3.2 million in cash and \$1.6 million to be paid over a five-year period pursuant to a Transitional License and Linking Agreement. The Company recorded a gain on sale of approximately \$2.2 million in connection with the transaction in the fourth quarter of 2016.

On October 1, 2015 (“**AWI Merger Date**”), AutoWeb entered into and consummated an Agreement and Plan of Merger by and among AutoWeb, New Horizon Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of AutoWeb (“**Merger Sub**”), Autobytel, Inc. (formerly AutoWeb, Inc.), a Delaware corporation (“**AWI**”), and Jose Vargas, in his capacity as Stockholder Representative. On the AWI Merger Date, Merger Sub merged with and into AWI, with AWI continuing as the surviving corporation and as a wholly owned subsidiary of AutoWeb. AWI was a privately-owned company providing an automotive search engine that enables Manufacturers and Dealers to optimize advertising campaigns and reach highly-targeted car buyers through an auction-based click marketplace. Prior to the acquisition, the Company previously owned approximately 15% of the outstanding shares of AWI, on a fully converted and diluted basis, and accounted for the investment on the cost basis.

On May 21, 2015 (“**Dealix/Autotegrity Acquisition Date**”), AutoWeb and CDK Global, LLC, a Delaware limited liability company (“**CDK**”), entered into and consummated a Stock Purchase Agreement in which AutoWeb acquired all of the issued and outstanding shares of common stock in Dealix Corporation, a California corporation and subsidiary of CDK, and Autotegrity, Inc., a Delaware corporation and subsidiary of CDK (collectively, “**Dealix/Autotegrity**”). Dealix Corporation provides new and used car Leads to automotive dealerships, Dealer groups and Manufacturers, and Autotegrity, Inc. is a consumer Leads acquisition and analytics business.

2. **Summary of Significant Accounting Policies**

Basis of Presentation. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, but are not limited to, allowances for bad debts and customer credits, useful lives of depreciable assets and capitalized software costs, long-lived asset impairments, goodwill and purchased intangible asset valuations, accrued liabilities, contingent payment provisions, debt valuation and valuation allowance for deferred tax assets, warrant valuation and stock-based compensation expense. Actual results could differ from those estimates.

Cash and Cash Equivalents. For purposes of the Consolidated Balance Sheets and the Consolidated Statements of Cash Flows, the Company considers all highly liquid investments with an original maturity of 90 days or less at the date of purchase to be cash equivalents. Cash and cash equivalents represent amounts held by the Company for use by the Company and are recorded at cost, which approximates fair value.

Accounts Receivable. Credit is extended to customers based on an evaluation of the customer’s financial condition, and when credit is extended, collateral is generally not required. Interest is not normally charged on receivables.

Allowances for Bad Debts and Customer Credits. The allowance for bad debts is an estimate of bad debt expense that could result from the inability or refusal of customers to pay for services. Additions to the estimated allowance for bad debts are recorded to sales and marketing expenses and are based on factors such as historical write-off percentages, the current business environment and known concerns within the current aging of accounts receivable. Reductions in the estimated allowance for bad debts due to subsequent cash recoveries are recorded as a decrease in sales and marketing expenses. As specific bad debts are identified, they are written-off against the previously established estimated allowance for bad debts with no impact on operating expenses.

The allowance for customer credits is an estimate of adjustments for services that do not meet the customer requirements. Additions to the estimated allowance for customer credits are recorded as a reduction of revenues and are based on the Company’s historical experience of: (i) the amount of credits issued; (ii) the length of time after services are rendered that the credits are issued; (iii) other factors known at the time; and (iv) future expectations. Reductions in the estimated allowance for customer credits are recorded as an increase in revenues. As specific customer credits are identified, they are written-off against the previously established estimated allowance for customer credits with no impact on revenues.

If there is a decline in the general economic environment that negatively affects the financial condition of the Company’s customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required, and the impact on the Company’s business, results of operations, financial condition, earnings per share, cash flow or the trading price of our stock could be material.

Contingencies. From time to time the Company may be subject to proceedings, lawsuits and other claims. The Company assesses the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. The Company records a loss contingency when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. The amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter. Gain contingencies are not recorded until all elements necessary to realize the revenue are present. Any legal fees incurred in connection with a contingency are expensed as incurred.

Fair Value of Financial Instruments. The Company records its financial assets and liabilities at fair value, which is defined under the applicable accounting standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measure date. The Company uses valuation techniques to measure fair value, maximizing the use of observable outputs and minimizing the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

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

Level 3 – Inputs include management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument’s valuation.

Cash equivalents, accounts receivable, net of allowance, accounts payable and accrued liabilities, are carried at cost, which management believes approximates fair value because of the short-term maturity of these instruments.

The Company's investments during the years ended December 31, 2018 and 2017, consisted of investments in SaleMove and GoMoto that were accounted for under the cost method. During the year ended December 31, 2017, the Company recorded a write-off related to its investment in SaleMove of \$0.6 million. Subsequently during the year ended December 31, 2018, the Company sold its interest back to SaleMove for \$0.1 million. See Note 5 for further discussion.

Variable Interest Entities. The Company had an investment in an entity that is considered a variable interest entity ("VIE") under U.S. GAAP. The Company had concluded that during the period it held its investment in SaleMove, SaleMove qualified as a variable interest and SaleMove was a VIE. VIEs are legal entities in which the equity investors do not have sufficient equity at risk for the entity to independently finance its activities or the collective holders do not have the power through voting or similar rights to direct the activities of the entity that most significantly impacts its economic performance, the obligation to absorb the expected losses of the entity, or the right to receive expected residual returns of the entity. Consolidation of a VIE is considered appropriate if a reporting entity is the primary beneficiary, the party that has both significant influence and control over the VIE. Management periodically performs a qualitative analysis to determine if the Company is the primary beneficiary of a VIE. This analysis includes review of the VIEs' capital structure, contractual terms, and primary activities, including the Company's ability to direct the activities of the VIEs and obligations to absorb losses, or the right to receive benefits, significant to the VIE.

Based on AutoWeb's analysis for the periods presented in this report, it was not the primary beneficiary of SaleMove. Accordingly, SaleMove did not meet the criteria for consolidation.

Concentration of Credit Risk and Risks Due to Significant Customers. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are primarily maintained with two financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. Generally these deposits may be redeemed upon demand. Accounts receivable are primarily derived from fees billed to automotive Dealers and automotive Manufacturers.

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), General Motors and Media.net Advertising. During 2018, approximately 37% of our total revenues were derived from these three customers, and approximately 41% or \$11.2 million of gross accounts receivable related to these three customers at December 31, 2018. Urban Science Applications accounted for 18% and 21% of total revenues and accounts receivable, respectively, as of December 31, 2018. Media.net Advertising accounted for 10% and 6% of total revenues and accounts receivable, respectively, as of December 31, 2018. General Motors accounted for 9% and 13% of total revenues and accounts receivable, respectively, as of December 31, 2018.

During 2017, approximately 34% of the Company's total revenues were derived from these same three customers, and approximately 43% or \$11.6 million of gross accounts receivable related to these three customers at December 31, 2017. Urban Science Applications accounted for 15% and 20% of total revenues and total accounts receivable as of December 31, 2017, respectively. Media.net Advertising accounted for 11% of both total revenues and accounts receivable as of December 31, 2017, respectively.

During 2016, approximately 28% of the Company's total revenues were derived from Urban Science Applications, General Motors and Ford Direct, and approximately 36% or \$12.6 million of gross accounts receivable related to these three customers at December 31, 2016. In 2016, Urban Science Applications accounted for 16% and 19% of total revenues and total accounts receivable as of December 31, 2016, respectively.

Property and Equipment. Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, generally three years. Amortization of leasehold improvements is provided using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Repair and maintenance costs are charged to operating expenses as incurred. Gains or losses resulting from the retirement or sale of property and equipment are recorded as operating income or expenses, respectively.

Operating Leases. The Company leases office space and certain office equipment under operating lease agreements which expire on various dates through 2024, with options to renew on expiration of the original lease terms.

Reimbursed tenant improvements are considered in determining straight-line rent expense and are amortized over the shorter of their estimated useful lives or the lease term. The lease term begins on the date of initial possession of the leased property for purposes of recognizing rent expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term.

Capitalized Internal Use Software and Website Development Costs. The Company capitalizes costs to develop internal use software in accordance with Accounting Standards Codification (“ASC”) 350-40, “Internal-Use Software”, and ASC 350-50, “Website Development Costs”, which require the capitalization of external and internal computer software costs and website development costs, respectively, incurred during the application development stage. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training and maintenance costs are expensed as incurred while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized internal use software development costs are amortized using the straight-line method over an estimated useful life of three to five years. Capitalized website development costs, once placed in service, are amortized using the straight-line method over the estimated useful life of the related websites. The Company capitalized \$0.5 million, \$0.5 million and \$1.7 million of such costs for the years ended December 31, 2018, 2017 and 2016, respectively.

Impairment of Long-Lived Assets and Intangible Assets. The Company periodically reviews long-lived amortizing assets to determine if there is any impairment of these assets. The Company assesses the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of the long-lived assets and other intangibles. Future events could cause the Company to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. The Company assesses the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset’s carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, the Company would write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on the Company’s financial condition and results of operations. The Company recorded impairment of \$0.6 million related to its investment in SaleMove in 2017. In 2018, we recorded impairments totaling \$11.0 million, primarily attributable to a \$9.0 million charge due to our decision to terminate the support provisions of the DealerX License Agreement, which significantly impacted the usability of the asset. The remaining \$2.0 million is comprised of a \$1.6 million customer relationships impairment related to a 2015 acquisition after determining that a significant percentage of acquired customers were no longer part of the dealer base, and the write-off of \$0.4 million in cash advances to SaleMove.

Indefinite-lived intangible assets. Indefinite-lived intangible assets consists of a domain name, which was acquired as part of the Dealix/Autoteq integrity acquisition in 2015, which is tested for impairment annually, or more frequently if an event occurs or circumstances changes that would indicate that impairment may exist. When evaluating indefinite-lived intangible assets for impairment, the Company may first perform a qualitative analysis to determine whether it is more likely than not that the indefinite-lived intangible assets is impaired. If the Company does not perform the qualitative assessment, or if the Company determines that it is more likely than not that the fair value of the indefinite-lived intangible asset exceeds its carrying amount, the Company will calculate the estimated fair value of the indefinite-lived intangible asset. Fair value is the price a willing buyer would pay for the indefinite-lived intangible asset and is typically calculated using an income approach. If the carrying amount of the indefinite-lived intangible asset exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. The Company did not record any impairment of indefinite-lived intangible assets in 2018 and 2017.

Goodwill. Goodwill represents the excess of the purchase price for business acquisitions over the fair value of identifiable assets and liabilities acquired. The Company evaluates the carrying value of enterprise goodwill for impairment by comparing the enterprise’s carrying value to its fair value. If the fair value is less than the carrying value, enterprise goodwill is potentially impaired. The Company evaluates enterprise goodwill, at a minimum, on an annual basis in the fourth quarter of each year or whenever events or changes in circumstances suggest that the carrying amount of goodwill may be impaired. The Company recorded goodwill impairment of \$5.1 million and \$37.7 million in 2018 and 2017, respectively.

Cost of Revenues. Cost of revenues consists of Lead and traffic acquisition costs and other cost of revenues. Lead and traffic acquisition costs consist of payments made to the Company’s Lead providers, including internet portals and on-line automotive information providers. Other cost of revenues consists of search engine marketing (“SEM”) and fees paid to third parties for data and content, including search engine optimization (“SEO”) activity, included on the Company’s properties, connectivity costs and development costs related to the Company Websites, compensation related expense and technology license fees, server equipment depreciation and technology amortization directly related to Company Websites. SEM, sometimes referred to as paid search marketing, is the practice of bidding on keywords on search engines to drive traffic to a website.

Income Taxes. The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance, if necessary, to reduce deferred tax assets to an amount it believes is more likely than not to be realized.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation known as the Tax Cuts and Jobs Act (“TCJA”). The TCJA established new tax laws that took effect in 2018, including, but not limited to (1) reduction of the U.S. federal corporate tax rate from a maximum of 35% to 21%; (2) elimination of the corporate alternative minimum tax (“AMT”); (3) a new limitation on deductible interest expense; (4) one-time transition tax on certain deemed repatriated earnings of foreign subsidiaries (“**Transition Tax**”); (5) limitations on the deductibility of certain executive compensation; (6) changes to the bonus depreciation rules for fixed asset additions; and (7) limitations on net operating losses (“**NOLs**”) generated after December 31, 2017, to 80% of taxable income.

ASC 740, “Income Taxes”, requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. However, due to the complexity and significance of the TCJA’s provisions, the SEC staff issued Staff Accounting Bulletin 118 (“**SAB 118**”), which provides guidance on accounting for the tax effects of the TCJA. SAB 118 provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting under ASC 740.

In 2017, we recorded provisional amounts for certain enactment-date effects of the TCJA, for which the accounting had not been finalized, by applying the guidance in SAB 118. The Company recorded a decrease in deferred tax assets and deferred tax liabilities of \$11.7 million and \$0.0 million, respectively, with a corresponding net adjustment to deferred income tax expense of \$11.7 million for the year ended December 31, 2017. In addition, the Company recognized a deemed repatriation of \$0.6 million of deferred foreign income from its Guatemala subsidiary, which did not result in any incremental tax cost after application of foreign tax credits. Accordingly, we completed our accounting for the effects of the TCJA in 2018 and did not recognize any material adjustments to the 2017 provisional income tax expense.

The TCJA created a provision known as global intangible low-tax income (“**GILTI**”) that imposes a U.S. tax on certain earnings of foreign subsidiaries that are subject to foreign tax below a certain threshold. We have made an accounting policy election to reflect GILTI taxes, if any, as a current income tax expense in the period incurred.

Computation of Basic and Diluted Net Earnings (Loss) per Share. Basic net earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net earnings (loss) per share is computed using the weighted average number of common shares, and if dilutive, potential common shares outstanding, as determined under the treasury stock and if-converted method, during the period. Potential common shares consist of unvested restricted stock, common shares issuable upon the exercise of stock options, the exercise of warrants, and conversion of convertible notes.

The following are the share amounts utilized to compute the basic and diluted net earnings (loss) per share for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Basic Shares:			
Weighted average common shares outstanding	12,756,191	11,910,906	10,673,015
Weighted average common shares repurchased	—	(58,367)	—
Basic Shares	<u>12,756,191</u>	<u>11,852,539</u>	<u>10,673,015</u>
Diluted Shares:			
Basic Shares	12,756,191	11,852,539	10,673,015
Weighted average dilutive securities	—	—	2,630,194
Dilutive Shares	<u>12,756,191</u>	<u>11,852,539</u>	<u>13,303,209</u>

For the years ended December 31, 2018 and 2017, basic and diluted weighted average shares are the same as the Company generated a net loss for the period and potentially dilutive securities are excluded because they have an anti-dilutive impact. For the year ended December 31, 2016, weighted average dilutive securities included dilutive options, restricted stock awards, and shares of common stock issued in June 2017 upon conversion of the Series B Junior Participating Convertible Preferred Stock, \$0.001 par value per share, that was issued in connection with the acquisition of AWI.

For the years ended December 31, 2018 and 2017, weighted average dilutive securities were not included since the Company had a net loss for the year. For the year ended December 31, 2016, weighted average dilutive securities included dilutive options, warrants and convertible preferred shares.

Potentially dilutive securities representing approximately 3.5 million, 3.7 million and 1.9 million shares of common stock for the years ended December 31, 2018, 2017 and 2016, respectively, were excluded from the computation of diluted income per share for these periods because their effect would have been anti-dilutive.

Share-Based Compensation. The Company grants restricted stock and stock option awards (the “**Awards**”) under several of its share-based compensation Plans (the “**Plans**”), that are more fully described in Note 10. The Company recognizes share-based compensation based on the Awards’ fair value, net of estimated forfeitures on a straight-line basis over the requisite service periods, which is generally over the awards’ respective vesting period, or on an accelerated basis over the estimated performance periods for options with performance conditions.

Restricted stock fair value is measured on the grant date based on the quoted market price of the Company’s common stock, and the stock option fair value is estimated on the grant date using the Black-Scholes option pricing model based on the underlying common stock closing price as of the date of grant, the expected term, stock price volatility and risk-free interest rates.

Business Segment. The Company conducts its business within the United States and within one business segment which is defined as providing automotive and marketing services. The Company’s operations are aggregated into a single reportable operating segment based upon similar economic and operating characteristics as well as similar markets.

Advertising Expense. Advertising costs are expensed in the period incurred and the majority of advertising expense is recorded in sales and marketing expense. Advertising expense in the years ended December 31, 2018, 2017 and 2016 was \$1.4 million, \$1.7 million and \$1.4 million, respectively.

Recent Accounting Pronouncements

Issued but not yet adopted by the Company

The Company considers the applicability and impact of all Accounting Standards Updates (“**ASU**”) issued by the Financial Accounting Standards Board (“**FASB**”). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company’s consolidated result of operations, financial position and cash flows.

Accounting Standards Codification 220 “Comprehensive Income.” In February 2018, the FASB issued ASU No. 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The new guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA and will improve the usefulness of information reported to financial statement users. The ASU will take effect for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company believes this ASU will not have a material effect on the consolidated financial statements and related disclosures.

Accounting Standards Codification 842 “Leases.” In February 2016, ASU No. 2016-02, “Leases (Topic 842)” was issued. This ASU was issued to increase transparency and comparability among organizations by requiring lessees to (i) recognize right-of-use (“**ROU**”) assets and lease liabilities on the balance sheet to represent the right to use the leased asset for the lease term and the obligation to make lease payments and (ii) disclose key information about leasing arrangements. Some changes to the lessor accounting guidance were made to align both of the following: (i) the lessor accounting guidance with certain changes made to the lessee accounting guidance and (ii) key aspects of the lessor accounting model with revenue recognition guidance.

The Company will adopt the ASU effective January 1, 2019. We will utilize the modified retrospective approach for adoption for all leases that exist at or commence after the date of initial application with an option to use certain practical expedients. We expect to use the package of practical expedients that allows us to not reassess: (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases, and (iii) initial direct costs for any expired or existing leases. We additionally expect to use (i) hindsight when evaluating contractual lease options, (ii) the practical expedient that allows lessees to treat lease and non-lease components of leases as a single lease component, and (iii) the portfolio approach which allows similar leased assets to be grouped and accounted for together. In addition, we will implement additional internal controls to evaluate future transactions in accordance with the standard.

The adoption of Topic 842 will have a material impact on our consolidated balance sheet due to the recognition of ROU assets and lease liabilities. The adoption of this ASU is not expected to have a material impact on our consolidated statement of operations or our consolidated statement of cash flows. We do not expect to recognize a material cumulative effect adjustment to the opening balance sheet retained earnings on January 1, 2019. Because we’ve elected to use the modified retrospective approach, the ASU will not be applied to periods prior to adoption and the adoption of this ASU will have no impact on our previously reported results. The future minimum lease payments for our operating leases as of December 31, 2018 are disclosed in Note 8 to the consolidated financial statements. Upon adoption, we expect to recognize operating lease ROU assets and lease liabilities that reflect the present value of these future payments. As the rate implicit in the lease cannot be determined for any of our leases, we will use an estimated incremental borrowing rate of 5.5% to determine the present value of lease payments. Based on our review of the impact of ASC 842 on our current lease population, we expect to record approximately \$4.4 million for lease liabilities and approximately \$4.2 million for ROU assets based upon the lease liabilities adjusted for deferred rent.

SEC Release No. 33-10532, Disclosure Update and Simplification. In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, “Disclosure Update and Simplification”, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders’ equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders’ equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule became effective on November 5, 2018. The Company will adopt the requirements of the new standard for the interim reporting of the first quarter of 2019.

Recently adopted by the Company

Accounting Standards Codification 606 “Revenue from Contracts with Customers.” In May 2014, ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” was issued. The new standard sets forth a single comprehensive model for recognizing and reporting revenue and requires the use of a five-step methodology to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosure regarding revenue recognition. On January 1, 2018, the Company adopted ASC 606 using the modified retrospective transition method, which had no material impact on operations, and required no cumulative adjustment to be made to beginning retained earnings on January 1, 2018. Therefore, results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted. See Note 3 for further discussion.

Accounting Standards Codification 805 “Business Combinations.” In January 2017, ASU No. 2017-01, “Clarifying the Definition of a Business” was issued. ASU No. 2017-01 provides a more robust framework to use in determining when a set of assets and activities is a business. The Company adopted ASU No. 2017-01 on January 1, 2018, and it did not have a material effect on the consolidated financial statements.

Accounting Standards Codification 718 “Compensation – Stock Compensation.” In May 2017, ASU No. 2017-09, “Scope of Modification Accounting” was issued. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should apply ASU No. 2017-09 on a prospective basis for an award modified on or after the adoption date for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Additionally, in June 2018, FASB issued ASU No. 2018-07, “Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.” The update largely aligns the accounting for share-based payment awards issued to employees and nonemployees, particularly with regards to the measurement date and the impact of performance conditions. Under the new guidance, the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing). The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The Company adopted ASU No. 2017-09 and ASU No. 2018-07 in the current year and, therefore, results for reporting periods beginning after January 1, 2018 are presented under ASU No. 2017-09 and ASU No. 2018-07, while prior period amounts have not been adjusted. See Note 10 for further discussion.

3. Revenue Recognition

Revenue is recognized when the Company transfers control of promised goods or services to the Company’s customers, or when the Company satisfies any performance obligations under contract. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for respective goods or services provided. Further, under ASC 606, contract assets or contract liabilities that arise from past performance but require further performance before obligation can be fully satisfied must be identified and recorded on the balance sheet until respective settlements have been met.

The Company performs the following steps in order to properly determine revenue recognition and identify relevant contract assets and contract liabilities:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when, or as, the Company satisfies a performance obligation.

The Company earns revenue by providing leads, advertising, and mobile products and services used by Dealers and Manufacturers in their efforts to market and sell new and used vehicles to consumers. The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. The Company records revenue on distinct performance obligations at a single point in time, when control is transferred to the customer.

The Company has three main revenue sources – Lead fees, advertising, and other revenue. Accordingly, the Company recognizes revenue for each source as described below:

- Lead fees – paid by Dealers and Manufacturers participating in the Company’s Lead programs and are comprised of Lead transaction and/or monthly subscription fees. Lead fees are recognized in the period when service is provided.
- Advertising – fees paid by Dealers and Manufacturers for (i) display advertising on the Company’s websites and (ii) fees from the Company’s click traffic program. Revenue is recognized in the period advertisements are displayed on the Company’s websites or the period in which clicks have been delivered, as applicable. The Company recognizes gross revenue from the delivery of action-based advertisements in the period in which a user takes the action for which the marketer contracted for with the Company. For advertising revenue arrangements where the Company is not the principal, the Company recognizes revenue on a net basis.
- Other revenues – consists primarily of revenues from the Company’s mobile products and revenues from the Company’s Reseller Agreement with SaleMove, Inc. Revenue is recognized in the period in which products or services are sold.

Variable Consideration

The Company’s products, namely Leads, are generally sold with a right-of-return for services that do not meet customer requirements as specified by the relevant contract. Rights-of-return are estimable, and provisions for estimated returns are recorded as a reduction in revenue by the Company in the period revenue is recognized, and thereby accounted for as variable consideration. The Company includes the allowance for customer credits in its net accounts receivable balances on the Company’s balance sheet at period end. Allowance for customer credits totaled \$121,000 and \$213,000 as of December 31, 2018 and 2017, respectively.

See further discussion below on significant judgments exercised by the Company in regards to variable consideration.

Contract Assets and Contract Liabilities Unbilled Revenue

Timing of revenue recognition may differ from the timing of invoicing to customers. The Company records a receivable when revenue is recognized prior to invoicing. From time to time, the Company may have balances on its balance sheet representing revenue that has been recognized by the Company upon satisfaction of performance obligations and earning a right to receive payment. These not-yet invoiced receivable balances are driven by the timing of administrative transaction processing, and are not indicative of partially complete performance obligations, or unbilled revenue. Unbilled revenue represents revenue that is partially earned, whereby control of promised services has not yet transferred to the customer, and for which the Company has not earned the complete right to payment. The Company had zero unbilled revenue included in its consolidated balance sheets as of December 31, 2018 and 2017.

Deferred Revenue

The Company defers the recognition of revenue when cash payments are received or due in advance of satisfying its performance obligations, including amounts which are refundable. Such activity is not a common practice of operation for the Company. The Company had zero deferred revenue included in its consolidated balance sheets as of December 31, 2018 and 2017. Payment terms and conditions can vary by contract type. Generally, payment terms within the Company’s customer contracts include a requirement of payment within 30 to 60 days from date of invoice. Typically, customers make payments after receipt of invoice for billed services, and less typically, in advance of rendered services.

Practical Expedients and Exemptions

The Company excludes from the transaction price all sales taxes related to revenue producing transactions collected from the customer for a governmental authority. The Company applies the new revenue standard requirements to a portfolio of contracts (or performance obligations) with similar characteristics for transactions where it is expected that the effects of applying the revenue recognition guidance to the portfolio would not differ materially on the financial statements from that of applying the same guidance to the individual contracts (or performance obligations) within that portfolio. The Company generally expenses incremental costs of obtaining a contract when incurred because the amortization period would be less than one year. These costs primarily relate to sales commissions and are recorded in selling, marketing, and distribution expense.

Significant Judgments

The Company provides Dealers and Manufacturers with various opportunities to market their vehicles to potential vehicle buyers, namely via consumer lead and click traffic referrals and online advertising products and services. Proper revenue recognition of digital marketing activities, as well as proper recognition of assets and liabilities related to these activities, requires management to exercise significant judgment with the following items:

- *Arrangements with Multiple Performance Obligations*

The Company enters into contracts with customers that often include multiple products and services to a customer. Determining whether products and/or services are distinct performance obligations that should be accounted for singularly or separately may require significant judgment.

- *Variable Consideration and Customer Credits*

The Company's products are generally sold with a right-of-return. Additionally, the Company will sometimes provide customer credits or sales incentives. These items are accounted for as variable consideration when determining the allocation of the transaction price to performance obligations under a contract. The allowance for customer credits is an estimate of adjustments for services that do not meet customer requirements. Additions to the estimated allowance for customer credits are recorded as a reduction of revenues and are based on the Company's historical experience of: (i) the amount of credits issued; (ii) the length of time after services are rendered that the credits are issued; (iii) other factors known at the time; and (iv) future expectations. Reductions in the estimated allowance for customer credits are recorded as an increase in revenues.

As specific customer credits are identified, they are charged against this allowance with no impact on revenues. Returns and credits are measured at contract inception, with respective obligations reviewed each reporting period or as further information becomes available, whichever is earlier, and only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. The allowance for customer credits is included in the net accounts receivable balances of the Company's balance sheets as of December 31, 2018 and 2017.

The Company has not made any significant changes to judgments in applying ASC 606 during the year ended December 31, 2018.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by revenue source and has determined that disaggregating revenue into these categories sufficiently depicts the differences in the nature, amount, timing, and uncertainty of its revenue streams. The Company has three main sources of revenue: lead fees, advertising, and other revenues.

	Years Ended December 31,		
	2018	2017	2016
		<i>(in thousands)</i>	
Lead fees	\$ 96,936	\$ 107,045	\$ 130,684
Advertising			
Clicks	23,387	28,262	11,906
Display and other advertising	4,782	5,880	12,602
Other	484	938	1,492
Total revenues	<u>\$ 125,589</u>	<u>\$ 142,125</u>	<u>\$ 156,684</u>

4. Disposals

Disposal of Specialty Finance Leads Product

On December 19, 2016, AutoWeb and Car.com, Inc., a wholly owned subsidiary of AutoWeb ("Car.com"), entered into an Asset Purchase and Sale Agreement, by and among AutoWeb, Car.com, and Internet Brands, Inc., a Delaware corporation ("Internet Brands"), pursuant to which Internet Brands acquired substantially all of the assets of the automotive specialty finance leads group of Car.com ("Acquired Group"). The transaction was completed effective as of December 31, 2016. The transaction consideration consisted of \$3.2 million in cash paid at closing and \$1.6 million to be paid over a five-year period pursuant to a Transitional License and Linking Agreement ("Specialty Finance Leads License Agreement"). The Company recorded a gain on sale of approximately \$2.2 million in connection with the transaction in December 2016.

In connection with the transaction, Internet Brands, Car.com and AutoWeb entered into the Specialty Finance Leads License Agreement pursuant to which Car.com and AutoWeb provides Internet Brands certain transition services and arrangements. Pursuant to the Specialty Finance Leads License Agreement, (i) Internet Brands will pay AutoWeb \$1.6 million in fees over the five-year term of the Specialty Finance Leads License Agreement, and (ii) Car.com (1) granted Internet Brands a limited, non-exclusive, non-transferable license to use the Car.com logo and name solely for sales and marketing purposes in Internet Brand’s automotive specialty finance leads business; and (2) provided certain redirect linking of consumer traffic from the Acquired Group’s current specialty finance leads application forms to a landing page designated by Internet Brands. The Company received \$0.4 million and \$0.4 million during the years ended December 31, 2018 and 2017, respectively, related to the Specialty Finance Leads License Agreement.

The disposal of the automotive specialty finance leads product did not qualify for presentation and disclosure as a discontinued operation because it did not represent a strategic shift that had or will have a major effect on the Company’s operations.

5. Investments

Investments. The Company’s investments in SaleMove and GoMoto were recorded at cost.

The following table presents the Company’s investment activity for 2018 and 2017 (in thousands):

Description	SaleMove	GoMoto	Total
Balance at December 31, 2016	\$ 580	\$ 100	\$ 680
Write-off	(580)	—	(580)
Balance at December 31, 2017	—	100	\$ 100
Write-off	—	(100)	(100)
Balance at December 31, 2018	\$ —	\$ —	\$ —

SaleMove

In September 2013, the Company entered into a Convertible Note Purchase Agreement with SaleMove in which AutoWeb invested \$150,000 in SaleMove in the form of an interest bearing, convertible promissory note. In November 2014, the Company invested an additional \$400,000 in SaleMove in the form of an interest bearing, convertible promissory note. Upon closing of a preferred stock financing by SaleMove in July 2015, these two notes were converted in accordance with their terms into an aggregate of 190,997 Series A Preferred Stock, which shares are classified as a long-term investment on the consolidated balance sheet as of December 31, 2016. The Company recorded an impairment charge of \$0.6 million in SaleMove in 2017. On June 5, 2018, the Company sold its shares of Series A Preferred stock back to SaleMove for \$125,000. The gain of \$125,000 is recorded in Interest and other income (expense) on the Consolidated Condensed Statement of Operations and Comprehensive Income (Loss) for year ended December 31, 2018.

In October 2013, the Company entered into a Reseller Agreement with SaleMove to become a reseller of SaleMove’s technology for enhancing communications with consumers. SaleMove’s technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. The Company and SaleMove equally share in revenues from automotive-related sales of the SaleMove products and services. In connection with this reseller arrangement, the Company advanced \$1.0 million to SaleMove to fund SaleMove’s 50% share of various product development, marketing and sales costs and expenses. These previously advanced funds are repaid to the Company from SaleMove’s share of net revenues and expenses from the Reseller Agreement each reporting period. During the three months ended September 30, 2018, the Company performed a qualitative review of the agreement with SaleMove and, based on several factors related to the trend in operating results from this reseller arrangement and costs being incurred by the Company, the parties agreed to allow the arrangement to expire November 30, 2018, one month earlier than the original expiration date of December 31, 2018. Upon expiration of the Reseller Agreement, the remaining outstanding advances are no longer recoverable from SaleMove, and, accordingly, the Company has impaired the remaining balance of \$364,000 of advances due from SaleMove. The impairment charge is included in “Long-lived asset impairment” in the Consolidated Condensed Statement of Operations and Comprehensive (Loss) Income for the year ended December 31, 2018.

GoMoto

In December 2014, the Company entered into a Series Seed Preferred Stock Purchase Agreement with GoMoto in which the Company paid \$100,000 for 317,460 shares of Series Seed Preferred Stock, \$0.001 par value per share. The \$100,000 investment in GoMoto was recorded at cost because the Company does not have significant influence over GoMoto. In October 2015 and May 2016, the Company invested an additional \$375,000 and \$375,000 in each period in the form of convertible promissory notes (“GoMoto Notes”). The GoMoto Notes accrue interest at an annual rate of 4.0% and are due and payable in full upon demand by the Company or at GoMoto’s option ten days’ written notice unless converted prior to the repayment of the GoMoto Notes. The GoMoto Notes will be converted into preferred stock of GoMoto in the event of a preferred stock financing by GoMoto of at least \$1.0 million prior to repayment of the GoMoto Notes. At December 31, 2018 and 2017, both the GoMoto Notes and related interest receivable are fully reserved on the Consolidated Condensed Balance Sheets because the Company believed the amounts were not recoverable. Further, the three months ended September 30, 2018, represented the third consecutive quarter of declining operating results for GoMoto and, as such, the Company performed a qualitative review of its investment in GoMoto. Based on continuing deterioration in GoMoto’s financial position, the Company believed that uncertainty existed in the recoverability of its remaining investment of \$100,000 in GoMoto and, accordingly, recognized a loss on the investment which has been recorded in “Interest and other income (expense)” on the Consolidated Condensed Statement of Operations and Comprehensive (Loss) Income for the year ended December 31, 2018.

On January 29, 2019, the GoMoto Notes were converted into 1,781,047 shares of GoMoto's Series A-2 Preferred Stock, \$0.001 par value per share. The outstanding principal plus accrued interest under the GoMoto Notes was converted in accordance with the terms of the notes upon the closing of a new preferred stock financing and based on a discount to the price paid by the new investor for the investor's preferred shares.

6. Selected Balance Sheet Accounts

Property and Equipment

Property and equipment consist of the following:

	As of December 31,	
	2018	2017
	<i>(in thousands)</i>	
Computer software and hardware	\$ 11,393	\$ 11,065
Capitalized internal use software	6,228	5,774
Furniture and equipment	1,743	1,703
Leasehold improvements	1,613	1,539
	<u>20,977</u>	<u>20,081</u>
Less—Accumulated depreciation and amortization	(17,796)	(15,770)
Property and Equipment, net	<u>\$ 3,181</u>	<u>\$ 4,311</u>

As of December 31, 2018 and 2017, capitalized internal use software, net of amortization, was \$1.2 million and \$2.0 million, respectively. Depreciation and amortization expense related to property and equipment was \$2.0 million for the year ended December 31, 2018. Of this amount, \$1.2 million was recorded in cost of revenues and \$0.8 million was recorded in operating expenses for the year ended December 31, 2018. Depreciation and amortization expense related to property and equipment was \$1.9 million for the year ended December 31, 2017. Of this amount, \$1.1 million was recorded in cost of revenues and \$0.8 million was recorded in operating expenses for the year ended December 31, 2017. Depreciation and amortization expense related to property and equipment was \$1.6 million for the year ended December 31, 2016. Of this amount, \$0.7 million was recorded in cost of revenues and \$0.8 million was recorded in operating expenses for the year ended December 31, 2016.

Intangible Assets.

The Company amortizes specifically identified definite-lived intangible assets using the straight-line method over the estimated useful lives of the assets.

On October 5, 2017, the Company and DealerX entered into the DealerX License Agreement. Pursuant to the terms of the DealerX License Agreement, AutoWeb was granted a perpetual license to access and use DealerX's proprietary platform and technology for targeted, online marketing.

The transaction consideration consisted of: (i) \$8.0 million in cash paid to DealerX upon execution of the DealerX License Agreement and (ii) the right to 710,856 shares of the Company's common stock, par value \$0.001 per share, representing approximately five percent of the Company's outstanding Common Stock as of the date the parties entered into the DealerX License Agreement ("**Market Capitalization Shares**") if on or before October 5, 2022: (i) AutoWeb's market capitalization averages at least \$225.0 million over a consecutive 90 day period or (ii) there is a change in control of AutoWeb that reflects a market capitalization of at least \$225.0 million. If the Market Capitalization Shares are issued to DealerX, DealerX's obligation to continue to support the platform ("**Platform Support Obligations**") will continue in perpetuity. Alternatively, upon the occurrence of certain events prior to the issuance of the Market Capitalization Shares, AutoWeb may elect to make an additional lump-sum payment of \$12.5 million ("**Alternative Cash Payment**") in order to extend DealerX's Platform Support Obligations in perpetuity. If the Alternative Cash payment were made, DealerX's contingent right to receive the Market Capitalization Shares would be terminated. The fair value of the Market Capitalization Shares was calculated at \$2.5 million. At the transaction date, the Company recorded approximately \$10.5 million as a definite-lived intangible asset which was amortized over its expected useful life of seven years.

Impairment of Intangible Asset

The Company makes judgments about the recoverability of purchased intangible assets with definite lives whenever events or changes in circumstances indicate that an impairment may exist. Recoverability of purchased intangible assets with definite lives is measured by comparing the carrying amount of the asset to the future undiscounted cashflows the asset is expected to generate. In the third quarter of 2018, the Company performed an analysis of its planned future use of two intangible assets in the licenses and customer relationships asset groups. As a result of realignment activities finalized in the third quarter, the Company made a determination that the Company's use of certain assets would not be continued as originally planned. Accordingly, the Company performed further analysis to quantitatively determine the amount of impairment for each of these intangible assets as of September 30, 2018.

An assessment was performed on the DealerX License intangible asset, whereby lead generation and acquisition cost, amongst other things, was compared to alternate sources of lead generation available to the Company. As a result of the Company's analysis, the Company concluded that the effectiveness of the platform was not in-line with the enhanced consumer-to-client matchmaking that the Company is seeking and made the decision in the third quarter to terminate DealerX's Platform Support Obligations, significantly impacting the usability of the asset by the Company. Accordingly, the Company recorded impairment charges of \$9.0 million in connection with the impairment of this long-lived asset with the expense recorded in Cost of revenues-impairment on the Company's Consolidated Condensed Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2018.

A quantitative analysis was performed by the Company on its customer relationship intangible assets, whereby it examined available data, namely historical activity and cashflows resulting from the customer relationships of previous acquisitions, in concert with projected future use of acquired customer relationships within the parameters of the Company's future strategic plans. As a result of this analysis, the Company determined there to be impairment of \$1.6 million related to customer relationship intangible assets acquired in a 2015 acquisition for which projected cashflows did not support the carrying values. Additionally, the Company determined that the estimated useful life of these customer relationship intangible assets had changed from 10 years to 5 years. This change in estimate has no impact on the current period, but will impact amortization expense in future periods as amortization will be accelerated over the remaining estimated useful life of this asset due to the change in estimate.

The Company's intangible assets will be amortized over the following estimated useful lives (in thousands):

Intangible Asset	Estimated Useful Life	December 31, 2018			December 31, 2017		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trademarks/trade names/licenses/ domains	3 – 7 years	\$ 16,589	\$ (14,914)	\$ 1,675	\$ 16,589	\$ (4,037)	\$ 12,552
Software and publications	3 years	1,300	(1,300)	—	1,300	(1,300)	—
Customer relationships	2 - 5 years	19,563	(15,544)	4,019	19,563	(10,555)	9,008
Employment/non-compete agreements	1-5 years	1,510	(1,510)	—	1,510	(1,493)	17
Developed technology	5-7 years	8,955	(4,873)	4,082	8,955	(3,619)	5,336
		<u>\$ 47,917</u>	<u>\$ (38,141)</u>	<u>\$ 9,776</u>	<u>\$ 47,917</u>	<u>\$ (21,004)</u>	<u>\$ 26,913</u>

Indefinite-lived Intangible Asset	Estimated Useful Life	December 31, 2018			December 31, 2017		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Domain	Indefinite	\$ 2,200	\$ —	\$ 2,200	\$ 2,200	\$ —	\$ 2,200

Amortization expense is included in "Cost of revenues" and "Depreciation and amortization" in the Statements of Operations and Comprehensive Income (Loss). Amortization expense was \$8.1 million, \$5.7 million and \$5.7 million in 2018, 2017 and 2016, respectively. Amortization expense for 2018 includes \$1.6 million related to the above-mentioned customer relationship impairment. The \$9.0 million impairment related to DealerX was recorded to Cost of revenues - impairment. Amortization expense for intangible assets for the next five years is as follows:

Year	Amortization Expense <i>(in thousands)</i>
2019	\$ 4,872
2020	2,371
2021	1,499
2022	902
2023	86
Thereafter	46
	<u>\$ 9,776</u>

Goodwill.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or whenever events or circumstances indicate that the carrying value of such assets may not be recoverable. The Company impaired goodwill by \$5.1 million and \$37.7 million, respectively, during the years ended December 31, 2018 and 2017.

Accrued Expenses and Other Current Liabilities

As of December 31, 2018 and 2017, accrued expenses and other current liabilities consisted of the following:

	As of December 31,	
	2018	2017
	<i>(in thousands)</i>	
Accrued employee related benefits	\$ 3,125	\$ 2,411
Other accrued expenses and other current liabilities:		
Accrued traffic acquisition costs	6,971	5,952
Other accrued expenses	1,040	355
Amounts due to customers	423	438
Other current liabilities	434	507
Total other accrued expenses and other current liabilities	<u>8,868</u>	<u>7,252</u>
Total accrued expenses and other current liabilities	<u>\$ 11,993</u>	<u>\$ 9,663</u>

Convertible Notes Payable.

In connection with the acquisition of AutoUSA, LLC (“**AutoUSA**”) on January 13, 2014, the Company issued a convertible subordinated promissory note for \$1.0 million (“**AutoUSA Note**”) to AutoNationDirect.com, Inc. The fair value of the AutoUSA Note as of the AutoUSA Acquisition Date was \$1.3 million. This valuation was estimated using a binomial option pricing method. Key assumptions used by the Company’s outside valuation consultants in valuing the AutoUSA Note included a market yield of 1.6% and stock price volatility of 65.0%. As the AutoUSA Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The entire outstanding balance of the AutoUSA Note plus accrued interest was paid in full on January 31, 2019.

7. Credit Facility

The Company and MUFG Union Bank, N.A. (“**Union Bank**”), entered into a Loan Agreement dated February 26, 2013, as amended on September 10, 2013, January 13, 2014, May 20, 2015, June 1, 2016, June 28, 2017 and December 27, 2017 (the original Loan Agreement, as amended to date, is referred to collectively as the “**Credit Facility Agreement**.” The Credit Facility Agreement provided for (i) a \$9.0 million term loan (“**Term Loan 1**”); (ii) a \$15.0 million term loan (“**Term Loan 2**”); and (iii) an \$8.0 million working capital revolving line of credit (“**Revolving Loan**”). The term loans were fully paid as of December 31, 2017. The Revolving Loan was fully paid as of March 31, 2018, at which time the Credit Facility Agreement was terminated.

Borrowings under the Revolving Loan bear interest at either (i) the London Interbank Offering Rate (“**LIBOR**”) plus 2.50% or (ii) the bank’s Reference Rate (prime rate) minus 0.50%, at the option of the Company. Interest under the Revolving Loan adjusts (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank’s Reference Rate, if the Reference Rate is selected. The Company paid a commitment fee of 0.10% per year on the unused portion of the Revolving Loan, payable quarterly in arrears.

Term Loan 1 was amortized over a period of four years, with fixed quarterly principal payments of \$562,500. Borrowings under Term Loan 1 bore interest at either (i) the bank's Reference Rate (prime rate) minus 0.50% or (ii) LIBOR plus 2.50%, at the option of the Company. Interest under Term Loan 1 adjusted (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate was selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate was selected.

Term Loan 2 was amortized over a period of five years, with fixed quarterly principal payments of \$750,000. Borrowings under Term Loan 2 bore interest at either (i) LIBOR plus 3.00% or (ii) the bank's Reference Rate (prime rate), at the option of the Company. Interest under Term Loan 2 adjusted (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate was selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate was selected. The Company paid an upfront fee of 0.10% of the Term Loan 2 principal amount upon drawing upon Term Loan 2.

8. Commitments and Contingencies

Operating Leases

The Company leases its facilities and certain office equipment under operating leases which expire on various dates through 2024. The Company's future minimum lease payments on leases with non-cancelable terms in excess of one year were as follows (in thousands):

Years Ending December 31,

2019	\$ 1,497
2020	1,068
2021	513
2022	459
2023	472
Thereafter	199
	<u>\$ 4,208</u>

Rent expense included in operating expenses was \$1.7 million, \$2.0 million and \$2.0 million for the years ended December 31, 2018, 2017 and 2016, respectively. In June 2017, the Company subleased one of its buildings to a third party for the remainder of the lease term which expires in February 2019. Rent expense for the years ended December 31, 2018, 2017 and 2016 is net of sublease income of \$0.2 million, \$0.1 million and none, respectively.

Employment Agreements

The Company has employment agreements and retention agreements with certain key employees. A number of these agreements require severance payments, continuation of certain insurance benefits and acceleration of vesting of stock options in the event of a termination of employment without cause or for good reason.

Litigation

From time to time, the Company may be involved in litigation matters arising from the normal course of its business activities. Such litigation, even if not meritorious, could result in substantial costs and diversion of resources and management attention, and an adverse outcome in litigation could materially adversely affect its business, results of operations, financial condition and cash flows.

9. Retirement Savings Plan

The Company has a retirement savings plan which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended ("IRC") (the "**401(k) Plan**"). The 401(k) Plan covers all employees of the Company who are over 21 years of age and is effective on the first day of the month following date of hire. Under the 401(k) Plan, participating employees are allowed to defer up to 100% of their pretax salaries not to exceed the maximum IRC deferral amount. The Company contributions to the 401(k) Plan are discretionary. The Company contribution in the years ended December 31, 2018, 2017 and 2016 was \$0.3 million, \$0.3 million and \$0.4 million, respectively.

10. Stockholders' Equity**Stock-Based Incentive Plans**

The Company has established several plans that provide for stock-based awards (“Awards”) primarily in the form of stock options and restricted stock awards (“RSAs”). Certain of these plans provide for awards to Company employees, directors and independent consultants. The Awards were granted under the 1999 Employee and Acquisition Related Stock Option Plan, the 2000 Stock Option Plan, the Amended and Restated 2001 Restricted Stock and Option Plan, the 2004 Restricted Stock and Option Plan, the 2006 Inducement Stock Option Plan, 2010 Equity Incentive Plan, the Amended and Restated 2014 Equity Incentive Plan and the 2018 Equity Incentive Plan. As of June 21, 2018, awards may only be granted under the 2018 Equity Incentive Plan. An aggregate of 2.7 million shares of Company common stock are reserved for future issuance under the 2018 Equity Incentive Plan at December 31, 2018.

Share-based compensation expense is included in costs and expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) as follows:

	Years Ended December 31,		
	2018	2017	2016
	<i>(in thousands)</i>		
Share-based compensation expense:			
Cost of revenues	\$ 23	\$ 78	\$ 67
Sales and marketing	982	1,703	1,777
Technology support	1,247	586	601
General and administrative	2,615	1,739	1,982
Share-based compensation expense	<u>4,867</u>	<u>4,106</u>	<u>4,427</u>
Amount capitalized to internal use software	<u>1</u>	<u>3</u>	<u>15</u>
Total share-based compensation expense	<u>\$ 4,866</u>	<u>\$ 4,103</u>	<u>\$ 4,412</u>

During the year ended December 31, 2018, certain awards were modified or accelerated in connection with the termination of employment of certain former officers of the Company. In accordance with guidance provided under ASC 718 and related ASU No. 2017-09 and ASU No. 2018-07, the Company recognized award modification and acceleration expenses related to these events in the period incurred. Modification expense was determined by using the Black-Scholes option pricing model to estimate the fair value of the modified awards as of the new measurement date and respective fair value assumptions. As reflected in the table above, the Company recognized award modification and acceleration expense of \$2.1 million in the year ended December 31, 2018. There were no modification or acceleration expenses recognized in 2017.

As of December 31, 2018, 2017 and 2016, there was approximately \$2.6 million, \$3.9 million and \$4.9 million, respectively, of unrecognized compensation expense related to unvested stock options. This expense is expected to be recognized over a weighted average period of approximately 2.1 years.

Stock Options

The fair value of stock options is estimated on the grant date using the Black-Scholes option pricing model based on the underlying common stock closing price as of the date of grant, the expected term, stock price volatility and risk-free interest rates. The expected risk-free interest rate is based on United States Treasury yield for a term consistent with the expected life of the stock option in effect at the time of grant. Expected volatility is based on the Company’s historical experience for a period equal to the expected life. The Company has used historical volatility because it has limited or no options traded on its common stock to support the use of an implied volatility or a combination of both historical and implied volatility. The Company estimates the expected life of options granted based on historical experience, which it believes is representative of future behavior. The dividend yield is not considered in the option-pricing formula since the Company has not paid dividends in the past and has no current plans to do so in the future. The Company elected to estimate a forfeiture rate and is based on historical experience and is adjusted based on actual experience.

The Company grants its options at exercise prices that are not less than the fair market value of the Company’s common stock on the date of grant. Stock options generally have a seven or ten-year maximum contractual term and generally vest one-third on the first anniversary of the grant date and ratably over twenty-four months, thereafter. The vesting of certain stock options is contingent upon the employees continued employment with the Company during the vesting period and vesting may be accelerated under certain conditions, including upon a change in control of the Company, termination without cause of an employee and voluntary termination by an employee with good reason.

Awards granted under the Company's stock option plans were estimated to have a weighted average grant date fair value per share of \$1.75, \$6.23 and \$7.04 for the years ended December 31, 2018, 2017 and 2016, respectively, based on the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

	Years Ended December 31,		
	2018	2017	2016
Expected volatility	68%	62%	58%
Expected risk-free interest rate	2.6%	1.8%	1.2%
Expected life (years)	4.5	4.4	4.4

A summary of the Company's outstanding stock options as of December 31, 2018, and changes during the year then ended is presented below:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (thousands)
Outstanding at December 31, 2017	2,745,284	\$ 11.50	3.9	\$ 4,089
Granted	2,056,700	3.16		
Exercised	(28,467)	3.39		70
Forfeited or expired	(1,427,451)	9.96		
Outstanding at December 31, 2018	3,346,066	\$ 7.10	4.3	\$ 450
Vested and expected to vest at December 31, 2018	3,169,280	\$ 7.31	4.2	\$ 420
Exercisable at December 31, 2018	1,762,987	\$ 10.15	2.6	\$ 255

Service-Based Options. During the years ended December 31, 2018, 2017 and 2016, the Company granted 2,056,700, 466,600 and 833,900 service-based stock options, which had weighted average grant date fair values of \$1.75, \$6.23 and \$7.71, respectively.

Stock option exercises. During 2018, 28,467 options were exercised, with an aggregate weighted average exercise price of \$3.39. During 2017, 248,344 options were exercised, with an aggregate weighted average exercise price of \$5.46. During 2016, 386,001 options were exercised, with an aggregate weighted average exercise price of \$7.91. The total intrinsic value of options exercised during 2018, 2017 and 2016 was \$0.1 million, \$1.6 million and \$3.2 million, respectively.

In April 2018, the Company entered into an Inducement Stock Option Award Agreement with the Company's chief executive officer, Jared Rowe ("**Rowe Option Award Agreement**"). Pursuant to the Rowe Option Award Agreement, Mr. Rowe was granted stock options to purchase 1,000,000 shares of common stock ("**Rowe Employment Options**"), which will vest monthly in 36 monthly installments on the first day of each calendar month following the date of grant. These options have an exercise price of \$3.26 per share and a term of seven years from the date of grant. Upon a change in control of the Company or in the event of a termination of Mr. Rowe's employment by the Company without cause or by Mr. Rowe with good reason, all unvested options will vest. In the event of a termination of Mr. Rowe's employment with the Company by reason of Mr. Rowe's death or disability, the lesser of: (i) one-third of the total number of these options and (ii) the total number of unvested options will vest upon the date of termination.

Market Condition Options. On January 21, 2016, the Company granted 100,000 stock options to its former chief executive officer ("**Former CEO**") with an exercise price of \$17.09 and grant date fair value of \$1.47 per option, using a Monte Carlo simulation model ("**Former CEO Market Condition Options**"). The Former CEO Market Condition Options were previously valued at \$2.94 per option but were revalued when the requisite stockholder approval for the Company's Amended and Restated 2014 Equity Incentive Plan was obtained in June 2016. The Former CEO Market Condition Options were subject to both stock price-based and service-based vesting requirements that must be satisfied for the Former CEO Market Condition Options to vest and become exercisable. On April 12, 2018, pursuant to the stock option award agreement, vesting of the Former CEO Market Condition Options was accelerated with the termination of employment of the Former CEO, resulting in the recognition of approximately \$0.8 million of non-recurring share-based compensation expense during the first quarter of 2018. The Former CEO Market Condition Options may be exercised at any time on or before April 13, 2020.

Restricted Stock Awards. The Company granted an aggregate of 125,000 RSAs on April 23, 2015 in connection with the promotion of one of its executive officers. Of these 125,000 RSAs, 25,000 were service-based and 100,000 were performance-based. The forfeiture restrictions of the service-based RSAs lapse with respect to one-third of the restricted stock on each of the first, second, and third anniversaries of the date of the award. Forfeiture restrictions lapsed on 8,333 shares and 8,333 shares of restricted stock on April 23, 2016 and April 23, 2017, respectively. During the year ended December 31, 2018, 8,333 of the foregoing service-based RSAs and 100,000 of the performance-based RSAs were forfeited upon the resignation of this executive officer.

The Company granted an aggregate of 345,000 RSAs on September 27, 2017 to senior officers of the Company. These RSAs are service-based and the forfeiture restrictions lapse with respect to one-third of the restricted stock on each of the first, second, and third anniversaries of the date of the award. During the year ended December 31, 2018, 80,000 shares of RSAs were forfeited upon the resignation of two executive officers, the forfeiture restrictions on 175,000 shares of RSA lapsed upon the termination of employment of the Former CEO and three officers of the Company, and the forfeiture restrictions of 40,000 shares of RSAs were modified upon the entry into a consulting agreement with a former executive officer. Accordingly, the Company recognized expense of \$0.8 million related to the acceleration of vesting and modification of these RSAs during the year ended December 31, 2018. As of December 31, 2018, 60,000 shares of RSAs remain unvested.

Tax Benefit Preservation Plan

The Company's Tax Benefit Preservation Plan dated as of May 26, 2010 between AutoWeb and Computershare Trust Company, N.A., as rights agent, as amended by Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014 (collectively, the "**Tax Benefit Preservation Plan**") was adopted by the Company's Board of Directors to protect stockholder value by preserving the Company's net operating loss carryovers and other tax attributes that the Tax Benefit Preservation Plan is intended to preserve ("**Tax Benefits**"). Under the Tax Benefit Preservation Plan, rights to purchase capital stock of the Company ("**Rights**") have been distributed as a dividend at the rate of five Rights for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of \$73.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.9% or more of the Company's outstanding common stock or future acquisitions by any existing holder of 4.9% or more of the Company's outstanding common stock. If a person or group acquires 4.9% or more of the Company's common stock, all rights holders, except the acquirer, will be entitled to acquire, at the then exercise price of a Right, that number of shares of the Company common stock which, at the time, has a market value of two times the exercise price of the Right. The Rights will expire upon the earliest of: (i) the close of business on May 26, 2020 unless that date is advanced or extended, (ii) the time at which the Rights are redeemed or exchanged under the Tax Benefit Preservation Plan, (iii) the repeal of Section 382 or any successor statute if the Board determines that the Tax Benefit Preservation Plan is no longer necessary for the preservation of the Company's Tax Benefits, (iv) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, or (v) such time as the Board determines that a limitation on the use of the Tax Benefits under Section 382 would no longer be material to the Company. The Tax Benefit Preservation Plan was reapproved by the Company's stockholders at the Company's 2017 Annual Meeting of Stockholders.

Warrant

The warrant to purchase up to 148,240 shares of Series B Preferred Stock issued in connection with the acquisition of AWI ("**AWI Warrant**") was valued at \$1.72 per share for a total value of \$2.5 million. The Company used an option pricing model to determine the value of the AWI Warrant. Key assumptions used in valuing the AWI Warrant are as follows: risk-free rate of 1.9%, stock price volatility of 74.0% and a term of 7.0 years. The AWI Warrant was valued based on long-term stock price volatilities of the Company's common stock. On June 22, 2017, the Company received stockholder approval which resulted in the automatic conversion of the AWI Warrant into warrants to acquire up to 1,482,400 shares of the Company's common stock at an exercise price of \$18.45 per share of common stock. The AWI Warrant became exercisable on October 1, 2018, subject to the following vesting conditions: (i) with respect to the first one-third of the warrant shares, if at any time after the issuance date of the AWI Warrant and prior to the expiration date of the AWI Warrant the Weighted Average Closing Price of the Company's common stock is at or above \$30.00; (ii) with respect to the second one-third of the warrant shares, if at any time after the issuance date of the AWI Warrant and prior to the expiration date the Weighted Average Closing Price is at or above \$37.50; and (iii) with respect to the last one-third of the warrant shares, if at any time after the issuance date of the AWI Warrant and prior to the expiration date the Weighted Average Closing Price is at or above \$45.00. The AWI Warrant expires on October 1, 2022.

Stock Repurchase

On June 7, 2012, September 17, 2014 and September 6, 2017, the Company announced that its board of directors had authorized the Company to repurchase up to \$2.0 million, \$1.0 million and \$3.0 million of the Company's common stock, respectively. Under these repurchase programs, the Company may repurchase common stock from time to time on the open market or in private transactions. These authorizations do not require the Company to purchase a specific number of shares, and the board of directors may suspend, modify or terminate the programs at any time. The Company will fund future repurchases through the use of available cash. During 2017, the Company repurchased 226,698 shares for an aggregate price of \$1.9 million. The average price paid for all shares repurchased during 2017 was \$8.37. The shares repurchased during 2017 were cancelled and returned to authorized and unissued shares. No shares were repurchased in 2018.

Shares Reserved for Future Issuance

The Company had the following shares of common stock reserved for future issuance upon the exercise or issuance of equity instruments as of December 31, 2018:

	Number of Shares
Stock options outstanding	3,346,066
Authorized for future grants under stock-based incentive plans	2,666,500
Reserved for exercise of warrants	1,552,330
Total	<u>7,564,896</u>

11. Income Taxes

The components of income (loss) before income tax provision are as follows for the years ended December 31:

	2018	2017	2016
	<i>(in thousands)</i>		
United States	\$ (39,334)	\$ (40,090)	\$ 6,448
International	512	565	238
Total income (loss) before income tax provision	<u>\$ (38,822)</u>	<u>\$ (39,525)</u>	<u>\$ 6,686</u>

Income tax expense (benefit) from continuing operations consists of the following for the years ended December 31:

	2018	2017	2016
	<i>(in thousands)</i>		
Current:			
Federal	\$ 32	\$ —	\$ 244
State	(6)	36	508
Foreign	—	139	69
	<u>26</u>	<u>175</u>	<u>821</u>
Deferred:			
Federal	(6,213)	(2,916)	1,726
State	(1,188)	(175)	1,040
Foreign	—	—	—
	<u>(7,401)</u>	<u>(3,091)</u>	<u>2,766</u>
Change in federal tax rate	—	11,693	—
Valuation allowance	<u>7,369</u>	<u>16,662</u>	<u>(772)</u>
Total income tax expense (benefit)	<u>\$ (6)</u>	<u>\$ 25,439</u>	<u>\$ 2,815</u>

The reconciliations of the U.S. federal statutory rate to the effective income tax rate for the years ended December 31, 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Tax provision at U.S. federal statutory rates	21.0%	34.0%	34.0%
State income taxes net of federal benefit	3.2	2.7	3.1
Deferred tax asset adjustments – NOL related	(0.2)	(12.1)	16.1
Non-deductible permanent items	(0.2)	(0.1)	—
Stock options	(3.4)	(0.1)	—
Goodwill impairment	(1.5)	(17.5)	—
Other	(0.2)	0.3	0.4
Transition tax adjustment	—	0.2	—
Change in rate	—	(29.6)	—
Change in valuation allowance	<u>(18.7)</u>	<u>(42.2)</u>	<u>(11.5)</u>
Effective income tax rate	<u>0.0%</u>	<u>(64.4)%</u>	<u>42.1%</u>

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes as of December 31, 2018 and 2017 are as follows:

	2018	2017
	<i>(in thousands)</i>	
Deferred tax assets:		
Allowance for doubtful accounts	143	\$ 225
Accrued liabilities	781	574
Net operating loss carry-forwards	20,686	17,286
Intangible assets	4,473	161
Share-based compensation expense	2,250	2,727
Other	363	1,062
Total gross deferred tax assets	28,696	22,035
Valuation allowance	(28,687)	(21,318)
Total deferred tax assets	9	717
Deferred tax liabilities:		
Fixed assets	(9)	(25)
Total gross deferred tax liabilities	(9)	(25)
Net deferred tax assets	\$ —	\$ 692

On December 22, 2017, the U.S. government enacted comprehensive tax legislation known as the TCJA. The TCJA established new tax laws that will take effect in 2018, including, but not limited to (i) reduction of the U.S. federal corporate tax rate from a maximum of 35% to 21%; (ii) elimination of the corporate AMT; (iii) a new limitation on deductible interest expense; (iv) the Transition Tax; (v) limitations on the deductibility of certain executive compensation; (vi) changes to the bonus depreciation rules for fixed asset additions; and (vii) limitations on NOLs generated after December 31, 2017, to 80% of taxable income.

ASC 740, "Income Taxes", requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. However, due to the complexity and significance of the TCJA's provisions, the SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the TCJA. SAB 118 provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting under ASC 740.

In 2017, we recorded provisional amounts for certain enactment date effects of the TCJA, for which the accounting had not been finalized, by applying the guidance in SAB 118. At December 31, 2017, the Company recorded a decrease in deferred tax assets and deferred tax liabilities of \$11.7 million and \$0.0 million, respectively, with a corresponding net adjustment to deferred income tax expense of \$11.7 million for the year ended December 31, 2017. In addition, the Company recognized a deemed repatriation of \$0.6 million of deferred foreign income from its Guatemala subsidiary, which did not result in any incremental tax cost after application of foreign tax credits. Accordingly, we completed our accounting for the effects of the TCJA in 2018 and did not recognize any material adjustments to the 2017 provisional income tax expense.

The TCJA created a provision known as GILTI that imposes a U.S. tax on certain earnings of foreign subsidiaries that are subject to foreign tax below a certain threshold. We have made an accounting policy election to reflect GILTI taxes, if any, as a current income tax expense in the period incurred.

The Company adopted the provisions of ASU 2016-09 as of January 1, 2017, which requires recognition through opening retained earnings of any pre-adoption date NOL carryforwards from nonqualified stock options and other employee share-based payments (e.g., restricted shares and share appreciation rights), as well as recognition of all income tax effects from share-based payments arising on or after January 1, 2017 in income tax expense. As a result, the Company has recognized \$18.4 million of pre-adoption date NOL carryforwards with remaining carryforward periods of at least seven years. The Company recognized excess tax benefits of \$6.5 million as an increase to deferred tax assets and a cumulative-effect adjustment to retained earnings of \$6.5 million. Based on the weight of available evidence, the Company believes that it is more likely than not that these NOLs will not be realized and has placed a valuation allowance against the deferred tax asset.

During 2017, management assessed the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred over the three-year period ended December 31, 2017. The Company was projecting pre-tax income for 2017 until the three months ended December 31, 2017, in which the Company incurred a significant pre-tax loss due to goodwill impairment. The Company experienced increased costs in servicing its customers, as well as a decrease in market share resulting from increased competition. Additionally, the Company also projected that 2018 pre-tax profits, if any, may not offset the cumulative three-year pre-tax loss as of December 31, 2017. Based on this evaluation, the Company recorded an additional valuation allowance of \$16.7 million against its deferred tax assets during the year ended December 31, 2017. At December 31, 2017, the Company has recorded a valuation allowance of \$21.3 million against its deferred tax assets.

During 2018, the Company continued to experience losses and is not projecting taxable income in the near future. Based on this evaluation, the Company recorded an additional valuation allowance of \$7.4 million against its deferred tax assets during the year. At December 31, 2018, the Company has recorded a valuation allowance of \$28.7 million against its deferred tax assets. Based on the weight of available evidence, the Company believes that it is more likely than not that these deferred tax assets will not be realized.

At December 31, 2018, the Company had federal and state NOLs of approximately \$87.6 million and \$35.9 million, respectively. \$13.6 million of the federal NOLs have an indefinite life and do not expire. The remaining \$74.0 million of the federal and the all of the state NOLs expire through 2038 as follows (in millions):

The federal NOLs expire through 2035 as follows (in millions):

2025	\$	4.2
2026		25.4
2027		15.5
2028		5.2
2029		7.7
2030		10.6
2032		1.3
2033		0.1
2034		2.5
2035		1.5
Do not expire		13.6
	\$	<u>87.6</u>

The state NOLs expire through 2038 as follows (in millions):

2028	\$	2.7
2029		5.8
2030		11.0
2034		1.4
2035		0.8
2038		2.4
California NOLs		<u>24.1</u>
Other State NOLs		<u>11.8</u>
Total State NOLs	\$	<u>35.9</u>

Utilization of the NOLs and tax credit carry-forwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the IRC, as well as similar state provisions. These ownership changes may limit the amount of NOLs and research and development credit carry-forwards that can be utilized annually to offset future taxable income and tax, respectively. A Section 382 ownership change occurred in 2006 and any changes have been reflected in the NOLs presented above as of December 31, 2018. As a result of an acquisition in 2001, approximately \$9.9 million of the NOLs are subject to an annual limitation of approximately \$0.5 million per year.

The federal and state NOLs begin to expire in 2025 and 2028, respectively. Approximately \$10.8 million and \$5.0 million, respectively, of the federal and state NOLs were incurred by subsidiaries prior to the date of the Company's acquisition of such subsidiaries. The Company established a valuation allowance of \$4.1 million at the date of acquisitions related to these subsidiaries. The tax benefits associated with the realization of such NOLs was credited to the provision for income taxes.

At December 31, 2018, the Company has federal and state research and development tax credit carry-forwards of \$0.3 million and \$0.2 million, respectively. The federal credits begin to expire in 2021. The state credits do not expire.

As of December 31, 2018 and 2017, the Company had unrecognized tax benefits of approximately \$0.5 million and \$0.5 million, respectively, all of which, if subsequently recognized, would have affected the Company's tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>2018</u>	<u>2017</u>
	<u>(in thousands)</u>	
Balance at January 1,	\$ 464	\$ 464
Reductions based on tax positions related to prior years and settlements	—	—
Balance at December 31,	<u>\$ 464</u>	<u>\$ 464</u>

The Company is subject to taxation in the United States and various foreign and state jurisdictions. In general, the Company is no longer subject to U.S. federal and state income tax examinations for years prior to 2014 (except for the use of tax losses generated prior to 2014 that may be used to offset taxable income in subsequent years). The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company has not accrued any interest associated with its unrecognized tax benefits in the years ended December 31, 2018 and 2017.

12. Selected Quarterly Financial Data (Unaudited)

The following table presents quarterly unaudited consolidated financial information for the eight quarters preceding December 31, 2018. Such information is presented on the same basis as the annual information presented in the accompanying consolidated financial statements. In management's opinion, this information reflects all normal recurring adjustments that are necessary for a fair statement of the results for these periods.

	Quarter Ended							
	Dec 31, 2018	Sep 30, 2018 ⁽¹⁾	Jun 30, 2018	Mar 31, 2018 ⁽²⁾	Dec 31, 2017 ⁽³⁾	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
	(in thousands, except per-share amounts)							
Total net revenues	\$ 32,253	\$ 31,695	\$ 29,292	\$ 32,349	\$ 33,321	\$ 36,872	\$ 34,591	\$ 37,341
Gross profit (loss)	\$ 5,640	\$ (3,597)	\$ 5,527	\$ 7,690	\$ 8,139	\$ 11,086	\$ 10,636	\$ 12,911
Net income (loss)	\$ (5,285)	\$ (18,036)	\$ (5,217)	\$ (10,279)	\$ (65,840)	\$ 69	\$ 322	\$ 484
Basic earnings (loss) per share	\$ (0.41)	\$ (1.41)	\$ (0.41)	\$ (0.81)	\$ (5.22)	\$ 0.01	\$ 0.03	\$ 0.04
Diluted earnings (loss) per share	\$ (0.41)	\$ (1.41)	\$ (0.41)	\$ (0.81)	\$ (5.22)	\$ 0.01	\$ 0.02	\$ 0.04

(1) Net loss in the quarter ended September 30, 2018 included license intangible asset impairment of \$9.0 million and customer relationship intangible asset impairment of \$1.6 million.

(2) Net loss in the quarter ended March 31, 2018 included goodwill impairment of \$5.1 million.

(3) Net loss in the quarter ended December 31, 2017 included goodwill impairment of \$37.7 million, tax provision related to valuation allowance of \$16.7 million, tax provision of \$11.7 million due to TCJA and a \$0.6 million write-off related to SaleMove.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	Years Ended December 31,		
	2018	2017	2016
		(in thousands)	
Allowance for bad debts:			
Beginning balance	\$ 679	\$ 643	\$ 605
Additions	241	347	344
Write-offs	(475)	(311)	(306)
Ending balance	<u>\$ 445</u>	<u>\$ 679</u>	<u>\$ 643</u>
Allowance for customer credits:			
Beginning balance	\$ 213	\$ 371	\$ 439
Additions	198	247	592
Write-offs	(290)	(405)	(660)
Ending balance	<u>\$ 121</u>	<u>\$ 213</u>	<u>\$ 371</u>
Tax valuation allowance:			
Beginning balance	\$ 21,318	\$ 4,656	\$ 5,427
Charged (credited) to tax expense	7,369	21,247	(771)
Charged (credited) to retained earnings	—	(4,585)	—
Ending balance	<u>\$ 28,687</u>	<u>\$ 21,318</u>	<u>\$ 4,656</u>



AutoWeb, Inc.
Human Resources Department
18872 MacArthur Blvd, Suite 200
Irvine, CA 92612-1400
Voice: (949) 225-4572

April 18, 2018

TO: Glenn Fuller
FROM: Jared Rowe – President and CEO
RE: Salary Increase

It is a pleasure to inform you of an increase in your salary. Following is a summary of your salary increase.

Position: EVP, Chief Legal and Administrative Officer and Secretary
New Semi-monthly
Rate: \$14,593.75 (Approximately \$350,250.00 Annually)
Effective Date: April 15, 2018

Your salary increase is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with AutoWeb, Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

As a reminder, your employment is at-will, not for a specified term and may be terminated by the Company or you at any time, with or without cause or good reason and with or without prior, advance notice. This “at-will” employment status will remain in effect throughout the term of your employment by the Company and cannot be modified except by a written document executed by both parties which in the case of the Company, must be executed by the Company’s Chief Executive Officer and expressly negate the “at-will” employment status.

To the extent any confidentiality agreement between you and the Company, or other any other agreement between you and the Company that imposes on you confidentiality obligations to the Company, do not contain the following or substantially similar provisions, the following provisions are hereby added to and deemed to be a part of such agreements:

1. Employee may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, in the event Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the Company’s trade secrets to Employee’s attorney and use the trade secret information in the court proceeding if Employee: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.
-

April 18, 2018
Glenn Fuller

2. Employee understands that nothing contained in your confidentiality agreement or other confidentiality documents limits Employee's ability to file a charge or complaint or report a violation with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("**Government Agencies**"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Company. This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies.

Please feel free to call if you have any questions.

AutoWeb, Inc.

By:

/s/ Jared Rowe
Jared Rowe
President and CEO

Accepted and Agreed:

/s/ Glenn Fuller
Glenn Fuller

AUTOWEB, INC.

Inducement Stock Option Award Agreement
(Non-Qualified Stock Options)

THESE OPTIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (“SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND PARTICIPANT AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN PARTICIPANT SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY PARTICIPANT AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS.

This Inducement Stock Option Award Agreement (“**Agreement**”) is entered into effective as of the Grant Date set forth on the signature page to this Agreement (“**Grant Date**”) by and between AutoWeb, Inc., a Delaware corporation (“**Company**”), and the person set forth as Participant on the signature page hereto (“**Participant**”).

Participant has not previously been an employee or director of the Company. The Company has determined to offer employment to Participant, and as an inducement material to Participant’s decision to accept such employment offer, the Company determined to grant Participant the Options (as defined herein) under the terms and conditions set forth herein.

This Agreement and the stock options granted hereby have not been granted pursuant to The AutoWeb, Inc. 2018 Equity Incentive Plan (“**Plan**”), but certain capitalized terms identified herein and not defined herein shall have the same meanings as defined in the Plan.

1. **Grant of Options.** The Company hereby grants to Participant non-qualified stock options (“**Options**”) to purchase the number of shares of common stock of the Company, par value \$0.001 per share, set forth on the signature page to this Agreement (“**Shares**”), at the exercise price per Share set forth on the signature page to this Agreement (“**Exercise Price**”). The Options are not intended to qualify as incentive stock options under Section 422 of the Code (as such term is defined in the Plan).

2. **Term of Options.** Unless the Options terminate earlier pursuant to the provisions of this Agreement, the Options shall expire on the seventh (7th) anniversary of the Grant Date (“**Option Expiration Date**”).

3. **Vesting.** The Options shall become vested and exercisable in accordance with the vesting schedule set forth on the signature page to this Agreement (“**Vesting Schedule**”). No installments of the Options shall vest after Participant’s termination of employment for any reason.

4. **Exercise of Options.**

(a) **Manner of Exercise.** To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to the Company in accordance with Section 7(f) of this Agreement in such form as the Company may require from time to time, or at the direction of the Company, through the procedures established with the Company’s third party option administration service. Such notice shall specify the number of Shares subject to the Options that are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (as if these Options had been granted under the Plan) (including same day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5(b) of the Plan (as if these Options had been granted under the Plan), may only be made with the consent of the Committee (as such term is defined in the Plan). The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.

(b) **Issuance of Shares.** Upon exercise of the Options and payment of the Exercise Price for the Shares as to which the Options are exercised and satisfaction of all applicable tax withholding requirements, the Company shall issue to Participant the applicable number of Shares in the form of fully paid and nonassessable Shares.

(c) **Withholding.** No Shares will be issued on exercise of the Options unless and until Participant pays to the Company or makes satisfactory arrangements with the Company for payment of, any federal, state, local or foreign taxes required by law to be withheld in respect of the exercise of the Options. Participant may remit withholding payment following Option exercise through the use of broker assisted Option exercise. Participant hereby agrees that the Company may withhold from Participant’s wages or other remuneration the applicable taxes. At the discretion of the Company, the applicable taxes may be withheld in kind from the Shares otherwise deliverable to Participant on exercise of the Options, up to Participant’s minimum required withholding rate or such other rate determined by the Committee that will not trigger a negative accounting impact.

(d) **Compliance with Securities Trading Policy.** Shares issued upon exercise of the Options may only be sold, pledged or otherwise transferred in compliance with the Company’s securities trading policies generally applicable to officers, directors or employees of the Company as long as Participant is subject to such securities trading policy.

(e) **Limitation on Number of Resales or Transfers of Shares.** The number of Shares that may be resold or transferred to the public or through any public securities trading market at any time may not exceed (i) for any one sale or transfer order, twenty-five percent (25%) of the Average Daily Volume; and (ii) for all sales or transfer volume in any calendar week, twenty-five percent (25%) of the Weekly Volume. For purposes of this Section 4(e), (i) “**Average Daily Volume**” will be determined once at the beginning of each calendar quarter for application during such quarter based on an averaging of the daily volume of sales of Company Common Stock as reported by The NASDAQ Capital Market (provided that if the Company’s Common Stock is not then listed on The NASDAQ Capital Market, as reported by such trading market on which the Common Stock is traded) for each trading day over the 90-trading day period preceding such determination; and (ii) “**Average Weekly Volume**” is calculated by multiplying the Average Daily Volume by the number of trading days in the calendar week preceding the proposed sale or transfer of Shares.

5. **Option Termination and Other Provisions.**

(a) **Termination Upon Expiration of Option Term.** The Options shall terminate and expire in their entirety on the Option Expiration Date. In no event may Participant exercise the Options after the Option Expiration Date, even if the application of another provision of this Section 5 may result in an extension of the exercise period for the Options beyond the Option Expiration Date.

(b) **Termination of Employment.**

(i) **Termination of Employment Other Than Due to Death, Disability or Cause.**

(1) Participant may exercise the vested portion of the Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following any termination of Participant's employment with Company, either by Participant or Company, other than in the event of a termination of Participant's employment by Company for Cause (as defined below), voluntary termination by Participant without Good Reason (as defined below) or by reason of Participant's death or Disability (as defined below). In the event the termination of Participant's employment is by Company without Cause or by Participant for Good Reason, any unvested portion of the Options shall become immediately and fully vested as of the date of such termination.

(2) In the event of a voluntary termination of employment with the Company by Participant without Good Reason, (i) unvested Options as of the date of termination shall immediately terminate in their entirety and shall thereafter not be exercisable to any extent whatsoever; and (ii) Participant may exercise any portion of the Options that are vested as of the date of termination for a period of ninety (90) days (but in no event later than the Option Expiration Date) following the date of termination.

(3) To the extent Participant is not entitled to exercise the Options at the date of termination of employment, or if Participant does not exercise the Options within the time specified in the Plan or this Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

(4) For purposes of this Agreement, the terms "Cause" and "Good Reason" shall have the meanings ascribed to them in that certain Severance Benefits Agreement listed on the signature page to this Agreement by and between Company and Participant ("Severance Agreement").

(ii) **Termination of Employment for Cause.** Upon the termination of Participant's employment by the Company for Cause, unless the Options have been earlier terminated, the Options (whether vested or not) shall immediately terminate in their entirety and shall thereafter not be exercisable to any extent whatsoever; provided that the Company, in its discretion, may, by written notice to Participant given as of the date of termination, authorize Participant to exercise any vested portion of the Options for a period of up to thirty (30) days following Participant's termination of employment for Cause, provided that in no event may Participant exercise the Options beyond the Option Expiration Date.

(iii) **Termination of Participant's Employment By Reason of Participant's Death.** In the event Participant's employment is terminated by reason of Participant's death, the Options, to the extent vested as of the date of termination, may be exercised at any time within twelve (12) months following the date of termination (but in no event later than the Option Expiration Date) by Participant's executor or personal representative or the person to whom the Options shall have been transferred by will or the laws of descent and distribution, but only to the extent Participant could exercise the Options at the date of termination.

(iv) **Termination of Participant's Employment By Reason of Participant's Disability.** In the event that Participant ceases to be an employee by reason of Participant's Disability, unless the Options have been earlier terminated, Participant (or Participant's attorney-in-fact, conservator or other representative on behalf of Participant) may, but only within twelve (12) months from the date of such termination of employment (but in no event later than the Option Expiration Date), exercise the Options to the extent Participant was otherwise entitled to exercise the Options at the date of such termination of employment. For purposes of this Agreement, "**Disability**" shall mean Participant's becoming "permanently and totally disabled" within the meaning of Section 22(e)(3) of the Code or as otherwise determined by the Committee in its discretion. The Committee may require such proof of Disability as the Committee in its sole and absolute discretion deems appropriate, and the Committee's determination as to whether Participant has incurred a Disability shall be final and binding on all parties concerned.

(c) **Change in Control.** In the event of a Change in Control, the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 10 of the Plan) (as if the Options had been granted under the Plan), provided that (i) to the extent the Options are assumed or substituted by the successor company in connection with the Change in Control (or the Options are continued by Company if it is the ultimate parent entity after the Change in Control), the Options will vest and become fully exercisable in accordance with clause (i) of Section 10.2(a) of the Plan (as if the Options had been granted under the Plan), if within twenty-four (24) months following the date of the Change in Control Participant's employment is terminated by Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause or by Participant for Good Reason, and any vested Options (either vested prior to the Change in Control or accelerated by reason of this Section 5(c)) may be exercised for a period of twenty-four (24) months after the date of such termination of employment (but in no event later than the Option Expiration Date); and (ii) any portion of the Options which vests and becomes exercisable pursuant to Section 10.2(b) of the Plan (as if the Options had been granted under the Plan), as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Participant is then employed by the Company or a Subsidiary and (2) terminate on the date of the Change in Control. For purposes of Section 10.2(a) of the Plan, the Options shall not be deemed assumed or substituted by a successor company (or continued by Company if it is the ultimate parent entity after the Change in Control) if the Options are not assumed, substituted or continued with equity securities of the successor company or Company, as applicable, that are publicly-traded and listed on an exchange in the United States and that have voting, dividend and other rights, preferences and privileges substantially equivalent to the Shares. If the Options are not deemed assumed, substituted or continued for purposes of Section 10.2(a) of the Plan, the Options shall be deemed not assumed, substituted or continued and governed by Section 10.2(b) of the Plan. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

(d) **Extension of Exercise Period.** Notwithstanding any provisions of this Section 5 to the contrary, if following termination of employment or service the exercise of the Options or, if in conjunction with the exercise of the Options, the sale of the Shares acquired on exercise of the Options, during the post-termination of service time period set forth in the paragraph of this Section 5 applicable to the reason for termination of service would, in the determination of the Company, violate any applicable federal or state securities laws, rules, regulations or orders (or any Company policy related thereto), including its securities trading policy), the running of the applicable period to exercise the Options shall be tolled for the number of days during the period that the exercise of the Options or sale of the Shares acquired on exercise would in the Company's determination constitute such a violation; *provided, however*, that in no event shall the exercisability of the Options be extended beyond the Option Expiration Date.

(e) ***Adjustments.*** The number of Options may be subject to adjustment as provided in Section 11.2 of the Plan (as if the Options had been granted under the Plan).

(f) ***Other Governing Agreements or Plans.*** To the extent not prohibited by the Plan, the provisions of this Section 5 regarding the acceleration of vesting of Options and the extension of the exercise period for Options following a Change in Control or a termination of Participant's employment with Company shall be superseded and governed by the provisions, if any, of a written employment or severance agreement between Participant and Company or a severance plan of Company covering Participant, including a change in control severance agreement or plan, to the extent such a provision (i) is specifically applicable to option awards or grants made to Participant and (ii) provides for the acceleration of Options vesting or for a longer extension period for the exercise of the Options in the case of a Change in Control or a particular event of termination of Participant's employment with Company (e.g., an event of termination governed by Section 5(b)(i)) to this Agreement than is provided in the provision of this Section 5 applicable to a Change in Control or to the same event of employment termination; *provided, however*, that in no event shall the exercisability of the Options be extended beyond the Option Expiration Date.

(g) ***Forfeiture upon Engaging in Detrimental Activities.*** If, at any time within the twelve (12) months after (i) Participant exercises any portion of the Options; or (ii) the effective date of any termination of Participant's employment by the Company or by Participant for any reason, Participant engages in, or is determined by the Committee in its sole discretion to have engaged in, any (i) material breach of any non-competition, non-solicitation, non-disclosure or settlement or release covenant or agreement with the Company or any Subsidiary; (ii) activities during the course of Participant's employment with the Company or any Subsidiary constituting fraud, embezzlement, theft or dishonesty; or (iii) activity that is otherwise in conflict with, or adverse or detrimental to the interests of the Company or any Subsidiary, then (x) the Options shall terminate effective as of the date on which Participant engaged in or engages in that activity or conduct, unless terminated sooner pursuant to the provisions of this Agreement, and (y) the amount of any gain realized by Participant from exercising all or a portion of the Options at any time following the date that Participant engaged in any such activity or conduct, as determined as of the time of exercise, shall be forfeited by Participant and shall be paid by Participant to the Company, and recoverable by the Company, within sixty (60) days following such termination date of the Options. For purposes of the foregoing, the following will be deemed to be activities in conflict with or adverse or detrimental to the interests of the Company or any Subsidiary: (i) Participant's conviction of, or pleading guilty or nolo contendere to any misdemeanor involving moral turpitude or any felony, the underlying events of which related to Participant's employment with the Company; (ii) knowingly engaged or aided in any act or transaction by the Company or a Subsidiary that results in the imposition of criminal, civil or administrative penalties against the Company or any Subsidiary; or (iii) misconduct during the course of Participant's employment by the Company or any Subsidiary that results in an accounting restatement by the Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Participant's employment by the Company or any Subsidiary.

(h) ***Reservation of Committee Discretion to Accelerate Option Vesting and Extend Option Exercise Window.*** The Committee reserves the right, in its sole and absolute discretion, to accelerate the vesting of the Options and to extend the exercise window for Options that have vested (either in accordance with the terms of this Agreement or by discretionary acceleration by the Committee) under circumstances not otherwise covered by the foregoing provisions of this Section 5; provided that in no event may the Committee extend the exercise period for Options beyond the Option Expiration Date. The Committee is under no obligation to exercise any such discretion and may or may not exercise such discretion on a case-by-case basis.

6. *Non-Registered Option and Shares.*

(a) Participant hereby acknowledges that the Options and any Shares that may be acquired upon exercise of the Options pursuant hereto are, as of the date hereof, not registered: (i) under the Securities Act, on the ground that the issuance of the Options and the underlying shares is exempt from registration under Section 4(2) of the Securities Act as not involving any public offering or, with respect to Options, because the grant of the Options alone may not constitute an offer or sale of a security under the Securities Act until such time as the Options are exercised or exercisable or (ii) under any applicable state securities law because the grant of the Options does not involve any public offering or is otherwise exempt under applicable state securities laws, and (iii) that the Company's reliance on the Section 4(2) exemption of the Securities Act and under applicable state securities laws is predicated in part on the representations hereby made to the Company by Participant. Participant represents and warrants that Participant is acquiring the Options and will acquire the Shares for investment for Participant's own account, with no present intention of reselling or otherwise distributing the same.

(b) If, at the time of issuance of shares upon exercise of the Options, no registration statement is in effect with respect to such shares under applicable provisions of the Securities Act and other applicable securities laws, Participant hereby agrees that Participant will not sell, transfer, offer, pledge or hypothecate all or any part of the shares unless and until Participant shall first have given notice to the Company describing such sale, transfer, offer, pledge or hypothecation and there shall be available exemptions from such registration requirements that exist. Should there be any reasonable uncertainty or good faith disagreement between the Company and Participant as to the availability of such exemptions, then Participant shall be required to deliver to the Company (1) an opinion of counsel (skilled in securities matters, selected by Participant and reasonably satisfactory to the Company) in form and substance satisfactory to the Company to the effect that such offer, sale, transfer, pledge or hypothecation is in compliance with an available exemption under the Securities Act and other applicable securities laws, or (2) an interpretative letter from the Securities and Exchange Commission to the effect that no enforcement action will be recommended if the proposed offer, sale, transfer, pledge or hypothecation is made without registration under the Securities Act. The Company may at its election require that Participant provide the Company with written reconfirmation of Participant's investment intent as set forth in Section 6(a) with respect to the shares. The shares issued upon exercise of the Options shall bear a legend reading substantially as follows:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND PARTICIPANT AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN PARTICIPANT SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY PARTICIPANT AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS."

(c) The exercise of the Option and the issuance of the Shares upon such exercise shall be subject to compliance by the Company and Participant with all applicable requirements of law, rules, regulations or orders relating thereto and with all applicable rules and regulations of any stock exchange or securities trading market on which the Shares may be listed for trading at the end of such exercise and issuance.

(d) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to the Options shall relieve the Company of any liability with respect to the nonissuance or sale of the Shares as to which such approval shall not have been obtained. However, the Company shall use its best efforts to obtain all such applicable approvals.

7. **Miscellaneous.**

(a) **No Rights of Stockholder.** Participant shall not have any of the rights of a stockholder with respect to the Shares subject to this Agreement until such Shares have been issued upon the due exercise of the Options.

(b) **Nontransferability of Options.** The Options shall be nontransferable or assignable except to the extent expressly provided in the Plan (as if the Options had been granted under the Plan). Notwithstanding the foregoing, Participant may by delivering written notice to the Company in a form provided by or otherwise satisfactory to the Company, designate a third party who, in the event of Participant's death, shall thereafter be entitled to exercise the Options. This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

(c) **Severability.** If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

(d) **Governing Law, Jurisdiction and Venue.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware other than its conflict of laws principles. The parties agree that in the event that any suit or proceeding is brought in connection with this Agreement, such suit or proceeding shall be brought in the state or federal courts located in New Castle County, Delaware, and the parties shall submit to the exclusive jurisdiction of such courts and waive any and all jurisdictional, venue and inconvenient forum objections to such courts.

(e) **Headings.** The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(f) **Notices.** All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

AutoWeb, Inc.
18872 MacArthur Blvd., Suite 200
Irvine, CA 92612-1400
Attention: Chief Legal Officer

Notices to Participant should be addressed to Participant at Participant's address as it appears on the Company's records.

The Company or Participant may by writing to the other party designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

(g) **Agreement Not an Employment Contract.** This Agreement is not an employment or service contract, and nothing in this Agreement or in the granting of the Options shall be deemed to create in any way whatsoever any obligation on Participant's part to continue as an employee of the Company or any Subsidiary or on the part of the Company or any Subsidiary to continue Participant's employment or service as an employee.

(h) **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original Agreement but all of which, taken together, shall constitute one and the same Agreement binding on the parties hereto. The signature of any party hereto to any counterpart hereof shall be deemed a signature to, and may be appended to, any other counterpart hereof.

(i) **Administration.** The Committee shall have the power to interpret this Agreement and to adopt such rules for the administration, interpretation and application of this Agreement as are consistent with this Agreement and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee (including determinations as to the calculation, satisfaction or achievement of performance-based vesting requirements, if any, to which the Options are subject) shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to this Agreement.

(j) **Policies and Procedures.** Participant agrees that Company may impose, and Participant agrees to be bound by, Company policies and procedures with respect to the ownership, timing and manner of resales of shares of Company's securities, including without limitation, (i) restrictions on insider trading; (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by officers, directors and affiliates of the Company following a public offering of the Company's securities; (iii) stock ownership or holding requirements applicable to officers and/or directors of Company; and (iv) the required use of a specified brokerage firm for such resales.

(k) **Entire Agreement; Modification.** This Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified except as provided herein or in a written document signed by each of the parties hereto and may be rescinded only by a written agreement signed by both parties.

Remainder of Page Intentionally Left Blank; Signature Page Follows

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Grant Date.

Grant Date:	<u>January 16, 2019</u>
Total Options Awarded:	<u>165,000</u>
Exercise Price Per Share:	<u>\$3.53</u>
Severance Benefits Agreement:	<u>Severance Benefits Agreement dated</u> <u>January 16, 2019</u>
Vesting Schedule:	<u>(i) thirty-three and one-third percent (33 1/3%) shall vest and become exercisable on the first anniversary after the Grant Date; and (ii) one thirty-sixth (1/36th) shall vest and become exercisable on each successive monthly anniversary thereafter for the following twenty-four (24) months ending on the third anniversary of such vesting commencement date.</u>
“Company”	AutoWeb, Inc., a Delaware corporation By: <u>/s/ Glenn E. Fuller</u> Glenn E. Fuller EVP, Chief Legal and Administrative Officer and Secretary
“Participant”	<u>/s/ Daniel R. Ingle</u> Daniel R. Ingle

AUTOWEB, INC.
SEVERANCE BENEFITS AGREEMENT

This Severance Benefits Agreement (“**Agreement**”) entered into effective as of January 16, 2019, (“**Effective Date**”) between AutoWeb, Inc., a Delaware corporation (“**AutoWeb**” or “**Company**”), and Daniel R. Ingle (“**Employee**”).

Background

AutoWeb has determined that it is in its best interests to provide Employee with certain severance benefits to encourage Employee’s continued employment with, and dedication to the business of, the Company.

In consideration of the foregoing and other good and valuable consideration, receipt of which is hereby acknowledged, the Parties hereby agree as follows.

1. **Definitions.** For purposes of this Agreement, the terms below that begin with initial capital letters within this Agreement shall have the specially defined meanings set forth below (unless the context clearly indicates a different meaning).

(a) “409A Suspension Period” shall have the meaning set forth in Section 3.

(b) “Arbitration Agreement” means that certain Mutual Agreement to Arbitrate dated as January 16, 2019 entered into by and between the Company and Employee.

(c) “Cause” shall mean the termination of the Employee’s employment by the Company as a result of any one or more of the following:

(i) any conviction of, or pleading of nolo contendere by, the Employee for any felony;

(ii) any willful misconduct of the Employee which has a materially injurious effect on the business or reputation of the Company;

(iii) the gross dishonesty of the Employee in any way that adversely affects the Company; or

(iv) a material failure to consistently discharge Employee’s employment duties to the Company which failure continues for thirty (30) days following written notice from the Company detailing the area or areas of such failure, other than such failure resulting from Employee’s Disability.

For purposes of this definition of Cause, no act or failure to act, on the part of the Employee, shall be considered “willful” if it is done, or omitted to be done, by the Employee in good faith or with reasonable belief that Employee’s action or omission was in the best interest of the Company. Employee shall have the opportunity to cure any such acts or omissions (other than clauses (i) and (iii) above) within thirty (30) days of the Employee’s receipt of a written notice from the Company notifying Employee that, in the opinion of the Company, “Cause” exists to terminate Employee’s employment.

(d) “Change of Control” shall mean any of the following events:

(i) When any “person” as defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof (including a “group” as defined in Section 13(d) of the Exchange Act, but excluding the Company, any Subsidiary or any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including any trustee of such plan acting as trustee)), directly or indirectly, becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding securities.

(ii) When the individuals who, as of the Effective Date, constitute the Board (“**Incumbent Board**”), cease for any reason to constitute at least a majority of the Board; provided however, that any individual becoming a director subsequent to such date, whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall, for purposes of this section, be counted as a member of the Incumbent Board in determining whether the Incumbent Board constitutes a majority of the Board.

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a “**Business Combination**”), in each case, unless, following such Business Combination:

(1) all or substantially all of the individuals and entities who were the beneficial owners of the then outstanding shares of common stock of the Company and the beneficial owners of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then outstanding shares of common stock and the combined voting power of the then outstanding securities entitled to vote generally in the election of directors, respectively, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or indirectly or through one or more subsidiaries); and

(2) no person (excluding any employee benefit plan or related trust of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, fifty percent (50%) or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of such corporation except to the extent that such ownership existed prior to the Business Combination.

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(e) “COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act, as amended, and the rules and regulations promulgated thereunder.

(f) “Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(g) “Company” means AutoWeb, and upon any assignment to and assumption of this Agreement by any Successor Company, shall mean such Successor Company.

(h) “Disability” shall mean the inability of the Employee to perform Employee’s duties to the Company on account of physical or mental illness or incapacity for a period of one-hundred twenty (120) consecutive calendar days, or for a period of one hundred eighty (180) calendar days, whether or not consecutive, during any three hundred sixty-five (365) day period.

(i) “Employee’s Position” means Employee’s position as the Executive Vice President, Chief Operating Officer of the Company.

(j) “Employee’s Primary Work Location” means AutoWeb’s headquarters located at 18872 MacArthur Blvd, Suite 200, Irvine, CA 92612.

(k) “Good Reason” means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee’s base salary as in existence as of the Effective Date or as of the date prior to any such change, whichever is more beneficial for Employee at the time of the act, decision, or omission by the Company; (B) materially modifies, reduces, changes, or restricts the Employee’s Health and Welfare Benefits as a whole as in existence as of the Effective Date hereof or as of the date prior to any such change, whichever are more beneficial for Employee at the time of the act, decision, or omission by the Company; (C) materially modifies, reduces, changes, or restricts the Employee’s authority, duties, or responsibilities commensurate with the Employee’s Position but excluding the effects of any reductions in force other than the Employee’s own termination; (D) relocates the Employee’s primary place of employment without Employee’s consent from Employee’s Primary Work Location to any other location in excess of a fifty (50) mile radius from the Employee’s Primary Work Location other than on a temporary basis or requires any such relocation as a condition to continued employment by the Company; (E) constitutes a failure or refusal by any Company Successor to assume this Agreement; or (F) involves or results in any material failure by the Company to comply with any provision of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Employee. Notwithstanding the foregoing, no event shall constitute “Good Reason” unless (i) the Employee first provides written notice to the Company within ninety (90) days of the event(s) alleged to constitute Good Reason, with such notice specifying the grounds that are alleged to constitute Good Reason, and (ii) the Company fails to cure such a material breach to the reasonable satisfaction of the Employee within thirty (30) days after Company’s receipt of such written notice.

(l) “Health and Welfare Benefits” means all Company medical, dental, vision, life and disability plans in which Employee participates.

(m) “Separation from Service” or “Separates from Service” shall mean Employee’s termination of employment, as determined in accordance with Treas. Reg. § 1.409A-1(h). Employee shall be considered to have experienced a termination of employment when the facts and circumstances indicate that Employee and the Company reasonably anticipate that either (i) no further services will be performed for the Company after a certain date, or (ii) that the level of bona fide services Employee will perform for the Company after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed by Employee (whether as an employee or independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Company if Employee has been providing services to the Company for less than thirty six (36) months). If Employee is on military leave, sick leave, or other bona fide leave of absence, the employment relationship between Employee and the Company shall be treated as continuing intact, provided that the period of such leave does not exceed six months, or if longer, so long as Employee retains a right to reemployment with the Company under an applicable statute or by contract. If the period of a military leave, sick leave, or other bona fide leave of absence exceeds six months and Employee does not retain a right to reemployment under an applicable statute or by contract, the employment relationship shall be considered to be terminated for purposes of this Agreement as of the first day immediately following the end of such six-month period. In applying the provisions of this section, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that Employee will return to perform services for the Company. For purposes of determining whether Employee has incurred a Separation from Service, the Company shall include the Company and any entity that would be considered a single employer with the Company under Code Section 414(b) or 414(c).

(n) “Severance Period” shall equal Six (6) months.

(o) “Successor Company.” means any successor to AutoWeb or its assets by reason of any Change of Control.

(p) “Termination Without Cause” means termination of Employee’s employment with the Company (i) by the Company (a) for any reason other than (1) death, (2) Disability or (3) those reasons expressly set forth in the definition of “Cause,” (b) for no reason at all, or (c) in connection with or as a result of a Change of Control; provided, however, that a termination of Employee’s employment with the Company in connection with a Change of Control shall not constitute a Termination Without Cause if Employee is offered employment with the Successor Company under terms and conditions, including position, salary and other compensation, and benefits, that would not provide Employee the right to terminate Employee’s employment for Good Reason.

2. **Severance Benefits and Conditions.**

(a) In the event of (i) Termination Without Cause by the Company, or (ii) the termination of Employee's employment with the Company by Employee for Good Reason within 30 days following the earlier of (1) the Company's failure to cure within the 30-day period set forth in the definition of Good Reason, and (2) the Company's notice to Employee that it will not cure the event giving rise to such termination for Good Reason, then (A) Employee shall receive upon such termination a lump sum amount equal to the number of months constituting the Severance Period at the time of termination times the Employee's monthly base salary (determined as the Employee's highest monthly base salary paid to Employee while employed by the Company; base salary does not include any bonus, commissions or other incentive payments or compensation); (B) subject to Section 2(b) below, Employee shall be entitled to a continuation of all Health and Welfare Benefits for Employee and, if applicable, Employee's eligible dependents during the Severance Period at the time they would have been provided or paid had the Employee remained an employee of Company during the Severance Period and at the levels provided prior to the event giving rise to a termination; and (C) the Company shall make available to Employee career transition services at a level and with a provider selected by the Company in accordance with Section 2(g) below.

(b) (i) With respect to Health and Welfare Benefits that are eligible for continuation coverage under COBRA, in the event the Company is unable to continue Employee's and Employee's eligible dependents' (assuming such dependents were covered by AutoWeb at the time of termination) participation under the Company's then existing insurance policies for such Health and Welfare Benefits, Employee may elect to obtain coverage for such Health and Welfare Benefits either by (1) electing COBRA continuation benefits for Employee and Employee's eligible dependents; (2) obtaining individual coverage for Employee and Employee's eligible dependents (if Employee and Employee's eligible dependents qualify for individual coverage); or (3) electing coverage as eligible dependents under another person's group coverage (if Employee and Employee's eligible dependents qualify for such dependent coverage), or any combination of the foregoing alternatives. Employee may also initially elect COBRA continuation benefits and later change to individual coverage or dependent coverage for Employee or any eligible dependent of Employee, but Employee understands that if continuation of Health and Welfare Benefits under COBRA is not initially selected by Employee or is later terminated by Employee, Employee will not be able to return to continuation coverage under COBRA. The Company shall pay directly or reimburse to Employee the monthly premiums for the benefits or coverage selected by Employee, with such payment or reimbursement not to exceed the monthly premiums the Company would have paid assuming Employee elected continuation of benefits under COBRA. The Company's obligation to pay or reimburse for the Health and Welfare Benefits covered by this Section 2(b)(i) shall terminate upon the earlier of (i) the end of the Severance Period; and (ii) Employee's employment by an employer that provides Employee and Employee's eligible dependents with group coverage substantially similar to the Health and Welfare Benefits provided to Employee and Employee's eligible dependents at the time of the termination of Employee's employment with the Company, provided that Employee and Employee's eligible dependents are eligible for participation in such group coverage.

(ii) With respect to Health and Welfare Benefits that are not eligible for continuation coverage under COBRA, in the event the Company is unable to continue Employee's participation under the Company's then existing insurance policies for such Health and Welfare Benefits, Employee may elect to obtain coverage for such Health and Welfare Benefits either by (1) obtaining individual coverage for Employee (if Employee qualifies for individual coverage); or (2) electing coverage as an eligible dependent under another person's group coverage (if Employee qualifies for such dependent coverage), or any combination of the foregoing alternatives. The Company shall pay directly or reimburse to Employee the monthly premiums for the benefits or coverage selected by Employee, with such payment or reimbursement not to exceed the monthly premiums the Company paid for such Health and Welfare Benefits at the time of termination of Employee's employment with the Company. The Company's obligation to pay or reimburse for the Health and Welfare Benefits covered by this Section 2(b)(ii) shall terminate upon the earlier of (i) the end of the Severance Period; and (ii) Employee's employment by an employer that provides Employee with group coverage substantially similar to the Health and Welfare Benefits provided to Employee at the time of the termination of Employee's employment with the Company, provided that Employee is eligible for participation in such group coverage. Employee acknowledges and agrees that the Company shall not be obligated to provide any Health and Welfare Benefits covered by this Section 2(b)(ii) for Employee if Employee does not qualify for coverage under the Company's existing insurance policies for such Health and Welfare Benefits, for individual coverage, or for dependent coverage.

(c) The payments and benefits set forth in Sections 2(a) and 2(b) are conditioned upon and shall be provided to Employee only if (i) Employee has executed and delivered to the Company a Separation and Release Agreement in favor of the Company and Releasees, which agreement shall be substantially in the form attached hereto as Exhibit A ("**Release**") no later than the expiration of the applicable period of time allowed for Employee to consider the Release as set forth in Section 17 of the Release ("**Release Consideration Period**"); (ii) Employee has not revoked the Release prior to the expiration of the applicable revocation period set forth in Section 17 of the Release ("**Release Revocation Period**"); and (iii) the Release has become effective and non-revocable no later than the cumulative period of time represented by the sum of the maximum Release Consideration Period and the maximum Release Revocation Period. No payments or benefits set forth in Sections 2(a) or 2(b) shall be due or payable to, or provided to, Employee if the Release has not become effective and non-revocable in accordance with the requirements of this Section 2(c).

(d) Upon satisfaction of the conditions set forth in Section 2(c), but subject to the last sentence of this Section 2(d), all payments under Section 2(a)(A) shall be made to Employee within five (5) business days after the Release becomes effective and non-revocable in accordance with its terms. In any case, the payment under Section 2(a)(A) shall be made no later than two and one-half months after the end of the calendar year in which Employee's Separation from Service occurs, provided that the Release shall have become effective and non-revocable in compliance with Section 2(c) prior to expiration of such two and one-half month period. If the period of time covered by the entire allowed Release Consideration Period, the entire Revocation Period and the entire five business day period described above in this Section 2(d) (considering such periods consecutively) begins in one calendar year and ends in the following calendar year, all payments under Section 2(a)(A) shall be made to Employee on the first business day of such following calendar year which is five (5) or more business days after the date on which the Release became effective and non-revocable in accordance with its terms.

(e) In addition to the payments and benefits under Sections 2(a) and 2(b), to the extent required by applicable law or the Company's incentive or other compensation plans applicable to Employee, if any, upon any termination of Employee's employment Employee shall receive (i) any amounts earned and due and owing to Employee as of the termination date with respect to any base salary, incentive compensation or commissions; and (ii) any other payments required by applicable law (including payments with respect to accrued and unused vacation time). Payments required under this Section 2(e) are not conditioned upon Employee's signing the Release and shall be made within the time period(s) required by applicable law.

(f) All payments and benefits under this Section 2 are subject to legally required federal, state and local payroll deductions and withholdings.

(g) To receive career transition services, Employee must contact the service provider no later than 30 days after the Release becomes effective.

(h) Other than the payments and benefits provided for in this Section 2, Employee shall not be entitled to any additional payments or benefits from the Company resulting from a termination of Employee's employment with the Company.

3. **Taxes.** All payments made pursuant to this Agreement will be subject to withholding of applicable taxes. Notwithstanding the foregoing, and except as otherwise specifically provided elsewhere in this Agreement, Employee is solely responsible and liable for the satisfaction of any federal, state, province or local taxes that may arise with respect to this Agreement (including any taxes and interest arising under Section 409A of the Code). Neither the Company nor any of its employees, directors, or service providers shall have any obligation whatsoever to pay such taxes or interest, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax or interest liabilities. Notwithstanding anything in this Agreement to the contrary, if any amounts that become due under this Agreement on account of Employee's termination of employment constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, payment of such amounts shall not commence until Employee incurs a Separation from Service. If, at the time of Employee's Separation from Service under this Agreement, Employee is a "specified employee" (within the meaning of Section 409A of the Code), any amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that become payable to Employee on account of Employee's Separation from Service (including any amounts payable pursuant to the preceding sentence) will not be paid until after the end of the sixth calendar month beginning after Employee's Separation from Service ("**409A Suspension Period**"). Within 14 calendar days after the end of the 409A Suspension Period, Employee shall be paid a lump sum payment, without interest, in cash equal to any payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining benefits as if there had not been an earlier delay. With respect to the reimbursement of expenses to which Employee is entitled under this Agreement, if any, or the provision of in-kind benefits to Employee as specified under this Agreement, if any, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, solely to the extent that the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period in which the reimbursement arrangement remains in effect; (ii) the reimbursement of an eligible expense shall be made no later than the end of the calendar year after the calendar year in which such expense was incurred; (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; and (iv) the right to reimbursement or provision of in-kind benefits shall not apply to any expenses incurred or benefits to be provided beyond the last day of the second taxable year following the year in which Employee's Separation from Service occurred.

4. **Arbitration.** Any controversy or claim arising out of, or related to, this Agreement, or the breach thereof, shall be governed by the terms of the Arbitration Agreement, which is incorporated herein by reference.

5. **Entire Agreement.** All oral or written agreements or representations express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement. This Agreement contains the entire integrated understanding between the parties hereto and supersedes any prior employment, severance, or change-in-control protective agreement or other agreement, plan or arrangement between the Company or any predecessor and Employee. No provision of this Agreement shall be interpreted to mean that Employee is subject to receiving fewer benefits than those available to Employee without reference to this Agreement. The Parties acknowledge and agree that the Prior Severance Agreement is hereby terminated and shall have no further force or effect.

6. **Notices.** Except as otherwise provided in this Agreement, any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon any person in connection with this Agreement shall be in writing. Such notice shall be personally served, sent by fax or cable, or sent prepaid by either registered or certified mail with return receipt requested or Federal Express and shall be deemed given (i) if personally served or by Federal Express, when delivered to the person to whom such notice is addressed, (ii) if given by fax or cable, when sent, or (iii) if given by mail, two (2) business days following deposit in the United States mail. Any notice given by fax or cable shall be confirmed in writing, by overnight mail or Federal Express within forty-eight (48) hours after being sent. Such notices shall be addressed to the party to whom such notice is to be given at the party's address set forth below or as such party shall otherwise direct.

If to the Company:

AutoWeb, Inc.
18872 MacArthur Boulevard, Suite 200
Irvine, California, 92612-1400
Facsimile: (949) 862-1323
Attn: Chief Human Resources Officer

If to the Employee:

To Employee's latest home address on file with the Company

7. **No Waiver.** No waiver, by conduct or otherwise, by any party of any term, provision, or condition of this Agreement, shall be deemed or construed as a further or continuing waiver of any such term, provision, or condition nor as a waiver of a similar or dissimilar condition or provision at the same time or at any prior or subsequent time.

8. **Amendment to this Agreement.** No modification, waiver, amendment, discharge or change of this Agreement, shall be valid unless the same is in writing and signed by the party against whom enforcement of such modification, waiver amendment, discharge, or change is or may be sought.

9. **Non-Disclosure.** Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of this Agreement or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee's immediate family who have a need to know such matters or to Employee's tax or legal advisors who have a need to know such matters. If Employee does disclose this Agreement or any of its terms to any of Employee's immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Agreement and its terms confidential. The Company may disclose the existence or terms of the Agreement and its terms and may file this Agreement as an exhibit to its public filings if it is required to do so under applicable law, rule, regulation or order.

10. **Enforceability; Severability.** If any provision of this Agreement shall be invalid or unenforceable, in whole or in part, such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.

11. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California without giving effect to such State's choice of law rules. This Agreement is deemed to be entered into entirely in the State of California. This Agreement shall not be strictly construed for or against either party.

12. **No Third Party Beneficiaries.** Except as otherwise set forth in this Agreement, nothing contained in this Agreement is intended or shall be construed to create rights running to the benefit of any third party.

13. **Successors of the Company.** The rights and obligations of the Company under this Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company, including any Successor Company. This Agreement shall be assignable by the Company in the event of a merger or similar transaction in which the Company is not the surviving entity, or a sale of all or substantially all of the Company's assets.

14. **Rights Cumulative.** The rights under this Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by any party to exercise, and no delay in exercising, any rights shall be construed or deemed to be a waiver thereof, nor shall any single or partial exercise by any party preclude any other or future exercise thereof or the exercise of any other right.

15. **No Right or Obligation of Employment.** Employee acknowledges and agrees that nothing in this Agreement shall confer upon Employee any right with respect to continuation of employment by the Company, nor shall it interfere in any way with Employee's right or the Company's right to terminate Employee's employment at any time, with or without Cause.

16. **Interpretation.** Every provision of this Agreement is the result of full negotiations between the parties, both of whom have either been represented by counsel throughout or otherwise been given an opportunity to seek the aid of counsel. Each party hereto further agrees and acknowledges that it is sophisticated in legal affairs and has reviewed this Agreement in detail. Accordingly, no provision of this Agreement shall be construed in favor of or against any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof. Captions and headings of sections contained in this Agreement are for convenience only and shall not control the meaning, effect, or construction of this Agreement. Time periods used in this Agreement shall mean calendar periods unless otherwise expressly indicated.

17. **Legal and Tax Advice.** Employee acknowledges that: (i) the Company has encouraged Employee to consult with an attorney and/or tax advisor of Employee's choosing (and at Employee's own cost and expense) in connection with this Agreement, and (ii) Employee is not relying upon the Company for, and the Company has not provided, legal or tax advice to Employee in connection with this Agreement. It is the responsibility of Employee to seek independent tax and legal advice with regard to the tax treatment of this Agreement and the payments and benefits that may be made or provided under this Agreement and any other related matters. Employee acknowledges that Employee has had a reasonable opportunity to seek and consider advice from Employee's counsel and tax advisors.

18. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument. The parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

[Remainder of page intentionally left blank.]

shown above. **IN WITNESS WHEREOF**, the Company and Employee have executed and entered into this Agreement effective as of the date first

AUTOWEB, INC.

By: /s/ Sara Partin
Sara Partin
Senior Vice President,
Chief Human Resources Officer

EMPLOYEE

/s/ Daniel R. Ingle
Daniel R. Ingle

EXHIBIT A

SEPARATION AND RELEASE AGREEMENT

It is hereby agreed by and between you, Daniel R. Ingle (for yourself, your spouse, family, agents and attorneys) (jointly, “**You**” or “**Employee**”), and AutoWeb, Inc., its predecessors, successors, affiliates, directors, employees, shareholders, fiduciaries, insurers, employees and agents (jointly, the “**Company**”), as follows:

1. Separation of Employment. You acknowledge that your employment with the Company ended effective [____], 201[___] (“**Employment Termination Date**”), and that You will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date. You have resigned or hereby resign from all officer and director positions You held with the Company or any of its subsidiaries effective as of the Employment Termination Date. This Separation and Release Agreement (“**Release**”) is entered into in connection with that certain Severance Benefits Agreement dated effective as of January 16, 2019, by and between the Company and Employee (“**Severance Benefits Agreement**”).

2. Release Consideration. In exchange for your promises and obligations in this Release and the Severance Benefits Agreement, including the release of claims set forth below, if You sign and do not revoke this Release and this Release becomes effective, the Company will pay You the amounts, and will provide the benefits, due to You under the Severance Benefits Agreement, minus legally required federal, state and local payroll deductions and withholdings. Payment of any monetary amount provided for in this Section 2 will be made within the time periods required by the Severance Benefits Agreement (except for payments or benefits that will be paid or provided over time as provided therein) and, if no time is specified, within 5 business days after this Release becomes effective.

3. Acknowledgement of Receipt of Amounts Due. You acknowledge and agree that You have received all, and that the Company does not owe You any additional, payments, benefits or other compensation as a result of your employment with the Company or your separation from employment with the Company, including, but not limited to, wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than those amounts or benefits, if any, payable or to be provided to You after the date hereof pursuant to the Severance Benefits Agreement after this Release becomes effective.

4. Return of Company Property. You represent and warrant that You have returned to the Company any and all documents, software, equipment (including, but not limited to, computers and computer-related items), and all other materials or other things in your possession, custody, or control which are the property of the Company, including, but not limited to, Company identification, keys, computers, cell phones, and the like, wherever such items may have been located; as well as all copies (in whatever form thereof) of all materials relating to your employment, or obtained or created in the course of your employment with the Company. You hereby represent that, other than those materials You have returned to the Company pursuant to this Section 4, You have not copied or caused to be copied, and have not transferred or printed-out or caused to be transferred or printed-out, any software, computer disks, e-mails or other documents other than those documents generally available to the public, or retained any other materials originating with or belonging to the Company. You further represent that You have not retained in your possession, custody or control, any software, documents or other materials in machine or other readable form, which are the property of the Company, originated with the Company, or were obtained or created in the course of or relate to your employment with the Company.

5. Confidentiality and Non-Solicitation/Interference.

(a) You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in any confidentiality or non-disclosure agreement between You and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of December 17, 2018, which shall remain binding on You after the Employment Termination Date.

(b) Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of the Severance Benefits Agreement or this Release or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee's immediate family who have a need to know such matters or to Employee's tax or legal advisors who have a need to know such matters. If Employee does disclose this Release, the Severance Benefits Agreement or any of their respective terms to any of Employee's immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Release, the Severance Benefits Agreement and their respective terms confidential. The Company may disclose the existence or terms of this Release, the Severance Benefits Agreement and their respective terms and may file this Release and the Severance Benefits Agreement as exhibits to its public filings if it is required to do so under applicable law, rule, regulation or order.

(c) For a period of one (1) year immediately following this Release becoming effective, You agree that You will not interfere with Company's business by soliciting an employee to leave Company's employ, or by inducing a consultant or vendor to sever its relationship with Company. You may not, at any time, use the Company's trade secrets to solicit business from any source, including the Company's customers or clients. This Section 5(c) is not intended to, and shall not, prevent You from lawful competition with the Company. You represent and warrant that You have not engaged in any of the foregoing activities prior to the effective date of this Release.

6. Nondisparagement. You agree that neither You nor anyone acting on your behalf or at your direction will disparage, denigrate, defame, criticize, impugn or otherwise damage or assail the reputation or integrity of the Company publicly or privately to any third party, including without limitation (i) to any current or former employee, officer, director, contractor, supplier, customer, or client of the Company; (ii) any prospective or actual purchaser of the equity interests of the Company or its business or assets; or (iii) to any person or entity in the automotive industry, automotive marketing, advertising or other services, or the automotive press.

7. Unconditional General Release of Claims.

(a) In consideration for the payment and benefits provided for in Section 2, and notwithstanding the provisions of Section 1542 of the Civil Code of California, You unconditionally release and forever discharge the Company, and the Company's current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, officers, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, officers, employees, agents, and attorneys of any such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (all of the foregoing released persons or entities being referred to herein as "**Releasees**"), from any and all claims, complaints, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature, whether known or unknown, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the date of execution of this Release, including, but not limited to, claims that arise out of or in any way relate to your employment or your separation from employment with the Company.

(b) You acknowledge and agree that the foregoing unconditional and general release includes, but is not limited to, (i) any claims for salary, bonuses, commissions, equity, compensation (except as specified in this Agreement), wages, penalties, premiums, severance pay, vacation pay or any benefits under the Employee Retirement Income Security Act of 1974, as amended; (ii) any claims of harassment, retaliation or discrimination; (iii) any claims based on any federal, state or governmental constitution, statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans With Disabilities Act, Section 1981 of the Civil Rights Act of 1866, the California Fair Employment and Housing Act, the California Family Rights Act, the Family and Medical Leave Act, the California Constitution, the California Labor Code, the California Industrial Welfare Commission Wage Orders, the California Government Code, the Worker Adjustment and Retraining Notification Act; (iv) whistleblower claims, claims of breach of implied or express contract, breach of promise, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any other employment-related tort, and any claims for costs, fees, or other expenses, including attorneys' fees; and (v) any other aspect of your employment or the termination of your employment.

(c) For the purpose of implementing a full and complete release, You expressly acknowledge and agree that this Release resolves all claims You may have against the Company and the Releasees as of the date of this Release, including but limited to claims that You did not know or suspect to exist in your favor at the time of the execution of this Release. You expressly waive any and all rights which You may have under the provisions of Section 1542 of the California Civil Code or any similar state or federal statute. Section 1542 provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

(d) This Release will not waive the Employee's rights to indemnification under the Company's certificate of incorporation or by-laws or, if applicable, any written agreement between the Company and the Employee, or under applicable law.

(e) You hereby certify that You have not experienced a job-related illness or injury for which You have not already filed a claim.

(f) This general release does not waive or release rights or claims arising after You sign this Release.

8. Covenant Not to Sue. A “covenant not to sue” is a promise not to sue in court. This covenant differs from a general release of claims in that, besides waiving and releasing the claims covered by this Release, You represent and warrant that You have not filed, and agree that You will not file, or cause to be filed or maintained, any judicial complaint, lawsuit or demand for arbitration involving any claims You have released in this Release, and You agree to withdraw any judicial complaints, lawsuits or demands for arbitration You have filed, or were filed on your behalf, prior to the effective date of this Release. Still, You may sue to enforce this Release. You agree if You breach this covenant, then You must pay the legal expenses incurred by incurred by any Releasee in defending against your suit, including reasonable attorneys' fees, or, at the Company's option, return everything paid to You under this Agreement. In that event, the Company shall be excused from making any further payments or continuing any other benefits otherwise owed to You under paragraph 2 of this Agreement. Furthermore, You give up all rights to individual damages in connection with any administrative or court proceeding with respect to your employment with or termination of employment from, the Company. You also agree that if You are awarded money damages, You will assign your right and interest to such money damages (i) in connection with an administrative charge, to the relevant administrative agency; and (ii) in connection with a lawsuit or demand for arbitration, to the Company.

9. **Cooperation with Company.** You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying truthfully in a proceeding) in the investigation and handling of any internal investigation, governmental matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by You.

10. **No Reemployment.** You acknowledge and agree that the Company has no obligation to employ You or offer You employment in the future and You shall have no recourse against the Company if it refuses to employ You or offer You employment. If You do seek re-employment, then this Release shall constitute sufficient cause for the Company to refuse to re-employ You. Notwithstanding the foregoing, the Company has the right to offer to re-employ You in the future if, in its sole discretion, it chooses to do so.

11. **No Admission of Liability.** This Release does not constitute an admission that the Company or any other Releasee has violated any law, rule, regulation, contractual right or any other duty or obligation.

12. **Severability.** Should any provision of this Release be declared or be determined by any court or arbitrator to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected, and said illegal or invalid part, term, or provision shall be deemed not to be part of this Release.

13. **Governing Law.** This Release is made and entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the law of that state, without reference to conflict of law provisions thereof.

14. **Interpretation.** The language of all parts in this Release shall be construed as a whole, according to fair meaning, and not strictly for or against any party. The captions and headings contained in this Agreement are for convenience only and shall not control the meaning, effect, or construction of this Agreement.

15. **Knowing and Voluntary Agreement.** You have carefully reviewed this Release and understand the terms and conditions it contains. By entering into this Release, You are giving up potentially valuable legal rights. You specifically acknowledge that You are waiving and releasing any rights You may have under the ADEA. You acknowledge that the consideration given for this waiver and release is in addition to anything of value to which You were already entitled. You acknowledge that You are signing this Release knowingly and voluntarily and intend to be bound legally by its terms.

16. **Entire Agreement.** You hereby acknowledge that no promise or inducement has been offered to You, except as expressly stated in this Release and in the Severance Benefits Agreement, and You are relying upon none. This Release and the Severance Benefits Agreement represent the entire agreement between You and the Company with respect to the subject matter hereof, and supersede any other written or oral understandings between the parties pertaining to the subject matter hereof and may only be amended or modified with the prior written consent of You and the Company.

17. Arbitration. Any controversy or claim arising out of, or related to, this Release Agreement, or the breach thereof, shall be governed by the terms of the Arbitration Agreement (as defined in the Severance Benefits Agreement).

18. Protected Rights.

(a) An individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

(b) Employee understands that nothing contained in your Confidentiality Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Company. This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies.

19. Period for Review and Consideration/Revocation Rights.

[Alternative 1 for Section 18 if Employee is NOT age 40 or over at time of separation from employment]

You understand that You have seven (7) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the seven (7) day period. If You do sign it, You also understand that You will have an additional three (3) days after the date You deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company's Chief Human Officer, AutoWeb, Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the third (3rd) day after your delivery of this signed Release to the Company (or on the next business day if the third calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that three (3) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

[Alternative 2 for Section 18 if Employee is age 40 or over at time of separation from employment, separation from employment is NOT in connection with a group separation, and ADEA Claims are being released]

You understand that You have twenty-one (21) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the twenty-one (21) day period. If You do sign it, You also understand that You will have an additional seven (7) days after the date You deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company's Chief Human Resources Officer, AutoWeb, Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your delivery of this signed Release to the Company (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

[Alternative 3 for Section 18 if Employee is age 40 or over at time of separation from employment, separation from employment IS in connection with a group termination, and ADEA Claims are being released]

(a) You understand that You have forty-five (45) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the forty-five (45) day period. If You do sign it, You also understand that You will have an additional seven (7) days after You sign to change your mind and revoke the Agreement, in which case a written notice of revocation must be delivered to the Company's Chief Human Resources Officer, AutoWeb, Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your delivery of this signed Release to the Company (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

(b) You acknowledge that You have received the group information of employees included in the Company's _____ group termination program, the eligibility factors for participation in the program, and the time limits for participation in the program. You also acknowledge that You have received lists of the ages and job titles of employees eligible or selected for the program and employees not eligible or selected for the group termination program. This information is set forth on Appendix A attached hereto and incorporated herein by reference.

20. Advice of Attorney and Tax Advisor. Employee acknowledges that: (i) the Company has advised Employee to consult with an attorney and/or tax advisor of Employee's choosing (and at Employee's own cost and expense) before executing this Release, and (ii) Employee is not relying upon the Company for, and the Company has not provided, legal or tax advice to Employee in connection with this Release. It is the responsibility of Employee to seek independent tax and legal advice with regard to the tax treatment of this Release and the payments and benefits that may be made or provided under this Release and any other related matters. Employee acknowledges that Employee has had a reasonable opportunity to seek and consider advice from Employee's attorney and tax advisors.

PLEASE READ CAREFULLY. THIS RELEASE INCLUDES A GENERAL RELEASE OF ALL CLAIMS, KNOWN AND UNKNOWN. YOU MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS RELEASE THAT ARE NOT AGREED UPON BY THE COMPANY IN WRITING. ANY CHANGES SHALL CONSTITUTE A REJECTION OF THIS RELEASE BY EMPLOYEE.

Dated: _____

Daniel R. Ingle

Dated:

AutoWeb, Inc.

By: _____

(Officer Name)

(Title)



AutoWeb, Inc.
18872 MacArthur Blvd., Suite 200Irvine, CA 92612-1400Phone: (949) 225-4500
www.autoweb.com

Sara Partin
Senior Vice President, Chief Human Resources Officer
Direct Line: 949.862.3069
sara.partin@autoweb.com

November 28, 2018

Tim Branham
[Personal Residence Address Redacted]

Re: Offer of Employment

Dear Mr. Branham:

This letter confirms the terms and conditions upon which AutoWeb, Inc., a Delaware corporation (“**Company**”) is offering employment to you. Note that this offer of employment and your employment by the Company is subject to and contingent upon (i) approval of the terms of this offer and your appointment as an officer of the Company by the Company’s board of directors and (ii) various conditions and requirements that must be completed prior to commencement of employment, which conditions and requirements are set forth below.

1. Employment.

(a) Effective as of the date you commence employment with the Company (“**Commencement Date**”), which date, subject to the satisfaction of the items noted in the introductory paragraph of this letter, is anticipated to be December 17, 2018, the Company will employ you in the capacity set forth on the Exhibit A attached hereto (“**Offer Letter Schedule**”). In such capacity, you will report to such person or persons as may be designated by the Company from time to time, with it being the Company’s current intention that you will report to the Company’s Chief Executive Officer.

(b) Your employment is at will and not for a specified term and may be terminated by the Company or you at any time, with or without cause or good reason and with or without prior, advance notice. This “at-will” employment status will remain in effect throughout the term of your employment by the Company and cannot be modified except by a written amendment to this offer letter that is executed by both parties (which in the case of the Company, must be executed by the Company’s Chief Human Resources Officer) and that expressly negates the “at-will” employment status.

2. Compensation, Benefits and Expenses. As compensation for the services to be rendered by you pursuant to this agreement, you will receive the payments and be entitled to participate in the benefits set forth below, subject to the terms and conditions set forth below or in such payment or benefit plans or arrangements. If at any time a conflict between anything in this letter and the applicable benefit plan arises, the terms of the benefit plan controls. Your compensation and benefits shall be paid or made available in accordance with the Company’s normal payroll and other practices and policies of the Company.

(a) The Company hereby agrees to pay you a base salary as set forth on the Offer Letter Schedule.

(b) You shall be eligible to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your employment level and position, geographic location and applicable department or operations within the Company (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive compensation plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to a percentage set forth on the Offer Letter Schedule of your annualized rate (i.e., 24 X Semi-monthly Rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives; divisional, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company's evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid time off. You understand that the Company's annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, and payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

(c) You shall be entitled to participate in such ordinary and customary benefits plans afforded generally to persons employed by the Company at your employment position and level and geographic location (subject to the terms and conditions of such benefit plans, your enrollment in the plans and making of any required employee contributions required for your participation in such benefits, your ability to qualify for and satisfy the requirements of such benefits plans). Upon commencement of employment with the Company, you will begin accruing vacation under the Company's vacation accrual policy at the rate set forth on the Offer Letter Schedule. Accrual of vacation is subject to a limitation on accrual as set forth in the Company's vacation accrual policy.

(d) You are solely responsible for the payment of any tax liability that may result from any compensation, payments or benefits that you receive from the Company. The Company shall have the right to deduct or withhold from the compensation due to you hereunder any and all sums required by applicable federal, state, local or other laws, rules or regulations, including, without limitation federal and state income taxes, social security or FICA taxes, and state unemployment taxes, now applicable or that may be enacted and become applicable during your employment by the Company.

(e) Upon termination of your employment by either party, whether with or without cause, you will be entitled to receive only that portion of your compensation, benefits, reimbursable expenses and other payments and benefits required by applicable law or by the Company's compensation or benefit plans, policies or agreements in which you participate and pursuant to which you are entitled to receive the compensation or benefits thereunder under the circumstances of and at the time of such termination (subject to and payable in accordance with the terms and conditions of such plans, policies or agreements).

3. **Pre-Hire Conditions and Requirements.** This offer of employment and your employment by the Company is contingent upon various conditions and requirements for new hires that must be completed prior to commencement of employment. These conditions and requirements include, among other things, the following:

- (i) Completed Application of Employment.
- (ii) A Consent to Conduct a Background Check and the successful completion of the Company's background check.
- (iii) Your acceptance, execution and delivery of this offer letter.

(iv) Your execution and delivery of your acknowledgment and agreement to the Company's Employee Confidentiality Agreement and accompanying exhibits and schedules, Mutual Agreement to Arbitrate, Employee Handbook and the various policies included therein, Securities Trading Policy, and Code of Conduct and Ethics.

(v) Your compliance with all applicable federal and state laws, rules, regulation and orders, including (1) your execution and delivery of an I-9 Employment Eligibility Verification together with complying verification documents; and (2) your execution and delivery of a W-4 Employee's Withholding Allowance Certificate. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.

The documents referenced in Sections 3 (i) (ii), (iii) and (iv) above are referred to herein as the "**Standard Employee Documents.**"

4. **Amendments and Waivers.** This agreement may be amended, modified, superseded, or cancelled, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties hereto or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power, or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of any party of any right hereunder, nor any single or partial exercise of any rights hereunder, preclude any other or further exercise thereof or the exercise of any other right hereunder.

5. **Notices.** Any notice required or permitted under this agreement will be considered to be effective in the case of (i) certified mail, when sent postage prepaid and addressed to the party for whom it is intended at its address of record, three (3) days after deposit in the mail; (ii) by courier or messenger service, upon receipt by recipient as indicated on the courier's receipt; or (iii) upon receipt of an Electronic Transmission by the party that is the intended recipient of the Electronic Transmission. The record addresses, facsimile numbers of record, and electronic mail addresses of record for you are set forth on the signature page to this agreement and for the Company as set forth in the letterhead above and may be changed from time to time by notice from the changing party to the other party pursuant to the provisions of this Section 5. For purposes of this Section 5, "**Electronic Transmission**" means a communication (i) delivered by facsimile, telecommunication or electronic mail when directed to the facsimile number of record or electronic mail address of record, respectively, which the intended recipient has provided to the other party for sending notices pursuant to this Agreement and (ii) that creates a record of delivery and receipt that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

6. **Choice of Law.** This agreement, its construction and the determination of any rights, duties or remedies of the parties arising out of or relating to this agreement will be governed by, enforced under and construed in accordance with the laws of the State of California, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws of such state.

7. **Severability.** Each term, covenant, condition, or provision of this agreement will be viewed as separate and distinct, and in the event that any such term, covenant, condition or provision will be deemed to be invalid or unenforceable, the arbitrator or court finding such invalidity or unenforceability will modify or reform this agreement to give as much effect as possible to the terms and provisions of this agreement. Any term or provision which cannot be so modified or reformed will be deleted and the remaining terms and provisions will continue in full force and effect.

8. **Interpretation.** Every provision of this agreement is the result of full negotiations between the parties, both of whom have either been represented by counsel throughout or otherwise been given an opportunity to seek the aid of counsel. No provision of this agreement shall be construed in favor of or against any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof. Captions and headings of sections contained in this agreement are for convenience only and shall not control the meaning, effect, or construction of this agreement. Time periods used in this Agreement shall mean calendar periods unless otherwise expressly indicated.

9. **Entire Agreement.** This Agreement, together with the Standard Employee Documents, is intended to be the final, complete and exclusive agreement between the parties relating to the employment of you by the Company and all prior or contemporaneous understandings, representations and statements, oral or written, are merged herein. No modification, waiver, amendment, discharge or change of this agreement shall be valid unless the same is in writing and signed by the party against which the enforcement thereof is or may be sought.

10. **Counterparts; Facsimile or PDF Signature.** This agreement may be executed in counterparts, each of which will be deemed an original hereof and all of which together will constitute one and the same instrument. This agreement may be executed by facsimile or PDF signature by either party and such signature shall be deemed binding for all purposes hereof, without delivery of an original signature being thereafter required.

This offer shall expire thirty (30) calendar days from the date of this offer letter. Should you wish to accept this offer and its terms and conditions, please confirm your understanding of, agreement to, and acceptance of the foregoing by signing and returning to the undersigned the duplicate copy of this offer letter enclosed herewith.

AUTOWEB, INC.

By: /s/ Sara Partin
Sara Partin
Senior Vice President,
Chief Human Resources Officer

Accepted and Agreed
as of the date
first written above:

/s/Timothy Branham
Tim Branham
[Personal Residence Address Redacted]

Exhibit A
Offer Letter Schedule

Employment Capacity/Title: SVP, Chief Technology Officer

Employment Commencement Date: Decembr 17, 2018

Base Salary: Semi-monthly Rate of Fourteen Thousand Five Hundred Eighty-four Dollars (\$14,584) which equates to an annualized rate of approximately Three Hundred Fifty Thousand Dollars (\$350,000).

Annual Incentive Compensation Target: 50%

Stock Options: 100,000. Priced at closing price of common stock on The Nasdaq Capital Market on employment commencement date. Stock Options shall be granted as inducement options under NASDAQ rules.

Vacation Accrual Rate: Vacation accrues at a rate equal to 3 weeks (120 hours for full-time employees) per year (5 hours per pay period).

TLB
Employee Initials

SP
Company Initials

AUTOWEB, INC.

**Inducement Stock Option Award Agreement
(Non-Qualified Stock Options)**

THESE OPTIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (“SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND PARTICIPANT AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN PARTICIPANT SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY PARTICIPANT AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS.

This Inducement Stock Option Award Agreement (“**Agreement**”) is entered into effective as of the Grant Date set forth on the signature page to this Agreement (“**Grant Date**”) by and between AutoWeb, Inc., a Delaware corporation (“**Company**”), and the person set forth as Participant on the signature page hereto (“**Participant**”).

Participant has not previously been an employee or director of the Company. The Company has determined to offer employment to Participant, and as an inducement material to Participant’s decision to accept such employment offer, the Company determined to grant Participant the Options (as defined herein) under the terms and conditions set forth herein.

This Agreement and the stock options granted hereby have not been granted pursuant to The AutoWeb, Inc. 2018 Equity Incentive Plan (“**Plan**”), but certain capitalized terms identified herein and not defined herein shall have the same meanings as defined in the Plan.

1. **Grant of Options.** The Company hereby grants to Participant non-qualified stock options (“**Options**”) to purchase the number of shares of common stock of the Company, par value \$0.001 per share, set forth on the signature page to this Agreement (“**Shares**”), at the exercise price per Share set forth on the signature page to this Agreement (“**Exercise Price**”). The Options are not intended to qualify as incentive stock options under Section 422 of the Code (as such term is defined in the Plan).

2. **Term of Options.** Unless the Options terminate earlier pursuant to the provisions of this Agreement, the Options shall expire on the seventh (7th) anniversary of the Grant Date (“**Option Expiration Date**”).

3. **Vesting.** The Options shall become vested and exercisable in accordance with the vesting schedule set forth on the signature page to this Agreement (“**Vesting Schedule**”). No installments of the Options shall vest after Participant’s termination of employment for any reason.

4. Exercise of Options.

(a) **Manner of Exercise.** To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to the Company in accordance with Section 7(f) of this Agreement in such form as the Company may require from time to time, or at the direction of the Company, through the procedures established with the Company's third party option administration service. Such notice shall specify the number of Shares subject to the Options that are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (as if these Options had been granted under the Plan) (including same day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5(b) of the Plan (as if these Options had been granted under the Plan), may only be made with the consent of the Committee (as such term is defined in the Plan). The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.

(b) **Issuance of Shares.** Upon exercise of the Options and payment of the Exercise Price for the Shares as to which the Options are exercised and satisfaction of all applicable tax withholding requirements, the Company shall issue to Participant the applicable number of Shares in the form of fully paid and nonassessable Shares.

(c) **Withholding.** No Shares will be issued on exercise of the Options unless and until Participant pays to the Company or makes satisfactory arrangements with the Company for payment of, any federal, state, local or foreign taxes required by law to be withheld in respect of the exercise of the Options. Participant may remit withholding payment following Option exercise through the use of broker assisted Option exercise. Participant hereby agrees that the Company may withhold from Participant's wages or other remuneration the applicable taxes. At the discretion of the Company, the applicable taxes may be withheld in kind from the Shares otherwise deliverable to Participant on exercise of the Options, up to Participant's minimum required withholding rate or such other rate determined by the Committee that will not trigger a negative accounting impact.

(d) **Compliance with Securities Trading Policy.** Shares issued upon exercise of the Options may only be sold, pledged or otherwise transferred in compliance with the Company's securities trading policies generally applicable to officers, directors or employees of the Company as long as Participant is subject to such securities trading policy.

(e) **Limitation on Number of Resales or Transfers of Shares.** The number of Shares that may be resold or transferred to the public or through any public securities trading market at any time may not exceed (i) for any one sale or transfer order, twenty-five percent (25%) of the Average Daily Volume; and (ii) for all sales or transfer volume in any calendar week, twenty-five percent (25%) of the Weekly Volume. For purposes of this Section 4(e), (i) "Average Daily Volume" will be determined once at the beginning of each calendar quarter for application during such quarter based on an averaging of the daily volume of sales of Company Common Stock as reported by The NASDAQ Capital Market (provided that if the Company's Common Stock is not then listed on The NASDAQ Capital Market, as reported by such trading market on which the Common Stock is traded) for each trading day over the 90-trading day period preceding such determination; and (ii) "Average Weekly Volume" is calculated by multiplying the Average Daily Volume by the number of trading days in the calendar week preceding the proposed sale or transfer of Shares.

5. **Option Termination and Other Provisions.**

(a) **Termination Upon Expiration of Option Term.** The Options shall terminate and expire in their entirety on the Option Expiration Date. In no event may Participant exercise the Options after the Option Expiration Date, even if the application of another provision of this Section 5 may result in an extension of the exercise period for the Options beyond the Option Expiration Date.

(b) **Termination of Employment.**

(i) **Termination of Employment Other Than Due to Death, Disability or Cause.**

(1) Participant may exercise the vested portion of the Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following any termination of Participant's employment with Company, either by Participant or Company, other than in the event of a termination of Participant's employment by Company for Cause (as defined below), voluntary termination by Participant without Good Reason (as defined below) or by reason of Participant's death or Disability (as defined below). In the event the termination of Participant's employment is by Company without Cause or by Participant for Good Reason, any unvested portion of the Options shall become immediately and fully vested as of the date of such termination.

(2) In the event of a voluntary termination of employment with the Company by Participant without Good Reason, (i) unvested Options as of the date of termination shall immediately terminate in their entirety and shall thereafter not be exercisable to any extent whatsoever; and (ii) Participant may exercise any portion of the Options that are vested as of the date of termination for a period of ninety (90) days (but in no event later than the Option Expiration Date) following the date of termination.

(3) To the extent Participant is not entitled to exercise the Options at the date of termination of employment, or if Participant does not exercise the Options within the time specified in the Plan or this Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

(4) For purposes of this Agreement, the terms "**Cause**" and "**Good Reason**" shall have the meanings ascribed to them in that certain Severance Benefits Agreement listed on the signature page to this Agreement by and between Company and Participant ("**Severance Agreement**").

(ii) **Termination of Employment for Cause.** Upon the termination of Participant's employment by the Company for Cause, unless the Options have been earlier terminated, the Options (whether vested or not) shall immediately terminate in their entirety and shall thereafter not be exercisable to any extent whatsoever; provided that the Company, in its discretion, may, by written notice to Participant given as of the date of termination, authorize Participant to exercise any vested portion of the Options for a period of up to thirty (30) days following Participant's termination of employment for Cause, provided that in no event may Participant exercise the Options beyond the Option Expiration Date.

(iii) **Termination of Participant's Employment By Reason of Participant's Death.** In the event Participant's employment is terminated by reason of Participant's death, the Options, to the extent vested as of the date of termination, may be exercised at any time within twelve (12) months following the date of termination (but in no event later than the Option Expiration Date) by Participant's executor or personal representative or the person to whom the Options shall have been transferred by will or the laws of descent and distribution, but only to the extent Participant could exercise the Options at the date of termination.

(iv) **Termination of Participant's Employment By Reason of Participant's Disability.** In the event that Participant ceases to be an employee by reason of Participant's Disability, unless the Options have been earlier terminated, Participant (or Participant's attorney-in-fact, conservator or other representative on behalf of Participant) may, but only within twelve (12) months from the date of such termination of employment (but in no event later than the Option Expiration Date), exercise the Options to the extent Participant was otherwise entitled to exercise the Options at the date of such termination of employment. For purposes of this Agreement, "**Disability**" shall mean Participant's becoming "permanently and totally disabled" within the meaning of Section 22(e)(3) of the Code or as otherwise determined by the Committee in its discretion. The Committee may require such proof of Disability as the Committee in its sole and absolute discretion deems appropriate, and the Committee's determination as to whether Participant has incurred a Disability shall be final and binding on all parties concerned.

(c) **Change in Control.** In the event of a Change in Control, the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 10 of the Plan) (as if the Options had been granted under the Plan), provided that (i) to the extent the Options are assumed or substituted by the successor company in connection with the Change in Control (or the Options are continued by Company if it is the ultimate parent entity after the Change in Control), the Options will vest and become fully exercisable in accordance with clause (i) of Section 10.2(a) of the Plan (as if the Options had been granted under the Plan), if within twenty-four (24) months following the date of the Change in Control Participant's employment is terminated by Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause or by Participant for Good Reason, and any vested Options (either vested prior to the Change in Control or accelerated by reason of this Section 5(c)) may be exercised for a period of twenty-four (24) months after the date of such termination of employment (but in no event later than the Option Expiration Date); and (ii) any portion of the Options which vests and becomes exercisable pursuant to Section 10.2(b) of the Plan (as if the Options had been granted under the Plan), as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Participant is then employed by the Company or a Subsidiary and (2) terminate on the date of the Change in Control. For purposes of Section 10.2(a) of the Plan, the Options shall not be deemed assumed or substituted by a successor company (or continued by Company if it is the ultimate parent entity after the Change in Control) if the Options are not assumed, substituted or continued with equity securities of the successor company or Company, as applicable, that are publicly-traded and listed on an exchange in the United States and that have voting, dividend and other rights, preferences and privileges substantially equivalent to the Shares. If the Options are not deemed assumed, substituted or continued for purposes of Section 10.2(a) of the Plan, the Options shall be deemed not assumed, substituted or continued and governed by Section 10.2(b) of the Plan. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

(d) **Extension of Exercise Period.** Notwithstanding any provisions of this Section 5 to the contrary, if following termination of employment or service the exercise of the Options or, if in conjunction with the exercise of the Options, the sale of the Shares acquired on exercise of the Options, during the post-termination of service time period set forth in the paragraph of this Section 5 applicable to the reason for termination of service would, in the determination of the Company, violate any applicable federal or state securities laws, rules, regulations or orders (or any Company policy related thereto), including its securities trading policy), the running of the applicable period to exercise the Options shall be tolled for the number of days during the period that the exercise of the Options or sale of the Shares acquired on exercise would in the Company's determination constitute such a violation; *provided, however*, that in no event shall the exercisability of the Options be extended beyond the Option Expiration Date.

(e) **Adjustments.** The number of Options may be subject to adjustment as provided in Section 11.2 of the Plan (as if the Options had been granted under the Plan).

(f) **Other Governing Agreements or Plans.** To the extent not prohibited by the Plan, the provisions of this Section 5 regarding the acceleration of vesting of Options and the extension of the exercise period for Options following a Change in Control or a termination of Participant's employment with Company shall be superseded and governed by the provisions, if any, of a written employment or severance agreement between Participant and Company or a severance plan of Company covering Participant, including a change in control severance agreement or plan, to the extent such a provision (i) is specifically applicable to option awards or grants made to Participant and (ii) provides for the acceleration of Options vesting or for a longer extension period for the exercise of the Options in the case of a Change in Control or a particular event of termination of Participant's employment with Company (e.g., an event of termination governed by Section 5(b)(i)) to this Agreement than is provided in the provision of this Section 5 applicable to a Change in Control or to the same event of employment termination; *provided, however*, that in no event shall the exercisability of the Options be extended beyond the Option Expiration Date.

(g) **Forfeiture upon Engaging in Detrimental Activities.** If, at any time within the twelve (12) months after (i) Participant exercises any portion of the Options; or (ii) the effective date of any termination of Participant's employment by the Company or by Participant for any reason, Participant engages in, or is determined by the Committee in its sole discretion to have engaged in, any (i) material breach of any non-competition, non-solicitation, non-disclosure or settlement or release covenant or agreement with the Company or any Subsidiary; (ii) activities during the course of Participant's employment with the Company or any Subsidiary constituting fraud, embezzlement, theft or dishonesty; or (iii) activity that is otherwise in conflict with, or adverse or detrimental to the interests of the Company or any Subsidiary, then (x) the Options shall terminate effective as of the date on which Participant engaged in or engages in that activity or conduct, unless terminated sooner pursuant to the provisions of this Agreement, and (y) the amount of any gain realized by Participant from exercising all or a portion of the Options at any time following the date that Participant engaged in any such activity or conduct, as determined as of the time of exercise, shall be forfeited by Participant and shall be paid by Participant to the Company, and recoverable by the Company, within sixty (60) days following such termination date of the Options. For purposes of the foregoing, the following will be deemed to be activities in conflict with or adverse or detrimental to the interests of the Company or any Subsidiary: (i) Participant's conviction of, or pleading guilty or nolo contendere to any misdemeanor involving moral turpitude or any felony, the underlying events of which related to Participant's employment with the Company; (ii) knowingly engaged or aided in any act or transaction by the Company or a Subsidiary that results in the imposition of criminal, civil or administrative penalties against the Company or any Subsidiary; or (iii) misconduct during the course of Participant's employment by the Company or any Subsidiary that results in an accounting restatement by the Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Participant's employment by the Company or any Subsidiary.

(h) **Reservation of Committee Discretion to Accelerate Option Vesting and Extend Option Exercise Window.** The Committee reserves the right, in its sole and absolute discretion, to accelerate the vesting of the Options and to extend the exercise window for Options that have vested (either in accordance with the terms of this Agreement or by discretionary acceleration by the Committee) under circumstances not otherwise covered by the foregoing provisions of this Section 5; provided that in no event may the Committee extend the exercise period for Options beyond the Option Expiration Date. The Committee is under no obligation to exercise any such discretion and may or may not exercise such discretion on a case-by-case basis.

6. *Non-Registered Option and Shares.*

(a) Participant hereby acknowledges that the Options and any Shares that may be acquired upon exercise of the Options pursuant hereto are, as of the date hereof, not registered: (i) under the Securities Act, on the ground that the issuance of the Options and the underlying shares is exempt from registration under Section 4(2) of the Securities Act as not involving any public offering or, with respect to Options, because the grant of the Options alone may not constitute an offer or sale of a security under the Securities Act until such time as the Options are exercised or exercisable or (ii) under any applicable state securities law because the grant of the Options does not involve any public offering or is otherwise exempt under applicable state securities laws, and (iii) that the Company's reliance on the Section 4(2) exemption of the Securities Act and under applicable state securities laws is predicated in part on the representations hereby made to the Company by Participant. Participant represents and warrants that Participant is acquiring the Options and will acquire the Shares for investment for Participant's own account, with no present intention of reselling or otherwise distributing the same.

(b) If, at the time of issuance of shares upon exercise of the Options, no registration statement is in effect with respect to such shares under applicable provisions of the Securities Act and other applicable securities laws, Participant hereby agrees that Participant will not sell, transfer, offer, pledge or hypothecate all or any part of the shares unless and until Participant shall first have given notice to the Company describing such sale, transfer, offer, pledge or hypothecation and there shall be available exemptions from such registration requirements that exist. Should there be any reasonable uncertainty or good faith disagreement between the Company and Participant as to the availability of such exemptions, then Participant shall be required to deliver to the Company (1) an opinion of counsel (skilled in securities matters, selected by Participant and reasonably satisfactory to the Company) in form and substance satisfactory to the Company to the effect that such offer, sale, transfer, pledge or hypothecation is in compliance with an available exemption under the Securities Act and other applicable securities laws, or (2) an interpretative letter from the Securities and Exchange Commission to the effect that no enforcement action will be recommended if the proposed offer, sale, transfer, pledge or hypothecation is made without registration under the Securities Act. The Company may at its election require that Participant provide the Company with written reconfirmation of Participant's investment intent as set forth in Section 6(a) with respect to the shares. The shares issued upon exercise of the Options shall bear a legend reading substantially as follows:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND PARTICIPANT AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN PARTICIPANT SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY PARTICIPANT AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS."

(c) The exercise of the Option and the issuance of the Shares upon such exercise shall be subject to compliance by the Company and Participant with all applicable requirements of law, rules, regulations or orders relating thereto and with all applicable rules and regulations of any stock exchange or securities trading market on which the Shares may be listed for trading at the end of such exercise and issuance.

(d) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to the Options shall relieve the Company of any liability with respect to the nonissuance or sale of the Shares as to which such approval shall not have been obtained. However, the Company shall use its best efforts to obtain all such applicable approvals.

7. **Miscellaneous.**

(a) **No Rights of Stockholder.** Participant shall not have any of the rights of a stockholder with respect to the Shares subject to this Agreement until such Shares have been issued upon the due exercise of the Options.

(b) **Nontransferability of Options.** The Options shall be nontransferable or assignable except to the extent expressly provided in the Plan (as if the Options had been granted under the Plan). Notwithstanding the foregoing, Participant may by delivering written notice to the Company in a form provided by or otherwise satisfactory to the Company, designate a third party who, in the event of Participant's death, shall thereafter be entitled to exercise the Options. This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

(c) **Severability.** If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.

(d) **Governing Law, Jurisdiction and Venue.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware other than its conflict of laws principles. The parties agree that in the event that any suit or proceeding is brought in connection with this Agreement, such suit or proceeding shall be brought in the state or federal courts located in New Castle County, Delaware, and the parties shall submit to the exclusive jurisdiction of such courts and waive any and all jurisdictional, venue and inconvenient forum objections to such courts.

(e) **Headings.** The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(f) **Notices.** All notices required or permitted under this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by registered or certified mail, postage prepaid. Notice by mail shall be deemed delivered on the date on which it is postmarked.

Notices to the Company should be addressed to:

AutoWeb, Inc.
18872 MacArthur Blvd., Suite 200
Irvine, CA 92612-1400
Attention: Chief Legal Officer

Notices to Participant should be addressed to Participant at Participant's address as it appears on the Company's records.

The Company or Participant may by writing to the other party designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

(g) **Agreement Not an Employment Contract.** This Agreement is not an employment or service contract, and nothing in this Agreement or in the granting of the Options shall be deemed to create in any way whatsoever any obligation on Participant's part to continue as an employee of the Company or any Subsidiary or on the part of the Company or any Subsidiary to continue Participant's employment or service as an employee.

(h) **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original Agreement but all of which, taken together, shall constitute one and the same Agreement binding on the parties hereto. The signature of any party hereto to any counterpart hereof shall be deemed a signature to, and may be appended to, any other counterpart hereof.

(i) **Administration.** The Committee shall have the power to interpret this Agreement and to adopt such rules for the administration, interpretation and application of this Agreement as are consistent with this Agreement and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee (including determinations as to the calculation, satisfaction or achievement of performance-based vesting requirements, if any, to which the Options are subject) shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to this Agreement.

(j) **Policies and Procedures.** Participant agrees that Company may impose, and Participant agrees to be bound by, Company policies and procedures with respect to the ownership, timing and manner of resales of shares of Company's securities, including without limitation, (i) restrictions on insider trading; (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by officers, directors and affiliates of the Company following a public offering of the Company's securities; (iii) stock ownership or holding requirements applicable to officers and/or directors of Company; and (iv) the required use of a specified brokerage firm for such resales.

(k) **Entire Agreement; Modification.** This Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified except as provided herein or in a written document signed by each of the parties hereto and may be rescinded only by a written agreement signed by both parties.

Remainder of Page Intentionally Left Blank; Signature Page Follows

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Grant Date.

Grant Date:	<u>December 17, 2018</u>
Total Options Awarded:	<u>100,000</u>
Exercise Price Per Share:	<u>\$2.30</u>
Severance Benefits Agreement:	<u>Severance Benefits Agreement dated December 17, 2018</u>
Vesting Schedule:	<u>(i) thirty-three and one-third percent (33 1/3%) shall vest and become exercisable on the first anniversary after the Grant Date; and (ii) one thirty-sixth (1/36th) shall vest and become exercisable on each successive monthly anniversary thereafter for the following twenty-four (24) months ending on the third anniversary of such vesting commencement date.</u>
“Company”	AutoWeb, Inc., a Delaware corporation By: <u>/s/ Glenn E. Fuller</u> Glenn E. Fuller EVP, Chief Legal and Administrative Officer and Secretary
“Participant”	<u>/s/ Timothy Branham</u> Timothy L. Branham

AUTOWEB, INC.
SEVERANCE BENEFITS AGREEMENT

This Severance Benefits Agreement (“**Agreement**”) entered into effective as of December 17, 2018, (“**Effective Date**”) between AutoWeb, Inc., a Delaware corporation (“**AutoWeb**” or “**Company**”), and Tim Branham (“**Employee**”).

Background

AutoWeb has determined that it is in its best interests to provide Employee with certain severance benefits to encourage Employee’s continued employment with, and dedication to the business of, the Company.

In consideration of the foregoing and other good and valuable consideration, receipt of which is hereby acknowledged, the Parties hereby agree as follows.

1. **Definitions.** For purposes of this Agreement, the terms below that begin with initial capital letters within this Agreement shall have the specially defined meanings set forth below (unless the context clearly indicates a different meaning).

- (a) “409A Suspension Period” shall have the meaning set forth in Section 3.
- (b) “Arbitration Agreement” means that certain Mutual Agreement to Arbitrate dated as December 17, 2018 entered into by and between the Company and Employee.

(c) “Cause” shall mean the termination of the Employee’s employment by the Company as a result of any one or more of the following:

- (i) any conviction of, or pleading of nolo contendere by, the Employee for any felony;
- (ii) any willful misconduct of the Employee which has a materially injurious effect on the business or reputation of the Company;
- (iii) the gross dishonesty of the Employee in any way that adversely affects the Company; or
- (iv) a material failure to consistently discharge Employee’s employment duties to the Company which failure continues for thirty (30) days following written notice from the Company detailing the area or areas of such failure, other than such failure resulting from Employee’s Disability.

For purposes of this definition of Cause, no act or failure to act, on the part of the Employee, shall be considered “willful” if it is done, or omitted to be done, by the Employee in good faith or with reasonable belief that Employee’s action or omission was in the best interest of the Company. Employee shall have the opportunity to cure any such acts or omissions (other than clauses (i) and (iii) above) within thirty (30) days of the Employee’s receipt of a written notice from the Company notifying Employee that, in the opinion of the Company, “Cause” exists to terminate Employee’s employment.

(d) “Change of Control” shall mean any of the following events:

(i) When any “person” as defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof (including a “group” as defined in Section 13(d) of the Exchange Act, but excluding the Company, any Subsidiary or any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including any trustee of such plan acting as trustee)), directly or indirectly, becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding securities.

(ii) When the individuals who, as of the Effective Date, constitute the Board (“**Incumbent Board**”), cease for any reason to constitute at least a majority of the Board; provided however, that any individual becoming a director subsequent to such date, whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall, for purposes of this section, be counted as a member of the Incumbent Board in determining whether the Incumbent Board constitutes a majority of the Board.

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a “**Business Combination**”), in each case, unless, following such Business Combination:

(1) all or substantially all of the individuals and entities who were the beneficial owners of the then outstanding shares of common stock of the Company and the beneficial owners of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then outstanding shares of common stock and the combined voting power of the then outstanding securities entitled to vote generally in the election of directors, respectively, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or indirectly or through one or more subsidiaries); and

(2) no person (excluding any employee benefit plan or related trust of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, fifty percent (50%) or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of such corporation except to the extent that such ownership existed prior to the Business Combination.

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(e) “COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act, as amended, and the rules and regulations promulgated thereunder.

(f) “Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(g) “Company” means AutoWeb, and upon any assignment to and assumption of this Agreement by any Successor Company, shall mean such Successor Company.

(h) “Disability” shall mean the inability of the Employee to perform Employee’s duties to the Company on account of physical or mental illness or incapacity for a period of one-hundred twenty (120) consecutive calendar days, or for a period of one hundred eighty (180) calendar days, whether or not consecutive, during any three hundred sixty-five (365) day period.

(i) “Employee’s Position” means Employee’s position as the SVP, Chief Technology Officer of the Company.

(a) “Employee’s Primary Work Location” means AutoWeb’s headquarters located at 18872 MacArthur Blvd, Suite 200, Irvine, CA 92612.

(b) “Good Reason” means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee’s base salary as in existence as of the Effective Date or as of the date prior to any such change, whichever is more beneficial for Employee at the time of the act, decision, or omission by the Company; (B) materially modifies, reduces, changes, or restricts the Employee’s Health and Welfare Benefits as a whole as in existence as of the Effective Date hereof or as of the date prior to any such change, whichever are more beneficial for Employee at the time of the act, decision, or omission by the Company; (C) materially modifies, reduces, changes, or restricts the Employee’s authority, duties, or responsibilities commensurate with the Employee’s Position but excluding the effects of any reductions in force other than the Employee’s own termination; (D) relocates the Employee’s primary place of employment without Employee’s consent from Employee’s Primary Work Location to any other location in excess of a fifty (50) mile radius from the Employee’s Primary Work Location other than on a temporary basis or requires any such relocation as a condition to continued employment by Company; (E) constitutes a failure or refusal by any Company Successor to assume this Agreement; or (F) involves or results in any material failure by the Company to comply with any provision of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Employee. Notwithstanding the foregoing, no event shall constitute “Good Reason” unless (i) the Employee first provides written notice to the Company within ninety (90) days of the event(s) alleged to constitute Good Reason, with such notice specifying the grounds that are alleged to constitute Good Reason, and (ii) the Company fails to cure such a material breach to the reasonable satisfaction of the Employee within thirty (30) days after Company’s receipt of such written notice.

(c) “Health and Welfare Benefits” means all Company medical, dental, vision, life and disability plans in which Employee participates.

(d) “Separation from Service” or “Separates from Service” shall mean Employee’s termination of employment, as determined in accordance with Treas. Reg. § 1.409A-1(h). Employee shall be considered to have experienced a termination of employment when the facts and circumstances indicate that Employee and the Company reasonably anticipate that either (i) no further services will be performed for the Company after a certain date, or (ii) that the level of bona fide services Employee will perform for the Company after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed by Employee (whether as an employee or independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Company if Employee has been providing services to the Company for less than thirty six (36) months). If Employee is on military leave, sick leave, or other bona fide leave of absence, the employment relationship between Employee and the Company shall be treated as continuing intact, provided that the period of such leave does not exceed six months, or if longer, so long as Employee retains a right to reemployment with the Company under an applicable statute or by contract. If the period of a military leave, sick leave, or other bona fide leave of absence exceeds six months and Employee does not retain a right to reemployment under an applicable statute or by contract, the employment relationship shall be considered to be terminated for purposes of this Agreement as of the first day immediately following the end of such six-month period. In applying the provisions of this section, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that Employee will return to perform services for the Company. For purposes of determining whether Employee has incurred a Separation from Service, the Company shall include the Company and any entity that would be considered a single employer with the Company under Code Section 414(b) or 414(c).

(e) “Severance Period” shall equal Six (6) months.

(f) “Successor Company” means any successor to AutoWeb or its assets by reason of any Change of Control.

(g) “Termination Without Cause” means termination of Employee’s employment with the Company (i) by the Company (a) for any reason other than (1) death, (2) Disability or (3) those reasons expressly set forth in the definition of “Cause,” (b) for no reason at all, or (c) in connection with or as a result of a Change of Control; provided, however, that a termination of Employee’s employment with the Company in connection with a Change of Control shall not constitute a Termination Without Cause if Employee is offered employment with the Successor Company under terms and conditions, including position, salary and other compensation, and benefits, that would not provide Employee the right to terminate Employee’s employment for Good Reason.

2. **Severance Benefits and Conditions.**

(a) In the event of (i) Termination Without Cause by the Company, or (ii) the termination of Employee's employment with the Company by Employee for Good Reason within 30 days following the earlier of (1) the Company's failure to cure within the 30-day period set forth in the definition of Good Reason, and (2) the Company's notice to Employee that it will not cure the event giving rise to such termination for Good Reason, then (A) Employee shall receive upon such termination a lump sum amount equal to the number of months constituting the Severance Period at the time of termination times the Employee's monthly base salary (determined as the Employee's highest monthly base salary paid to Employee while employed by the Company; base salary does not include any bonus, commissions or other incentive payments or compensation); (B) subject to Section 2(b) below, Employee shall be entitled to a continuation of all Health and Welfare Benefits for Employee and, if applicable, Employee's eligible dependents during the Severance Period at the time they would have been provided or paid had the Employee remained an employee of Company during the Severance Period and at the levels provided prior to the event giving rise to a termination; and (C) the Company shall make available to Employee career transition services at a level and with a provider selected by the Company in accordance with Section 2(g) below.

(b) (i) With respect to Health and Welfare Benefits that are eligible for continuation coverage under COBRA, in the event the Company is unable to continue Employee's and Employee's eligible dependents' (assuming such dependents were covered by AutoWeb at the time of termination) participation under the Company's then existing insurance policies for such Health and Welfare Benefits, Employee may elect to obtain coverage for such Health and Welfare Benefits either by (1) electing COBRA continuation benefits for Employee and Employee's eligible dependents; (2) obtaining individual coverage for Employee and Employee's eligible dependents (if Employee and Employee's eligible dependents qualify for individual coverage); or (3) electing coverage as eligible dependents under another person's group coverage (if Employee and Employee's eligible dependents qualify for such dependent coverage), or any combination of the foregoing alternatives. Employee may also initially elect COBRA continuation benefits and later change to individual coverage or dependent coverage for Employee or any eligible dependent of Employee, but Employee understands that if continuation of Health and Welfare Benefits under COBRA is not initially selected by Employee or is later terminated by Employee, Employee will not be able to return to continuation coverage under COBRA. The Company shall pay directly or reimburse to Employee the monthly premiums for the benefits or coverage selected by Employee, with such payment or reimbursement not to exceed the monthly premiums the Company would have paid assuming Employee elected continuation of benefits under COBRA. The Company's obligation to pay or reimburse for the Health and Welfare Benefits covered by this Section 2(b)(i) shall terminate upon the earlier of (i) the end of the Severance Period; and (ii) Employee's employment by an employer that provides Employee and Employee's eligible dependents with group coverage substantially similar to the Health and Welfare Benefits provided to Employee and Employee's eligible dependents at the time of the termination of Employee's employment with the Company, provided that Employee and Employee's eligible dependents are eligible for participation in such group coverage.

(ii) With respect to Health and Welfare Benefits that are not eligible for continuation coverage under COBRA, in the event the Company is unable to continue Employee's participation under the Company's then existing insurance policies for such Health and Welfare Benefits, Employee may elect to obtain coverage for such Health and Welfare Benefits either by (1) obtaining individual coverage for Employee (if Employee qualifies for individual coverage); or (2) electing coverage as an eligible dependent under another person's group coverage (if Employee qualifies for such dependent coverage), or any combination of the foregoing alternatives. The Company shall pay directly or reimburse to Employee the monthly premiums for the benefits or coverage selected by Employee, with such payment or reimbursement not to exceed the monthly premiums the Company paid for such Health and Welfare Benefits at the time of termination of Employee's employment with the Company. The Company's obligation to pay or reimburse for the Health and Welfare Benefits covered by this Section 2(b)(ii) shall terminate upon the earlier of (i) the end of the Severance Period; and (ii) Employee's employment by an employer that provides Employee with group coverage substantially similar to the Health and Welfare Benefits provided to Employee at the time of the termination of Employee's employment with the Company, provided that Employee is eligible for participation in such group coverage. Employee acknowledges and agrees that the Company shall not be obligated to provide any Health and Welfare Benefits covered by this Section 2(b)(ii) for Employee if Employee does not qualify for coverage under the Company's existing insurance policies for such Health and Welfare Benefits, for individual coverage, or for dependent coverage.

(c) The payments and benefits set forth in Sections 2(a) and 2(b) are conditioned upon and shall be provided to Employee only if (i) Employee has executed and delivered to the Company a Separation and Release Agreement in favor of the Company and Releasees, which agreement shall be substantially in the form attached hereto as Exhibit A ("**Release**") no later than the expiration of the applicable period of time allowed for Employee to consider the Release as set forth in Section 17 of the Release ("**Release Consideration Period**"); (ii) Employee has not revoked the Release prior to the expiration of the applicable revocation period set forth in Section 17 of the Release ("**Release Revocation Period**"); and (iii) the Release has become effective and non-revocable no later than the cumulative period of time represented by the sum of the maximum Release Consideration Period and the maximum Release Revocation Period. No payments or benefits set forth in Sections 2(a) or 2(b) shall be due or payable to, or provided to, Employee if the Release has not become effective and non-revocable in accordance with the requirements of this Section 2(c).

(d) Upon satisfaction of the conditions set forth in Section 2(c), but subject to the last sentence of this Section 2(d), all payments under Section 2(a)(A) shall be made to Employee within five (5) business days after the Release becomes effective and non-revocable in accordance with its terms. In any case, the payment under Section 2(a)(A) shall be made no later than two and one-half months after the end of the calendar year in which Employee's Separation from Service occurs, provided that the Release shall have become effective and non-revocable in compliance with Section 2(c) prior to expiration of such two and one-half month period. If the period of time covered by the entire allowed Release Consideration Period, the entire Revocation Period and the entire five business day period described above in this Section 2(d) (considering such periods consecutively) begins in one calendar year and ends in the following calendar year, all payments under Section 2(a)(A) shall be made to Employee on the first business day of such following calendar year which is five (5) or more business days after the date on which the Release became effective and non-revocable in accordance with its terms.

(e) In addition to the payments and benefits under Sections 2(a) and 2(b), to the extent required by applicable law or the Company's incentive or other compensation plans applicable to Employee, if any, upon any termination of Employee's employment Employee shall receive (i) any amounts earned and due and owing to Employee as of the termination date with respect to any base salary, incentive compensation or commissions; and (ii) any other payments required by applicable law (including payments with respect to accrued and unused vacation time). Payments required under this Section 2(e) are not conditioned upon Employee's signing the Release and shall be made within the time period(s) required by applicable law.

(f) All payments and benefits under this Section 2 are subject to legally required federal, state and local payroll deductions and withholdings.

(g) To receive career transition services, Employee must contact the service provider no later than 30 days after the Release becomes effective.

(h) Other than the payments and benefits provided for in this Section 2, Employee shall not be entitled to any additional payments or benefits from the Company resulting from a termination of Employee's employment with the Company.

3. **Taxes.** All payments made pursuant to this Agreement will be subject to withholding of applicable taxes. Notwithstanding the foregoing, and except as otherwise specifically provided elsewhere in this Agreement, Employee is solely responsible and liable for the satisfaction of any federal, state, province or local taxes that may arise with respect to this Agreement (including any taxes and interest arising under Section 409A of the Code). Neither the Company nor any of its employees, directors, or service providers shall have any obligation whatsoever to pay such taxes or interest, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax or interest liabilities. Notwithstanding anything in this Agreement to the contrary, if any amounts that become due under this Agreement on account of Employee's termination of employment constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, payment of such amounts shall not commence until Employee incurs a Separation from Service. If, at the time of Employee's Separation from Service under this Agreement, Employee is a "specified employee" (within the meaning of Section 409A of the Code), any amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that become payable to Employee on account of Employee's Separation from Service (including any amounts payable pursuant to the preceding sentence) will not be paid until after the end of the sixth calendar month beginning after Employee's Separation from Service ("**409A Suspension Period**"). Within 14 calendar days after the end of the 409A Suspension Period, Employee shall be paid a lump sum payment, without interest, in cash equal to any payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining benefits as if there had not been an earlier delay. With respect to the reimbursement of expenses to which Employee is entitled under this Agreement, if any, or the provision of in-kind benefits to Employee as specified under this Agreement, if any, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, solely to the extent that the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period in which the reimbursement arrangement remains in effect; (ii) the reimbursement of an eligible expense shall be made no later than the end of the calendar year after the calendar year in which such expense was incurred; (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; and (iv) the right to reimbursement or provision of in-kind benefits shall not apply to any expenses incurred or benefits to be provided beyond the last day of the second taxable year following the year in which Employee's Separation from Service occurred.

4. **Arbitration.** Any controversy or claim arising out of, or related to, this Agreement, or the breach thereof, shall be governed by the terms of the Arbitration Agreement, which is incorporated herein by reference.

5. **Entire Agreement.** All oral or written agreements or representations express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement. This Agreement contains the entire integrated understanding between the parties hereto and supersedes any prior employment, severance, or change-in-control protective agreement or other agreement, plan or arrangement between the Company or any predecessor and Employee. No provision of this Agreement shall be interpreted to mean that Employee is subject to receiving fewer benefits than those available to Employee without reference to this Agreement. The Parties acknowledge and agree that the Prior Severance Agreement is hereby terminated and shall have no further force or effect.

6. **Notices.** Except as otherwise provided in this Agreement, any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon any person in connection with this Agreement shall be in writing. Such notice shall be personally served, sent by fax or cable, or sent prepaid by either registered or certified mail with return receipt requested or Federal Express and shall be deemed given (i) if personally served or by Federal Express, when delivered to the person to whom such notice is addressed, (ii) if given by fax or cable, when sent, or (iii) if given by mail, two (2) business days following deposit in the United States mail. Any notice given by fax or cable shall be confirmed in writing, by overnight mail or Federal Express within forty-eight (48) hours after being sent. Such notices shall be addressed to the party to whom such notice is to be given at the party's address set forth below or as such party shall otherwise direct.

If to the Company:

AutoWeb, Inc.
18872 MacArthur Boulevard, Suite 200
Irvine, California, 92612-1400
Facsimile: (949) 862-1323
Attn: Chief Human Resources Officer

If to the Employee:

To Employee's latest home address on file with the Company

7. **No Waiver.** No waiver, by conduct or otherwise, by any party of any term, provision, or condition of this Agreement, shall be deemed or construed as a further or continuing waiver of any such term, provision, or condition nor as a waiver of a similar or dissimilar condition or provision at the same time or at any prior or subsequent time.

8. **Amendment to this Agreement.** No modification, waiver, amendment, discharge or change of this Agreement, shall be valid unless the same is in writing and signed by the party against whom enforcement of such modification, waiver amendment, discharge, or change is or may be sought.

9. **Non-Disclosure**. Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of this Agreement or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee's immediate family who have a need to know such matters or to Employee's tax or legal advisors who have a need to know such matters. If Employee does disclose this Agreement or any of its terms to any of Employee's immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Agreement and its terms confidential. The Company may disclose the existence or terms of the Agreement and its terms and may file this Agreement as an exhibit to its public filings if it is required to do so under applicable law, rule, regulation or order.

10. **Enforceability; Severability**. If any provision of this Agreement shall be invalid or unenforceable, in whole or in part, such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.

11. **Governing Law**. This Agreement shall be construed and enforced in accordance with the laws of the State of California without giving effect to such State's choice of law rules. This Agreement is deemed to be entered into entirely in the State of California. This Agreement shall not be strictly construed for or against either party.

12. **No Third Party Beneficiaries**. Except as otherwise set forth in this Agreement, nothing contained in this Agreement is intended or shall be construed to create rights running to the benefit of any third party.

13. **Successors of the Company**. The rights and obligations of the Company under this Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company, including any Successor Company. This Agreement shall be assignable by the Company in the event of a merger or similar transaction in which the Company is not the surviving entity, or a sale of all or substantially all of the Company's assets.

14. **Rights Cumulative**. The rights under this Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by any party to exercise, and no delay in exercising, any rights shall be construed or deemed to be a waiver thereof, nor shall any single or partial exercise by any party preclude any other or future exercise thereof or the exercise of any other right.

15. **No Right or Obligation of Employment**. Employee acknowledges and agrees that nothing in this Agreement shall confer upon Employee any right with respect to continuation of employment by the Company, nor shall it interfere in any way with Employee's right or the Company's right to terminate Employee's employment at any time, with or without Cause.

16. **Interpretation.** Every provision of this Agreement is the result of full negotiations between the parties, both of whom have either been represented by counsel throughout or otherwise been given an opportunity to seek the aid of counsel. Each party hereto further agrees and acknowledges that it is sophisticated in legal affairs and has reviewed this Agreement in detail. Accordingly, no provision of this Agreement shall be construed in favor of or against any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof. Captions and headings of sections contained in this Agreement are for convenience only and shall not control the meaning, effect, or construction of this Agreement. Time periods used in this Agreement shall mean calendar periods unless otherwise expressly indicated.

17. **Legal and Tax Advice.** Employee acknowledges that: (i) the Company has encouraged Employee to consult with an attorney and/or tax advisor of Employee's choosing (and at Employee's own cost and expense) in connection with this Agreement, and (ii) Employee is not relying upon the Company for, and the Company has not provided, legal or tax advice to Employee in connection with this Agreement. It is the responsibility of Employee to seek independent tax and legal advice with regard to the tax treatment of this Agreement and the payments and benefits that may be made or provided under this Agreement and any other related matters. Employee acknowledges that Employee has had a reasonable opportunity to seek and consider advice from Employee's counsel and tax advisors.

18. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument. The parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

[Remainder of page intentionally left blank.]

shown above. **IN WITNESS WHEREOF**, the Company and Employee have executed and entered into this Agreement effective as of the date first

AUTOWEB, INC.

By: /s/ Sara Partin
Sara Partin
Senior Vice President,
Chief Human Resources Officer

EMPLOYEE

/s/ Timothy L. Branham
Timothy L. Branham

EXHIBIT A

SEPARATION AND RELEASE AGREEMENT

It is hereby agreed by and between you, Timothy L. Branham (for yourself, your spouse, family, agents and attorneys) (jointly, “**You**” or “**Employee**”), and AutoWeb, Inc., its predecessors, successors, affiliates, directors, employees, shareholders, fiduciaries, insurers, employees and agents (jointly, the “**Company**”), as follows:

1. **Separation of Employment.** You acknowledge that your employment with the Company ended effective [____], 201[___] (“**Employment Termination Date**”), and that You will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date. You have resigned or hereby resign from all officer and director positions You held with the Company or any of its subsidiaries effective as of the Employment Termination Date. This Separation and Release Agreement (“**Release**”) is entered into in connection with that certain Severance Benefits Agreement dated effective as of December 17, 2018 by and between the Company and Employee (“**Severance Benefits Agreement**”).

2. **Release Consideration.** In exchange for your promises and obligations in this Release and the Severance Benefits Agreement, including the release of claims set forth below, if You sign and do not revoke this Release and this Release becomes effective, the Company will pay You the amounts, and will provide the benefits, due to You under the Severance Benefits Agreement, minus legally required federal, state and local payroll deductions and withholdings. Payment of any monetary amount provided for in this Section 2 will be made within the time periods required by the Severance Benefits Agreement (except for payments or benefits that will be paid or provided over time as provided therein) and, if no time is specified, within 5 business days after this Release becomes effective.

3. **Acknowledgement of Receipt of Amounts Due.** You acknowledge and agree that You have received all, and that the Company does not owe You any additional, payments, benefits or other compensation as a result of your employment with the Company or your separation from employment with the Company, including, but not limited to, wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than those amounts or benefits, if any, payable or to be provided to You after the date hereof pursuant to the Severance Benefits Agreement after this Release becomes effective.

4. **Return of Company Property.** You represent and warrant that You have returned to the Company any and all documents, software, equipment (including, but not limited to, computers and computer-related items), and all other materials or other things in your possession, custody, or control which are the property of the Company, including, but not limited to, Company identification, keys, computers, cell phones, and the like, wherever such items may have been located; as well as all copies (in whatever form thereof) of all materials relating to your employment, or obtained or created in the course of your employment with the Company. You hereby represent that, other than those materials You have returned to the Company pursuant to this Section 4, You have not copied or caused to be copied, and have not transferred or printed-out or caused to be transferred or printed-out, any software, computer disks, e-mails or other documents other than those documents generally available to the public, or retained any other materials originating with or belonging to the Company. You further represent that You have not retained in your possession, custody or control, any software, documents or other materials in machine or other readable form, which are the property of the Company, originated with the Company, or were obtained or created in the course of or relate to your employment with the Company.

5. Confidentiality and Non-Solicitation/Interference.

(a) You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in any confidentiality or non-disclosure agreement between You and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of December 17, 2018, which shall remain binding on You after the Employment Termination Date.

(b) Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of the Severance Benefits Agreement or this Release or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee's immediate family who have a need to know such matters or to Employee's tax or legal advisors who have a need to know such matters. If Employee does disclose this Release, the Severance Benefits Agreement or any of their respective terms to any of Employee's immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Release, the Severance Benefits Agreement and their respective terms confidential. The Company may disclose the existence or terms of this Release, the Severance Benefits Agreement and their respective terms and may file this Release and the Severance Benefits Agreement as exhibits to its public filings if it is required to do so under applicable law, rule, regulation or order.

(c) For a period of one (1) year immediately following this Release becoming effective, You agree that You will not interfere with Company's business by soliciting an employee to leave Company's employ, or by inducing a consultant or vendor to sever its relationship with Company. You may not, at any time, use the Company's trade secrets to solicit business from any source, including the Company's customers or clients. This Section 5(c) is not intended to, and shall not, prevent You from lawful competition with the Company. You represent and warrant that You have not engaged in any of the foregoing activities prior to the effective date of this Release.

6. Nondisparagement. You agree that neither You nor anyone acting on your behalf or at your direction will disparage, denigrate, defame, criticize, impugn or otherwise damage or assail the reputation or integrity of the Company publicly or privately to any third party, including without limitation (i) to any current or former employee, officer, director, contractor, supplier, customer, or client of the Company; (ii) any prospective or actual purchaser of the equity interests of the Company or its business or assets; or (iii) to any person or entity in the automotive industry, automotive marketing, advertising or other services, or the automotive press.

7. Unconditional General Release of Claims.

(a) In consideration for the payment and benefits provided for in Section 2, and notwithstanding the provisions of Section 1542 of the Civil Code of California, You unconditionally release and forever discharge the Company, and the Company's current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, officers, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, officers, employees, agents, and attorneys of any such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (all of the foregoing released persons or entities being referred to herein as "**Releasees**"), from any and all claims, complaints, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature, whether known or unknown, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the date of execution of this Release, including, but not limited to, claims that arise out of or in any way relate to your employment or your separation from employment with the Company.

(b) You acknowledge and agree that the foregoing unconditional and general release includes, but is not limited to, (i) any claims for salary, bonuses, commissions, equity, compensation (except as specified in this Agreement), wages, penalties, premiums, severance pay, vacation pay or any benefits under the Employee Retirement Income Security Act of 1974, as amended; (ii) any claims of harassment, retaliation or discrimination; (iii) any claims based on any federal, state or governmental constitution, statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans With Disabilities Act, Section 1981 of the Civil Rights Act of 1866, the California Fair Employment and Housing Act, the California Family Rights Act, the Family and Medical Leave Act, the California Constitution, the California Labor Code, the California Industrial Welfare Commission Wage Orders, the California Government Code, the Worker Adjustment and Retraining Notification Act; (iv) whistleblower claims, claims of breach of implied or express contract, breach of promise, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any other employment-related tort, and any claims for costs, fees, or other expenses, including attorneys' fees; and (v) any other aspect of your employment or the termination of your employment.

(c) For the purpose of implementing a full and complete release, You expressly acknowledge and agree that this Release resolves all claims You may have against the Company and the Releasees as of the date of this Release, including but limited to claims that You did not know or suspect to exist in your favor at the time of the execution of this Release. You expressly waive any and all rights which You may have under the provisions of Section 1542 of the California Civil Code or any similar state or federal statute. Section 1542 provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

(d) This Release will not waive the Employee's rights to indemnification under the Company's certificate of incorporation or by-laws or, if applicable, any written agreement between the Company and the Employee, or under applicable law.

(e) You hereby certify that You have not experienced a job-related illness or injury for which You have not already filed a claim.

(f) This general release does not waive or release rights or claims arising after You sign this Release.

8. Covenant Not to Sue. A “covenant not to sue” is a promise not to sue in court. This covenant differs from a general release of claims in that, besides waiving and releasing the claims covered by this Release, You represent and warrant that You have not filed, and agree that You will not file, or cause to be filed or maintained, any judicial complaint, lawsuit or demand for arbitration involving any claims You have released in this Release, and You agree to withdraw any judicial complaints, lawsuits or demands for arbitration You have filed, or were filed on your behalf, prior to the effective date of this Release. Still, You may sue to enforce this Release. You agree if You breach this covenant, then You must pay the legal expenses incurred by incurred by any Releasee in defending against your suit, including reasonable attorneys’ fees, or, at the Company’s option, return everything paid to You under this Agreement. In that event, the Company shall be excused from making any further payments or continuing any other benefits otherwise owed to You under paragraph 2 of this Agreement. Furthermore, You give up all rights to individual damages in connection with any administrative or court proceeding with respect to your employment with or termination of employment from, the Company. You also agree that if You are awarded money damages, You will assign your right and interest to such money damages (i) in connection with an administrative charge, to the relevant administrative agency; and (ii) in connection with a lawsuit or demand for arbitration, to the Company.

9. Cooperation With Company. You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying truthfully in a proceeding) in the investigation and handling of any internal investigation, governmental matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by You.

10. No Reemployment. You acknowledge and agree that the Company has no obligation to employ You or offer You employment in the future and You shall have no recourse against the Company if it refuses to employ You or offer You employment. If You do seek re-employment, then this Release shall constitute sufficient cause for the Company to refuse to re-employ You. Notwithstanding the foregoing, the Company has the right to offer to re-employ You in the future if, in its sole discretion, it chooses to do so.

11. No Admission of Liability. This Release does not constitute an admission that the Company or any other Releasee has violated any law, rule, regulation, contractual right or any other duty or obligation.

12. Severability. Should any provision of this Release be declared or be determined by any court or arbitrator to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected, and said illegal or invalid part, term, or provision shall be deemed not to be part of this Release.

13. Governing Law. This Release is made and entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the law of that state, without reference to conflict of law provisions thereof.

14. Interpretation. The language of all parts in this Release shall be construed as a whole, according to fair meaning, and not strictly for or against any party. The captions and headings contained in this Agreement are for convenience only and shall not control the meaning, effect, or construction of this Agreement.

15. Knowing and Voluntary Agreement. You have carefully reviewed this Release and understand the terms and conditions it contains. By entering into this Release, You are giving up potentially valuable legal rights. You specifically acknowledge that You are waiving and releasing any rights You may have under the ADEA. You acknowledge that the consideration given for this waiver and release is in addition to anything of value to which You were already entitled. You acknowledge that You are signing this Release knowingly and voluntarily and intend to be bound legally by its terms.

16. Entire Agreement. You hereby acknowledge that no promise or inducement has been offered to You, except as expressly stated in this Release and in the Severance Benefits Agreement, and You are relying upon none. This Release and the Severance Benefits Agreement represent the entire agreement between You and the Company with respect to the subject matter hereof, and supersede any other written or oral understandings between the parties pertaining to the subject matter hereof and may only be amended or modified with the prior written consent of You and the Company.

17. Arbitration. Any controversy or claim arising out of, or related to, this Release Agreement, or the breach thereof, shall be governed by the terms of the Arbitration Agreement (as defined in the Severance Benefits Agreement).

18. Protected Rights:

(a) An individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

(b) Employee understands that nothing contained in your Confidentiality Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Company. This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies.

19. Period for Review and Consideration/Revocation Rights.

[Alternative 1 for Section 18 if Employee is NOT age 40 or over at time of separation from employment]

You understand that You have seven (7) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the seven (7) day period. If You do sign it, You also understand that You will have an additional three (3) days after the date You deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company's Chief Human Officer, AutoWeb, Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the third (3rd) day after your delivery of this signed Release to the Company (or on the next business day if the third calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that three (3) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

[Alternative 2 for Section 18 if Employee is age 40 or over at time of separation from employment, separation from employment is NOT in connection with a group separation, and ADEA Claims are being released]

You understand that You have twenty-one (21) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the twenty-one (21) day period. If You do sign it, You also understand that You will have an additional seven (7) days after the date You deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company's Chief Human Resources Officer, AutoWeb, Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your delivery of this signed Release to the Company (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

[Alternative 3 for Section 18 if Employee is age 40 or over at time of separation from employment, separation from employment IS in connection with a group termination, and ADEA Claims are being released]

(a) You understand that You have forty-five (45) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the forty-five (45) day period. If You do sign it, You also understand that You will have an additional seven (7) days after You sign to change your mind and revoke the Agreement, in which case a written notice of revocation must be delivered to the Company's Chief Human Resources Officer, AutoWeb, Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your delivery of this signed Release to the Company (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

(b) You acknowledge that You have received the group information of employees included in the Company's _____ group termination program, the eligibility factors for participation in the program, and the time limits for participation in the program. You also acknowledge that You have received lists of the ages and job titles of employees eligible or selected for the program and employees not eligible or selected for the group termination program. This information is set forth on Appendix A attached hereto and incorporated herein by reference.

20. Advice of Attorney and Tax Advisor. Employee acknowledges that: (i) the Company has advised Employee to consult with an attorney and/or tax advisor of Employee's choosing (and at Employee's own cost and expense) before executing this Release, and (ii) Employee is not relying upon the Company for, and the Company has not provided, legal or tax advice to Employee in connection with this Release. It is the responsibility of Employee to seek independent tax and legal advice with regard to the tax treatment of this Release and the payments and benefits that may be made or provided under this Release and any other related matters. Employee acknowledges that Employee has had a reasonable opportunity to seek and consider advice from Employee's attorney and tax advisors.

PLEASE READ CAREFULLY. THIS RELEASE INCLUDES A GENERAL RELEASE OF ALL CLAIMS, KNOWN AND UNKNOWN. YOU MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS RELEASE THAT ARE NOT AGREED UPON BY THE COMPANY IN WRITING. ANY CHANGES SHALL CONSTITUTE A REJECTION OF THIS RELEASE BY EMPLOYEE.

Dated: _____

Timothy L. Branham

Dated:

AutoWeb, Inc.

By: _____
(Officer Name)
(Title)

SEPARATION AND RELEASE AGREEMENT

It is hereby agreed by and between you, Jeffrey H. Coats (for yourself, your spouse, family, agents and attorneys) (jointly, “**You**” or “**Employee**”), and AutoWeb, Inc., its predecessors, successors, affiliates, directors, employees, shareholders, fiduciaries, insurers, employees and agents (jointly, the “**Company**”), as follows:

1. **Separation of Employment.** You acknowledge that your employment with the Company ended effective April 12, 2018 (“**Employment Termination Date**”), and that You will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date except for such transition services that you may provide as an independent contractor pursuant to a consulting services agreement that may be entered into by the Company and You. You have resigned or hereby resign from all officer and director positions You held with the Company or any of its subsidiaries effective as of the Employment Termination Date. This Separation and Release Agreement (“**Release**”) is entered into in connection with that certain Second Amended and Restated Agreement dated effective as of April 3, 2014 as amended by and between the Company and Employee (collectively, the “**Employment Agreement**”).

2. **Release Consideration.** In exchange for your promises and obligations in this Release and the Employment Agreement, including the release of claims set forth below, if You sign and do not revoke this Release and this Release becomes effective, the Company will pay You the amounts, and will provide the benefits, due to You under the Employment Agreement, minus legally required federal, state and local payroll deductions and withholdings. Payment of any monetary amount provided for in this Section 2 will be made within the time periods required by the Employment Agreement (except for payments or benefits that will be paid or provided over time as provided therein) and, if no time is specified, within 5 business days after this Release becomes effective.

3. **Acknowledgement of Receipt of Amounts Due.** You acknowledge and agree that You have received all, and that the Company does not owe You any additional, payments, benefits or other compensation as a result of your employment with the Company or your separation from employment with the Company, including, but not limited to, wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than those amounts or benefits, if any, payable or to be provided to You after the date hereof pursuant to the Employment Agreement after this Release becomes effective.

4. **Return of Company Property.** You represent and warrant that You have returned to the Company any and all documents, software, equipment (including, but not limited to, computers and computer-related items), and all other materials or other things in your possession, custody, or control which are the property of the Company, including, but not limited to, Company identification, keys, computers, cell phones, and the like, wherever such items may have been located; as well as all copies (in whatever form thereof) of all materials relating to your employment, or obtained or created in the course of your employment with the Company. You hereby represent that, other than those materials You have returned to the Company pursuant to this Section 4, You have not copied or caused to be copied, and have not transferred or printed-out or caused to be transferred or printed-out, any software, computer disks, e-mails or other documents other than those documents generally available to the public, or retained any other materials originating with or belonging to the Company. You further represent that You have not retained in your possession, custody or control, any software, documents or other materials in machine or other readable form, which are the property of the Company, originated with the Company, or were obtained or created in the course of or relate to your employment with the Company.

5. Confidentiality and Non-Solicitation/Interference.

(a) You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in any confidentiality or non-disclosure agreement between You and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of December 12, 2008 which shall remain binding on You after the Employment Termination Date.

(b) Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of the Employment Agreement or this Release or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee's immediate family who have a need to know such matters or to Employee's tax or legal advisors who have a need to know such matters. If Employee does disclose this Release, the Employment Agreement or any of their respective terms to any of Employee's immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Release, the Employment Agreement and their respective terms confidential. The Company may disclose the existence or terms of this Release, the Employment Agreement and their respective terms and may file this Release and the Employment Agreement as exhibits to its public filings if it is required to do so under applicable law, rule, regulation or order.

(c) For a period of one (1) year immediately following this Release becoming effective, You agree that You will not interfere with Company's business by soliciting an employee to leave Company's employ, or by inducing a consultant or vendor to sever its relationship with Company. You may not, at any time, use the Company's trade secrets to solicit business from any source, including the Company's customers or clients. This Section 5(c) is not intended to, and shall not, prevent You from lawful competition with the Company. You represent and warrant that You have not engaged in any of the foregoing activities prior to the effective date of this Release.

6. Nondisparagement. You agree that neither You nor anyone acting on your behalf or at your direction will disparage, denigrate, defame, criticize, impugn or otherwise damage or assail the reputation or integrity of the Company publicly or privately to any third party, including without limitation (i) to any current or former employee, officer, director, contractor, supplier, customer, or client of the Company; (ii) any prospective or actual purchaser of the equity interests of the Company or its business or assets; or (iii) to any person or entity in the automotive industry, automotive marketing, advertising or other services, or the automotive press.

7. Unconditional General Release of Claims.

(a) In consideration for the payment and benefits provided for in Section 2, and notwithstanding the provisions of Section 1542 of the Civil Code of California, You unconditionally release and forever discharge the Company, and the Company's current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, officers, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, officers, employees, agents, and attorneys of any such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (all of the foregoing released persons or entities being referred to herein as "**Releasees**"), from any and all claims, complaints, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature, whether known or unknown, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the date of execution of this Release, including, but not limited to, claims that arise out of or in any way relate to your employment or your separation from employment with the Company.

(b) You acknowledge and agree that the foregoing unconditional and general release includes, but is not limited to, (i) any claims for salary, bonuses, commissions, equity, compensation (except as specified in this Agreement), wages, penalties, premiums, severance pay, vacation pay or any benefits under the Employee Retirement Income Security Act of 1974, as amended; (ii) any claims of harassment, retaliation or discrimination; (iii) any claims based on any federal, state or governmental constitution, statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans With Disabilities Act, Section 1981 of the Civil Rights Act of 1866, the California Fair Employment and Housing Act, the California Family Rights Act, the Family and Medical Leave Act, the California Constitution, the California Labor Code, the California Industrial Welfare Commission Wage Orders, the California Government Code, the Worker Adjustment and Retraining Notification Act; (iv) whistleblower claims, claims of breach of implied or express contract, breach of promise, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any other employment-related tort, and any claims for costs, fees, or other expenses, including attorneys' fees; and (v) any other aspect of your employment or the termination of your employment.

(c) For the purpose of implementing a full and complete release, You expressly acknowledge and agree that this Release resolves all claims You may have against the Company and the Releasees as of the date of this Release, including but limited to claims that You did not know or suspect to exist in your favor at the time of the execution of this Release. You expressly waive any and all rights which You may have under the provisions of Section 1542 of the California Civil Code or any similar state or federal statute. Section 1542 provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

(d) This Release will not waive the Employee's rights to indemnification under the Company's certificate of incorporation or by-laws or, if applicable, any written agreement between the Company and the Employee, or under applicable law.

(e) You hereby certify that You have not experienced a job-related illness or injury for which You have not already filed a claim.

(f) This general release does not waive or release rights or claims arising after You sign this Release.

8. Covenant Not to Sue. A "covenant not to sue" is a promise not to sue in court. This covenant differs from a general release of claims in that, besides waiving and releasing the claims covered by this Release, You represent and warrant that You have not filed, and agree that You will not file, or cause to be filed or maintained, any judicial complaint, lawsuit or demand for arbitration involving any claims You have released in this Release, and You agree to withdraw any judicial complaints, lawsuits or demands for arbitration You have filed, or were filed on your behalf, prior to the effective date of this Release. Still, You may sue to enforce this Release. You agree if You breach this covenant, then You must pay the legal expenses incurred by incurred by any Releasee in defending against your suit, including reasonable attorneys' fees, or, at the Company's option, return everything paid to You under this Agreement. In that event, the Company shall be excused from making any further payments or continuing any other benefits otherwise owed to You under paragraph 2 of this Agreement. Furthermore, You give up all rights to individual damages in connection with any administrative or court proceeding with respect to your employment with or termination of employment from, the Company. You also agree that if You are awarded money damages, You will assign your right and interest to such money damages (i) in connection with an administrative charge, to the relevant administrative agency; and (ii) in connection with a lawsuit or demand for arbitration, to the Company.

9. Cooperation With Company. You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying truthfully in a proceeding) in the investigation and handling of any internal investigation, governmental matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by You.

10. No Reemployment. You acknowledge and agree that the Company has no obligation to employ You or offer You employment in the future and You shall have no recourse against the Company if it refuses to employ You or offer You employment. If You do seek re-employment, then this Release shall constitute sufficient cause for the Company to refuse to re-employ You. Notwithstanding the foregoing, the Company has the right to offer to re-employ You in the future if, in its sole discretion, it chooses to do so.

11. No Admission of Liability. This Release does not constitute an admission that the Company or any other Releasee has violated any law, rule, regulation, contractual right or any other duty or obligation.

12. Severability. Should any provision of this Release be declared or be determined by any court or arbitrator to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected, and said illegal or invalid part, term, or provision shall be deemed not to be part of this Release.

13. Governing Law. This Release is made and entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the law of that state, without reference to conflict of law provisions thereof.

14. Interpretation. The language of all parts in this Release shall be construed as a whole, according to fair meaning, and not strictly for or against any party. The captions and headings contained in this Agreement are for convenience only and shall not control the meaning, effect, or construction of this Agreement.

15. Knowing and Voluntary Agreement. You have carefully reviewed this Release and understand the terms and conditions it contains. By entering into this Release, You are giving up potentially valuable legal rights. You specifically acknowledge that You are waiving and releasing any rights You may have under the ADEA. You acknowledge that the consideration given for this waiver and release is in addition to anything of value to which You were already entitled. You acknowledge that You are signing this Release knowingly and voluntarily and intend to be bound legally by its terms.

16. Protected Rights.

(a) An individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

(b) You understand that nothing contained in this Agreement or in the Confidentiality Agreement limits your ability to file a charge or complaint with the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (“**Government Agencies**”). You further understand that this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit your right to receive an award for information provided to any Government Agencies.

17. Entire Agreement. You hereby acknowledge that no promise or inducement has been offered to You, except as expressly stated in this Release and in the Employment Agreement, and You are relying upon none. This Release and the Employment Agreement represent the entire agreement between You and the Company with respect to the subject matter hereof, and supersede any other written or oral understandings between the parties pertaining to the subject matter hereof and may only be amended or modified with the prior written consent of You and the Company.

18. Arbitration. Any controversy or claim arising out of, or related to, this Release Agreement, or the breach thereof, shall be governed by the terms of the Arbitration Agreement (as defined in the Employment Agreement).

19. Period for Review and Consideration/Revocation Rights. You understand that You have twenty-one (21) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the twenty-one (21) day period. If You do sign it, You also understand that You will have an additional seven (7) days after the date You deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company’s Chief Legal Officer, AutoWeb, Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your delivery of this signed Release to the Company (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

20. Advice of Attorney and Tax Advisor. Employee acknowledges that: (i) the Company has advised Employee to consult with an attorney and/or tax advisor of Employee's choosing (and at Employee's own cost and expense) before executing this Release, and (ii) Employee is not relying upon the Company for, and the Company has not provided, legal or tax advice to Employee in connection with this Release. It is the responsibility of Employee to seek independent tax and legal advice with regard to the tax treatment of this Release and the payments and benefits that may be made or provided under this Release and any other related matters. Employee acknowledges that Employee has had a reasonable opportunity to seek and consider advice from Employee's attorney and tax advisors.

PLEASE READ CAREFULLY. THIS RELEASE INCLUDES A GENERAL RELEASE OF ALL CLAIMS, KNOWN AND UNKNOWN. YOU MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS RELEASE THAT ARE NOT AGREED UPON BY THE COMPANY IN WRITING. ANY CHANGES SHALL CONSTITUTE A REJECTION OF THIS RELEASE BY EMPLOYEE.

Dated: April 13, 2018

/s/ Jeffrey H. Coats
Jeffrey H. Coats

Dated: April 30, 2018

AUTOWEB, INC.

By: /s/ Glenn E. Fuller
Glenn E. Fuller
EVP, Chief Legal and Administrative Officer
and Secretary

SUBSIDIARIES OF AUTOWEB, INC.

<u>Subsidiary Name</u>	<u>Jurisdiction of Incorporation</u>
Autobytel, Inc. (formerly AutoWeb, Inc.)	Delaware
AW GUA USA, Inc.	Delaware
Car.com, Inc.	Delaware
AW GUA, Sociedad de Responsabilidad Limitada	Guatemala

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements Form S-8 Nos. 333-197325, 333-168834, 333-135076, 333-116930, 333-90045, 333-77943, 333-39396, 333-67692, 333-212910, 333-226519, and 333-226520 of our report dated March 7, 2019 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers*), relating to the consolidated financial statements and schedule of AutoWeb, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2018.

/s/ Moss Adams LLP

San Diego, CA
March 7, 2019

**Certification of Principal Executive Officer Required by
Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jared R. Rowe, certify that:

1. I have reviewed this quarterly report on Form 10-K of AutoWeb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial state ments, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 7, 2019

By: /s/ Jared R. Rowe
Jared R. Rowe
Chief Executive Officer

**Certification of Principal Financial Officer Required by
Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Joseph P. Hannan, certify that:

1. I have reviewed this quarterly report on Form 10-K of AutoWeb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 7, 2019

By: /s/ Joseph P. Hannan
Joseph P. Hannan
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AutoWeb, Inc. (the "Company") on Form 10-K for the year ended December 31, 2018 (the "Report"), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 7, 2019

By: /s/ Jared R. Rowe
Jared R. Rowe
Chief Executive Officer

Date: March 7, 2019

By: /s/ Joseph P. Hannan
Joseph P. Hannan
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
