

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020
or

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

For the transition period from _____ to _____

Commission File Number 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.)

400 North Ashley Drive, Suite 300
Tampa, Florida 33602
(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	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	AUTO	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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by registered public accounting firm that prepared or issued its audit report. Yes No

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 \$1.29 for our common stock on The Nasdaq Capital Market on June 30, 2020, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately \$11 million.

As of March 8, 2021, there were 13,169,204 shares of our common stock outstanding.

Documents Incorporated by Reference

Portions of our Definitive Proxy Statement for the 2021 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, 2020

Page
Number

Part I

Item 1	Business	1
Item 1A	Risk Factors	7
Item 1B	Unresolved Staff Comments	23
Item 2	Properties	23
Item 3	Legal Proceedings	23
Item 4	Mine Safety Disclosures	23

Part II

Item 5	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	23
Item 6	Selected Financial Data	24
Item 7	Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	32
Item 8	Financial Statements and Supplementary Data	32
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	32
Item 9A	Controls and Procedures	32
Item 9B	Other Information	33

Part III

Item 10	Directors, Executive Officers and Corporate Governance	33
Item 11	Executive Compensation	33
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	33
Item 13	Certain Relationships and Related Transactions, and Director Independence	33
Item 14	Principal Accountant Fees and Services	33

Part IV

Item 15	Exhibits and Financial Statement Schedules	34
Item 16	Form 10-K Summary	38
	Signatures	39

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 SEC.

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 and Manufacturers participate in our Lead programs, display advertising programs and 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 useful 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 the consumer’s name, email address and/or phone number, and may also include the consumer’s postal address.

Dealers participating in our new vehicle Leads program are provided with iControl[®], our proprietary technology that allows Dealers many options to filter and control the volume and source of their Leads. iControl 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 generation 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 approximately 17%, 17% and 18% of total revenues in 2020, 2019 and 2018, respectively. Revenues from wholesale Leads accounted for approximately 58%, 57% and 52% of total revenues in 2020, 2019 and 2018, 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 4%, 5% and 7% of total revenues in 2020, 2019 and 2018, 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 offers 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 20%, 20% and 22% of total revenues in 2020, 2019 and 2018, respectively.

Strategy

Our goal is to garner a larger and more profitable 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
 - ***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.
 - ***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 as well as adding new and compelling features for consumers to engage with. 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 and optimized 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 2020, 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:

- increasing the quality of the Leads sold to our Dealers,
- increasing the number of Dealers in our Dealer network,
- reducing Dealer churn in our Dealer network,
- providing customizable Lead programs to meet our Dealers’ unique marketing requirements,
- providing additional value-added marketing services that help Dealers more effectively utilize the internet to market and sell new and used vehicles,
- increasing overall Dealer satisfaction by improving all aspects of our services,
- increasing the size of our retail Dealer footprint,
- focusing on higher revenue Dealers that are more cost-effective to support, and
- 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 demonstrate 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.

- **Focus on Internal Traffic Acquisition Processes.** We are continuing to focus on prioritizing our internal traffic acquisition processes, by obtaining higher quality impressions for both Dealers and wholesale customers, which we believe would yield increased gross profit margins, as opposed to a prior focus on raw lead volume.

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.

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 revenues for our traditional display advertising.

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 and the discussion of "Forward-Looking Statements" immediately preceding Part I 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. Historical seasonality trends have been and may continue to be impacted by externalities such as pandemics.

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®, 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 2020. 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 Carat Detroit (General Motors), Ford Direct, Urban Science Applications (which represents several Manufacturer programs) and Autodata Solutions. During 2020, approximately 46% of our total revenues were derived from these four customers, and approximately 62% or \$8.6 million of gross accounts receivable related to these four customers at December 31, 2020. Carat Detroit accounted for 12% and 19% of total revenues and accounts receivable, respectively, as of December 31, 2020. Ford Direct accounted for 11% and 16% of total revenues and accounts receivable, respectively, as of December 31, 2020. Urban Science Applications accounted for 12% and 15% of total revenues and accounts receivable, respectively, as of December 31, 2020. Autodata Solutions accounted for 11% and 12% of total revenues and accounts receivable, respectively, as of December 31, 2020.

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. However, our websites and information technology systems are susceptible to outages and interruptions, such as occurred as a result of a malware attack in January 2020. For additional information regarding risks related to our information technology, see Part I, Item 1A “Risk Factors” of this Annual Report on Form 10-K.

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, and provide cybersecurity protections against evolving technology threats. 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, compliance, 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 8, 2021, we had 149 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.

Risks Associated with our Business Operations and Industry

We may be unable to increase Lead revenues and could continue to suffer declining revenues due to Dealer attrition.

We predominately derive our Lead revenues from Lead generation paid by Dealers and Manufacturers participating in our Lead programs. Our Lead generation decreased \$29.6 million, or 33%, in 2020 compared to 2019. 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 will decrease. We cannot provide any assurances that we will be able to increase Lead generation 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 suppliers 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 affected.

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

We depend on Manufacturers, through our third-party sales channel and direct-to-Manufacturer wholesale programs for a significant amount of our 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 wholesale program revenues in future periods. A number of our third-party sales channel agreements and Manufacturer agreements may be terminated at any time without cause or upon expiration of the current term of the agreement. We may not be able to maintain our relationships with sales channel third parties or Manufacturers on favorable terms or find alternative comparable relationships capable of replacing revenues on terms satisfactory to us. If we cannot do so, our revenues would decline, which could have a material adverse effect on our financial performance.

Our financial performance could be materially and adversely affected by changes in internet search engine algorithms, pricing or operational 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. Our ability to continue to use Google could be impacted as a result of the Company's credit position. Our financial performance would be materially and adversely affected if we were no longer able to use Google for generation of traffic to our websites.

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;
- Availability and terms of automotive financing;
- 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;
- 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;
- Disruption in the automotive manufacturing and parts supply chains caused by natural disasters, epidemics and pandemics, adverse weather, incidents of civil unrest and other events may affect the supply of vehicle and parts inventories to Manufacturer's and Dealers; and
- The impact of high unemployment on the willingness or ability of consumers to acquire new or used vehicles.

Natural disasters, public health crises, political crises and other catastrophic events or other events outside of our control could damage our facilities or the facilities of third parties on which we depend and could impact consumer spending.

If any of our facilities or the facilities of our third-party service providers, dealers or partners are affected by natural disasters, such as earthquakes, tsunamis, wildfires, power shortages, floods, public health crises (such as pandemics and epidemics), political crises (such as terrorism, insurrection, war, political instability or other conflict) or other events outside our control, including a cyberattack, our critical business or IT systems could be destroyed or disrupted and our ability to conduct normal business operations, and our financial performance, could be materially and adversely affected. Moreover, these types of events could negatively impact consumer spending in the impacted regions or, depending upon the severity, globally, which could adversely impact our financial performance.

In early 2020 and continuing as of the date of this Annual Report on Form 10-K, the outbreak of coronavirus has led to quarantines and stay-at-home/work-from-home orders in a number of countries, states, cities and regions and the closure or limited access to public and private offices, businesses and facilities, worldwide, causing widespread disruptions to travel, economic activity and financial markets. We are unable to predict the extent and duration of these disruptions, which could result in a national or global recession. The pandemic has led our Manufacturer and Dealer customers to experience disruptions in the (i) supply of vehicle and parts inventories, (ii) ability and willingness of consumers to visit automotive dealerships to purchase or lease vehicles, and (iii) overall health, safety and availability of their labor force. Manufacturers have also shut down assembly plants, adversely impacting inventories of new vehicles. Volatility in the financial markets, concerns about exposure to the virus, governmental quarantines, stay-at-home/work-from-home orders, business closures and employment furloughs and layoffs have also impacted consumer confidence and willingness to visit dealerships and to purchase or lease vehicles. High unemployment rates and lower consumer confidence may continue even after stay-at-home/work-from-home orders and business closures have ended. These disruptions have impacted the willingness or desire of our customers to acquire vehicle Leads or other digital marketing services from us. We are also experiencing direct disruptions in our operations due to the overall health and safety of, and concerns for, our labor force and as a result of governmental “social distancing” programs, quarantines, travel restrictions and stay-at-home/work-from-home orders, leading to office closures, operating from employee homes and restrictions on our employees traveling to our various offices. In April 2020, we implemented a series of cost actions in response to the coronavirus pandemic, including reduced executive and board compensation during the three-months ended June 30, 2020, reduced recruitment, travel, consulting and business-to-business marketing expenses, consolidation of various technology tools and products, and limited employee furloughs and staff reductions. We also started reducing our overall lead and click generation efforts and corresponding costs to better align our volumes with industry demand and consumer intent to purchase a vehicle. We will continue to evaluate these and other cost reduction measures and explore all options available to us in order to minimize the impact of the pandemic on us.

At this time, the eventual extent and magnitude of the disruptions caused by the pandemic on the automotive industry in general are not known, but vehicle sales have declined, and we continue to experience cancellations or suspensions of purchases of Leads and other digital marketing services by our customers, which materially and adversely affects our financial performance.

The long-and-short-term effects of the pandemic on our business and financial condition are unknown, difficult to predict and will depend upon many factors, including the severity and duration of the pandemic, the duration of existing and future shelter-in-place and other governmental mandates and guidance, the efficacy and availability of vaccines and other treatments, the extent to which new virus strains emerge and spread, and the health of our employees.

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 executive, 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 highly qualified 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.

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 affected 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, cyberattacks, 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 materially and adversely impact our financial performance. Despite our network security measures, our information technology platforms are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage, insider threats 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 collocation 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 affected 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 from which we acquire Leads, clicks, or consumer traffic for resale to our customers and 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 businesses, products or technologies, which could divert our management's attention from our business, disrupt our operations and materially and adversely impact our financial performance.

As part of our strategy to grow our business, we evaluate whether to acquire other businesses, products or technologies that we believe will complement or enhance our existing business rather than develop these internally. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to identify suitable candidates or to complete identified acquisitions. The integration of acquisitions requires significant time and resources, and we may not manage these processes successfully. We cannot provide any assurances that any completed acquisitions will be successful.

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 also 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 financial performance. An announced acquisition transaction may not close timely or at all, which may cause our financial performance to differ from expectations in a given period.

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;
- We may be required to make substantial investments of resources to support our acquisitions, which would result in significant ongoing operating expenses and could divert resources and management attention from other areas of our business;
- 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 through acquisitions may require us to expend additional resources to develop products, services and technology internally;
- Acquisitions 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 the acquired business's accounting, management information, human resources, legal and other administrative systems into our systems;
 - Difficulties in assimilating the operations and personnel of an acquired business into our own business;
 - 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, technology, research and development, sales and marketing and other operations, subsidiaries, facilities and relationships;
 - Transition of the acquired business's users to our websites and mobile applications;
 - Transition of customers to our products and services and our contracts;
 - Risks associated with the businesses, products or technologies we acquired, which may differ from or be more significant than the risks our business faces;
 - Liability for the activities, products or services of the business we acquired, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
 - Litigation or other claims in connection with the business, product or technology we acquired, including claims from terminated employees, consumers, former stockholders or other third parties; and
 - The need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies.

Financial, Accounting and Liquidity Risks

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 and accounts receivable. Cash and cash equivalents are primarily maintained with one financial institution 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 Carat Detroit (General Motors), Ford Direct, Urban Science Applications (which represents several Manufacturer programs) and Autodata Solutions. During 2020, approximately 46% of our total revenues were derived from these four customers, and approximately 62% or \$8.6 million of gross accounts receivable related to these four customers at December 31, 2020. 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.

If we are unable to generate positive cash flows, we may not be able to continue operations unless we are able to obtain additional cash through private or public sales of securities, debt financings or partnering/licensing transactions.

As of December 31, 2020, we had cash and cash equivalents of \$10.8 million and restricted cash of \$4.3 million. For the year ended December 31, 2020, we had a net loss of \$6.8 million and had net cash provided by operations of \$1.9 million. As of December 31, 2020, we had an accumulated deficit of \$349.8 million and stockholders' equity of \$16.3 million. Although we have developed a strategic plan with the objective to achieve cash generation as a business, if we are unsuccessful in achieving this objective, we may need to seek to satisfy our future cash needs through private or public sales of securities, debt financings or partnering/licensing transactions; however, there is no assurance that we will be successful in satisfying our future cash needs such that we will be able to continue operations. If we continue to experience losses and cannot comply with the covenants in the CNC Credit Agreement or if our borrowing base limits are diminished, we may not be able to borrow sufficient funds under CNC Credit Agreement to satisfy our future cash needs.

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.

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. In addition, if we continue to experience losses and cannot comply with covenants in the CNC Credit Agreement or if our borrowing base limits are diminished, we may be unable to borrow sufficient funds under the CNC Credit Agreement to satisfy our future cash needs. Although we have developed a strategic plan with the objective to achieve cash generation as a business, if our plans are unsuccessful, we may need to seek to satisfy our future cash needs through private or public sales of securities, debt financings or partnering/licensing transactions; however, there is no assurance that we will be successful in satisfying our future cash needs such that we will be able to continue operations.

We will 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. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us. If capital is not available to us, or is not available to us on favorable terms, our financial performance could be materially and adversely affected.

The CNC Credit Agreement contains restrictive covenants that may make it more difficult for us to obtain additional capital, as could any additional debt financing that we may secure in the future that could involve additional restrictive covenants. 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. The CNC Credit Agreement expires in March 2023.

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. As a smaller reporting company (as defined by the SEC), we are not required to obtain a separate attestation of our internal control over financial reporting from our independent auditors. 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.

Personal Information and 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. Identified below are some of these risks that we believe could materially and adversely affect our financial performance.

The failure to comply with privacy laws could materially and adversely impact our financial performance.

Various laws, rules and regulations govern the collection, use, retention, sale, disclosure, sharing and security of data and personal information that we receive from consumers, customers, advertisers and Lead referral and advertising affiliates. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use, retention, sale, disclosure, sharing and security 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 consumers, customers, 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 Lead referrals 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 enacted the California Consumer Privacy Act of 2018 (“CCPA”), which became effective January 1, 2020, and includes significant new personal information privacy rights for consumers, including rights to know about the personal information collected and sold by a business, have a consumer’s personal information deleted, and to opt-out of any sales of the consumer’s personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. In addition, in November 2020, voters in California approved Proposition 24, which enacted the California Privacy Rights Act of 2020. This act includes various amendments to the CCPA and expansion of rights thereunder and creates a new California Privacy Protection Agency with full administrative power, authority and jurisdiction to implement and enforce the CCPA. Other states have enacted data privacy legislation and other states may do so in the future. Compliance with these laws, could have a material and adverse effect on our financial performance. The CCPA, as amended, and regulations promulgated thereunder may increase our compliance costs and potential liability. Modifications to our data processing practices and policies, products and consumer experience that we have made to comply with the California Privacy Act and similar legislation, or that we may be required to make in the future as a result of the continuing changes to the requirements under that legislation or similar future legislation, may materially negatively impact our financial performance.

Risks associated with telemarketing and advertising.

We and our third-party Lead suppliers 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 materially and 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. The regulations adopted by the Federal Communications Commission under the Telephone Consumer Protection Act (“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.

Data security risks.

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 issues impacting the growth in consumer use of the internet, online advertising and e-commerce. Despite our implementation of security detection, prevention and monitoring measures, our computer systems or those of our vendors are susceptible to electronic or physical computer break-ins, viruses and other disruptive harms and security breaches. For example, in early 2020 we discovered that our network was impacted by malware that encrypted servers on most systems and disrupted consumer and customer access to many of our services, although we did not discover any evidence that caused us to conclude that there has been any unauthorized access to or acquisition of any consumer personal information or customer confidential information. 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 unauthorized disclosure of personally identifiable information or corporate 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, including states that have enacted laws requiring 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. Although we have developed systems and processes that are designed to protect our data and user data, to prevent data loss and to prevent or detect security breaches, we cannot assure you that such measures will provide absolute security, and we may need to expend significant resources in protecting against or remediating security breaches and cyberattacks.

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.

Online fraud and scams.

Internet fraud has been increasing over the past few years, and we have 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 us. 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.

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.

Risks Associated with Regulatory Laws

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 civil and criminal penalties 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. Compliance with these laws and regulations may require us to obtain licenses at an undeterminable and possibly significant initial and annual expense that could 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 civil or criminal 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 digital 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 not to operate in, or to terminate operations in, that state. In each case, our financial performance could be materially and adversely affected.

The following description of laws and regulations to which we may be subject is not exhaustive, and the regulatory framework governing our operations is subject to continuous change. The enactment of new laws and regulations or the interpretation of existing laws and regulations in an unfavorable way may affect the operation of our business, directly or indirectly, which could result in substantial regulatory compliance costs, civil or criminal penalties, including fines, adverse publicity, loss of participating dealers, lost revenues, increased expenses and decreased profitability.

Automotive Dealer/ Broker and Vehicle Advertising Laws.

All states comprehensively regulate vehicle sales and lease transactions, including strict licensure requirements for automotive dealers (and, in some states, brokers) and vehicle advertising. Although we do not sell motor vehicles, state regulatory authorities or third parties could take the position that some of the regulations applicable to dealers or to the manner in which motor vehicles are advertised and sold generally are directly applicable to our business. We believe that most of these laws and regulations specifically address only traditional vehicle purchase and lease transactions, not internet-based digital marketing and consumer 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, elect to not operate or introduce particular marketing services programs in that state or modify the service to comply with applicable law without being subjected to licensing requirements. In some states we have modified our marketing programs or pricing models to reduce uncertainty regarding our compliance with local laws.

The Federal Trade Commission (“FTC”) has authority to take actions to remedy or prevent advertising practices that it considers to be unfair or deceptive and that affect commerce in the United States. In addition to generally applicable consumer protection laws, many states in which we do business have laws and regulations that specifically regulate the advertising for sale of new or used motor vehicles. These state advertising laws and regulations are frequently subject to multiple interpretations and are not uniform from state to state, sometimes imposing inconsistent requirements on the advertiser of a new or used motor vehicle.

Some states in which we do business have laws and regulations that strictly regulate or prohibit the brokering of motor vehicles or the making of so-called “bird-dog” payments by dealers to third parties in connection with the sale of motor vehicles through persons other than licensed salespersons. If our products or services are determined to fall within the scope of those laws or regulations, we may be forced to implement new measures, which could be costly, to reduce our exposure to those obligations, including the discontinuation of certain products or services in affected jurisdictions.

If our products or services are determined not to comply with relevant licensing, advertising or other regulatory requirements, we could be subject to significant civil and criminal penalties, including fines, or the award of significant damages in class action or other civil litigation, as well as orders interfering with our ability to continue providing our products and services in some or all states. In addition, even without a determination that our products or services do not comply with relevant regulatory requirements, if customers are uncertain about the applicability of those laws and regulations to our business, we may be subjected to adverse publicity and lose, or have difficulty increasing the number of, customers for our products and services, which could adversely affect our future growth and materially and adversely impact our financial performance.

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 federal Consumer Financial Protection Bureau has 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. California recently enacted the California Consumer Financial Protection Law which significantly expanded the regulatory and enforcement authority of the Department of Financial Protection and Innovation. Other states may expand or create new state level consumer financial protection agencies that could lead to increased regulation of our business.

If our products or services are determined not to comply with relevant financial broker or consumer credit licensing or other regulatory requirements, we could be subject to significant civil and criminal penalties, including fines, or the award of significant damages in class action or other civil litigation, as well as orders interfering with our ability to continue providing our products and services in some or all states. In addition, even without a determination that our products or services do not comply with relevant regulatory requirements, if customers are uncertain about the applicability of those laws and regulations to our business, we may be subjected to adverse publicity and lose, or have difficulty increasing the number of, customers for our products and services, which could adversely affect our future growth and materially and adversely impact our financial performance.

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 automobile insurance and other products or services that may be deemed to be insurance under applicable state laws. 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. In the event states require us to be licensed under applicable insurance brokering or sales laws, 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 required licenses and comply with regulatory requirements.

If our products or services are determined not to comply with relevant insurance brokering or sales licensing or other regulatory requirements, we could be subject to significant civil and criminal penalties, including fines, or the award of significant damages in class action or other civil litigation, as well as orders interfering with our ability to continue providing our products and services in some or all states. In addition, even without a determination that our products or services do not comply with relevant regulatory requirements, if customers are uncertain about the applicability of those laws and regulations to our business, we may be subjected to adverse publicity and lose, or have difficulty increasing the number of, customers for our products and services, which could adversely affect our future growth and materially and adversely impact our financial performance.

Risks Associated with Tax Matters

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.

If our ability to use our net operating loss carryforwards and other tax attributes is limited, we may not receive the benefit of those assets.

We had federal net operating loss carryforwards of approximately \$104.1 million and state net operating loss carryforwards of approximately \$48.9 million at December 31, 2020. These federal and state net operating loss carryforwards begin to expire in the years ending December 31, 2025 and 2028, respectively. Federal net operating losses generated after December 31, 2017, will not expire and will carry forward indefinitely, but will be limited in any given year to offsetting a maximum of 80% of our taxable income for the year, determined without regard to the application of such net operating loss carryforwards.

Sections 382 and 383 of the Internal Revenue Code impose substantial restrictions on the use of net operating losses and other tax attributes in the event of a cumulative “ownership change” of a corporation of more than 50% over a three-year period. Accordingly, if we generate taxable income in the future, changes in our stock ownership, including equity offerings, as well as other changes that may be outside our control, could potentially result in material limitations on our ability to use our net operating loss and research tax credit carryforwards.

Risks Associated with Ownership of Our Securities

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 a number of factors, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following:

- 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 by us or our competitors of new product or service offerings;
- Announced or completed acquisitions of or investments in businesses or technologies by us or our competitors;
- Actual or anticipated developments in our business, our competitors’ businesses or the competitive landscape generally;
- Low trading volumes;
- Concentration of holdings in our common stock resulting in low public float and trading volume 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;
- Competitive developments, including actions by Manufacturers;
- Data or network security incidents and breaches;
- Loan covenant defaults;
- New laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- Litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- Conditions and trends in the internet, electronic commerce and automotive industries;
- Changes in accounting standards, policies, guidelines, interpretations or principles affecting the technology or automotive industry;
- Rumors, whether or not accurate, about us, our industry, our competitors or possible transactions or other events;
- Any significant change in our management;
- Reaction by certain market participants to the activities of other market participants, such as large short positions on our stock;
- The impact of open market repurchases of our common stock;
- Comments posted on internet discussion sites; and
- General market or economic conditions and other factors.

Further, the stock markets in general, and the market for technology companies in particular, have experienced price and volume fluctuations that 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 rate changes, energy price changes, epidemics and pandemics, international currency fluctuations, terrorist acts, insurrections, 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, we must satisfy various continued listing requirements established by The Nasdaq Stock Market LLC. In the event we are 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 our employees.

One of the continued listing requirements is that our Common Stock not trade below a minimum closing bid requirement of \$1.00 for 30 consecutive business days. Should our Common Stock trade below the \$1.00 minimum closing bid requirement for 30 business days, Nasdaq would send us a deficiency notice, advising that it is being afforded a compliance period of 180 days to regain compliance with the requirement. This 180-day compliance period may be extended by Nasdaq for another 180 days, subject to certain conditions being satisfied, including that we meet other continued listing requirements and provides a written notice to Nasdaq that we intend to regain compliance with the \$1.00 minimum closing bid requirement during the extended period, by effecting a reverse stock split, if necessary.

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

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

Provisions of our 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 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 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, and as a result of the classified board the Delaware General Corporation Law (“**DGCL**”) provides that directors may only be removed for cause. In addition, provisions in our restated certificate of incorporation and bylaws:

- Create a classified Board of Directors whose members serve staggered three-year terms;
- 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;
- Authorize “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- 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.

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 \$20.00 (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 DGCL, which, in general, 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.

Any provision of our certificate of incorporation or bylaws, our Tax Benefit Preservation Plan or of Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Our bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our bylaws provide that, unless we otherwise agree, the Court of Chancery of the State of Delaware will be the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us under the Delaware General Corporation Law, our certificate of incorporation or our bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

This exclusive-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or other agents, which may discourage lawsuits against us and our directors, officers, employees and other agents. If a court were to find this exclusive-forum provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could materially and adversely impact our financial performance.

We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which could cause our stock price to decline.

We have provided and may continue to provide guidance about our business and future operating results as part of our press releases, investor conference calls or otherwise. In developing this guidance, our management must make significant assumptions and judgments about our future performance. Our future business results may vary significantly from management's guidance due to a number of factors, many of which are outside of our control, and which could materially and adversely affect our financial performance. If our publicly announced guidance of future operating results fails to meet the expectations of securities analysts, investors or other interested parties, the price of our common stock could decline.

Concentration of ownership among our existing executive officers and directors, their affiliates and holders of 5% or more of our outstanding common stock may prevent new investors from influencing significant corporate decisions.

As of April 22, 2020, our executive officers, directors and holders of 5% or more of our outstanding common stock (based upon the most recent filings on Schedule 13D or Schedule 13G with the SEC with respect to each such holder) beneficially own, in the aggregate, approximately 42% of our outstanding shares of common stock (assuming exercise of all beneficially owned shares). Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree, or which are not in your interests. These stockholders are able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these stockholders, which in turn could reduce the price of our common stock.

You may experience future dilution as a result of future equity offerings.

If we raise additional funds through the sale of equity or convertible debt securities, the issuance of the securities will result in dilution to our stockholders. We may sell shares or other securities in any other offering at a price per share that is less than the price per share paid by investors in the past, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of our common stock, or securities convertible or exchangeable into common stock, in future transactions may be higher or lower than the price per share paid in the past. In addition, if we were to issue securities in connection with our acquisition of complementary businesses, products or technologies, our stockholders would also experience dilution. In November 2020, we filed a shelf registration statement on Form S-3, which may be used to raise additional capital in the future through a variety of equity or debt offerings that could result in dilution to existing stockholders. In addition, we have reserved shares for issuance under our equity incentive plans. The issuance and subsequent sale of these shares will be dilutive to our existing stockholders and the trading price of our common stock could decline.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price could decline. If any analyst who covers us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We do not expect to declare any dividends in the foreseeable future.

We have never declared or paid cash dividends on our common stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. In addition, the terms of our credit facility currently restrict our payment of cash dividends on our capital stock. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

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 proprietary systems and technology are a competitive factor. While we rely on trademark, trade secret, patent and copyright law, confidentiality agreements and technical measures to protect our proprietary and intellectual property 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.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

Our principal executive office is located at our Tampa, Florida office, which consists of approximately 13,000 square feet under a lease that expires in May 2024. Our Irvine, California office consists of 12,000 square feet of leased office space under a lease that expires in July 2025. 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 2022. 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*

Market Information

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 8, 2021, there were 152 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, 2020. 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,				
	2020	2019	2018 ⁽¹⁾	2017 ⁽²⁾	2016
	<i>(Amounts in thousands, except per-share data)</i>				
RESULTS OF OPERATIONS:					
Total revenues	\$ 76,570	\$ 113,981	\$ 125,589	\$ 142,125	\$ 156,684
Net income (loss)	\$ (6,820)	\$ (15,229)	\$ (38,816)	\$ (64,964)	\$ 3,871
Basic earnings (loss) per common share	\$ (0.52)	\$ (1.17)	\$ (3.04)	\$ (5.48)	\$ 0.36
Diluted earnings (loss) per common share	\$ (0.52)	\$ (1.17)	\$ (3.04)	\$ (5.48)	\$ 0.29
Weighted average diluted shares	13,144	13,071	12,756	11,853	13,303

- (1) Net loss in 2018 included DealerX License Agreement 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,				
	2020	2019	2018	2017	2016
	<i>(Amounts in thousands)</i>				
FINANCIAL POSITION:					
Cash and cash equivalents and restricted cash	\$ 15,107	\$ 5,946	\$ 13,600	\$ 24,993	\$ 38,512
Total assets	\$ 41,129	\$ 44,904	\$ 57,416	\$ 92,913	\$ 165,281
Non-current liabilities	\$ 2,251	\$ 1,497	\$ —	\$ 9,000	\$ 16,500
Accumulated deficit	\$ (349,765)	\$ (342,945)	\$ (327,716)	\$ (288,900)	\$ (230,424)
Stockholders’ equity	\$ 16,335	\$ 21,096	\$ 33,515	\$ 67,167	\$ 119,609

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 revenues for 2020 compared to 2019 was partially the result of a strategic shift made in the first quarter of 2019 to prioritize gross profitability as opposed to the maximization of Lead traffic and Lead volume. Further contributing to the decline in total revenues was the impact of the coronavirus pandemic on vehicle sales and overall demand from our clients for our products. Although our prior strategic focus often generated higher gross revenue, the margin profile and overall quality was lower, resulting in lower overall levels of gross profit and higher client churn. As a part of our strategic decisions, we also shifted focus to our core Leads, clicks and email products and services and away from non-core products and services, such as third-party product offerings. This shift further negatively impacted total revenues in 2020 compared to 2019. Generally lower retail Leads sales levels resulting from retail dealer participation attrition in the retail dealer network that occurred throughout 2019 and parts of 2020 was an additional factor that contributed to lower total revenues during 2020. As a result of the continued impact of the coronavirus pandemic on vehicle sales, we have continued to intentionally operate at lower levels of media spend to match projected industry selling rates, which provides a more accurate reflection of true consumer demand. This approach enabled us to better match Lead volume with lower dealership inventory that resulted from vehicle production reductions in the second quarter of 2020 and historically high used vehicle wholesale pricing. Dealers and consumers alike are still contending with broader macroeconomic uncertainty, and with this in mind, our objective is to provide the right mix of high-quality Leads and click traffic to our customers by staying aligned with automotive supply and demand dynamics. Finally, the disruption from the January 2020 malware attack on the Company’s systems also negatively impacted total revenues in 2020.

As we continue to work with our traffic suppliers to optimize our SEM methodologies and further grow our high-quality traffic streams, we are also investing in and testing new traffic acquisition strategies and enhanced mobile consumer experiences. Further, we continue to invest in our pay-per-click approach to improve the consumer experience of that product. With a more efficient traffic acquisition model emerging, our plan for 2021 and beyond is to grow audience, improve conversion, improve Leads and clicks delivery rates, expand distribution, and increase retail Dealer Leads and clicks budget capacity. We believe that this focus, along with plans to develop new, innovative products to create a more efficient process for how active vehicle shoppers with a vehicle in mind can be matched with sellers that can meet the shoppers' needs, will create opportunities for improved quality of delivery and strengthen our position for revenue growth.

Our lead and click generation products have historically operated with limited visibility due to short sales cycles and a high rate of customer churn as clients are able to join and leave our platform with limited notice. Our advertising business is also subject to seasonal trends, with the first quarter of the calendar year typically showing sequential decline versus the fourth quarter. These factors have historically contributed to volatility in our revenues, cost of revenues, gross profit and gross profit margin. We anticipate these trends will continue throughout 2021.

Although we are not able at this time to provide any specific guidance regarding our full year 2021 financial performance with detail or accuracy, many industry analysts have forecast improvement in new vehicle unit sales seasonally adjusted annual rate from 14.5M units in 2020 to a range of 15.5-16.0M units in 2021, or 7-10% growth. We anticipate that our 2021 financial condition may be adversely impacted when compared to 2020 by (i) the continuing impact of the coronavirus pandemic on vehicle sales and on demand for our products and services; (ii) increased competitive pressure on cost of audience acquisition that may limit how much volume we will be able to profitably source and distribute to our customers; (iii) the costs and revenue impact associated with our efforts to optimize our clicks product; and (iv) the decision to shift our focus to our core leads, clicks and email products and services and away from non-core product and services.

During 2020, our cash generated by operations improved, a direct result of reducing our office footprint and eliminating certain positions beginning in late 2019. The cost reductions discussed below that were implemented in response to the coronavirus pandemic further contributed to this reduction in cash used by operations. Our plan is to improve our liquidity and balance sheet through dilutive and non-dilutive measures, including use of available borrowings under the CNC Credit Agreement.

Beginning in 2020 and continuing as of the date of this Annual Report on Form 10-K, the coronavirus pandemic has led to quarantines and stay-at-home/work-from-home orders and curfews in a number of countries, states, cities and regions and the closure or limited access to public and private offices, businesses and facilities, worldwide, causing widespread disruptions to travel, economic activity and financial markets. We are unable to predict the extent and duration of these disruptions, which could result in a national or global recession. The pandemic has led our Manufacturer and Dealer customers to experience disruptions in the (i) supply of vehicle and parts inventories, (ii) ability and willingness of consumers to visit automotive dealerships to purchase or lease vehicles, and (iii) overall health, safety, and availability of their labor force. Manufacturers have also shut down assembly plants, adversely impacting inventories of new vehicles. Volatility in the financial markets, concerns about exposure to the novel coronavirus and governmental quarantines, stay-at-home/work-from-home orders, curfews, business closures, and employment furloughs and layoff have also adversely impacted consumer confidence and ability and willingness to visit dealerships and to purchase or lease vehicles. High unemployment and lower consumer confidence may continue after stay-at-home/work-from-home orders and business closures and curfews have ended. These disruptions have impacted the willingness or desire of our customers to acquire vehicle Leads or other digital marketing services from us. Vehicle sales have declined, and we are experiencing direct disruptions in our operations due to the overall health and safety of, and concerns for, our labor force and as a result of governmental "social distancing" programs, stringent office reopening guidance and procedures, changes in workers' compensation laws, rules and regulations related to employees contracting the coronavirus; quarantines, travel restrictions and stay-at-home/work-from-home orders, leading to office closures, operating from employee homes and restrictions on our employees traveling to our various offices.

In April 2020, we implemented a series of cost actions in response to the coronavirus pandemic, including reduced executive and board compensation, reduced recruitment, travel, consulting and business-to-business marketing expenses, consolidation of various technology tools and products, and limited employee furloughs and staff reductions. We also reduced our overall lead and click generation efforts and corresponding costs to better align our volumes with industry demand and consumer intent to purchase a vehicle. We will continue to evaluate these and other cost reduction measures and explore all options available to us in order to minimize the impact of the pandemic on us. At this time, the eventual extent and magnitude of the disruptions caused by the outbreak on the automotive industry in general, and on us specifically, are not known, but vehicle sales have declined, and we continue to experience cancellations or suspensions of purchases of Leads and other digital marketing services by our customers, which materially and adversely affects our business, results of operations, financial condition, earnings per share, cash flow and the trading price of our common stock. In addition, resurgence of coronavirus cases has caused many state and local governments to re-impose, or impose additional, mitigation measures.

Operating Metrics

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

Lead Traffic and Volume. Lead traffic is the number of consumers who visited our entire portfolio of owned Lead websites during the applicable review period. Lead traffic represents the total opportunity of potential Internally and Non-Internally generated Lead revenue, as it represents the prospective consumer engaging with our experiences. Lead volume means the total new and used vehicle Leads invoiced to retail and wholesale customers for the applicable review period. Lead volume directly translates to Lead revenue, as we bill our clients for the Lead volume we deliver to them. Although we are not able at this time to disclose any guidance as to 2021 Lead traffic or Lead volume with any detail or accuracy, we do anticipate some typical 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. We are also balancing the gross margin economic characteristics of Internally Generated Leads and Non-Internally Generated Leads.

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 dealer count growth enables more opportunity to create a match between Lead volume and retail dealer inventory, and ultimately translates into Retail capacity. 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. Retail capacity represents the total available opportunity to monetize the Lead volume within the Retail Dealer channel. For 2021, 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 that we need to refine our distribution channel effectiveness and do a better job at increasing our relationships with the top 150 dealer groups in the United States. We expect some volatility for both dealer count and lead capacity during 2021 as we continue to evolve our engagement model for both retail dealers and the top 150 dealer groups.

Click Traffic and Volume. Click traffic means the total visits to Company-owned click referral websites during the applicable review period. Click traffic represents the total opportunity of potential Internally and Non-Internally generated click revenue, as it represents the prospective consumer engaging with our experiences. 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. Click volume directly translates to click revenue, as we bill our clients for the click volume we deliver to them. We anticipate that click volume and ultimately click monetization will be impacted by overall customer mix between non-endemic (i.e., non-automotive) advertisers and endemic (i.e., automotive) advertisers. We intend to continue to focus on shifting this mix towards endemic (i.e., automotive) advertisers where it creates the right match for our click volume and overall monetization opportunities, and we are taking steps in this direction. However, this is an area that we will focus on to get performance back to a level that is representative of what we believe is optimized.

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. High-quality Leads delivered to the right customer will have a higher buy rate than lower quality or unmatched Leads. We rely on detailed feedback from Retail, Manufacturers and Wholesale customers to confirm the performance of our Leads. Our Manufacturer and other wholesale customers each compare the Leads we deliver to them against their vehicle sales and provide us with information about vehicle purchases by the consumers who submitted Leads through our experiences. We also obtain vehicle registration data from a third-party provider to conduct our own internal review of buy rate and Lead quality.

Results of Operations

The comparison of 2019 to 2018 is located in our Annual Report on Form 10-K for the year ended December 31, 2019 (“**2019 Form 10-K**”) at Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations- *2019 Compared to 2018*.

The following table sets forth our results of operations as a percentage of total revenues for the years ended December 31, 2020 and 2019 (certain percentages below may not sum due to rounding):

	Years Ended December 31,	
	2020	2019
Revenues:		
Lead generation	79.8%	79.6%
Digital advertising	20.2	20.3
Other revenues	0.0	0.1
Total revenues	100.0	100.0
Cost of revenues	69.1	80.2
Gross profit	30.9	19.8
Operating expenses:		
Sales and marketing	10.7	9.3
Technology support	8.6	7.8
General and administrative	16.6	12.4
Depreciation and amortization	2.2	3.8
Total operating expenses	38.1	33.3
Operating loss	(7.2)	(13.5)
Interest and other income, net	(1.7)	0.1
Loss before income tax provision	(8.9)	(13.4)
Income tax provision (benefit)	—	—
Net loss	(8.9)%	(13.4)%

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

	Years Ended December 31,			
	2020	2019	\$ Change	% Change
Revenues:				
Lead generation	\$ 61,114	\$ 90,728	\$ (29,614)	(33)%
Digital advertising	15,441	23,173	(7,732)	(33)
Other revenues	15	80	(65)	(81)
Total revenues	76,570	113,981	(37,411)	(33)
Cost of revenues	52,890	91,412	(38,522)	(42)
Gross profit	\$ 23,680	\$ 22,569	\$ 1,111	5%

2020 Compared to 2019

Lead Generation. Lead generation decreased \$29.6 million or 33% in 2020 compared to 2019. The decrease in Lead generation was primarily as a result of the impact of the coronavirus pandemic on vehicle sales. We also reduced our overall Lead generation efforts starting in second quarter of 2020 to better align our volumes with industry demand and consumer intent to purchase a vehicle.

Digital advertising. The \$7.7 million or 33% decrease in advertising revenues in 2020 compared to 2019 was primarily as a result of a decrease in click revenue associated with decreased click volume. The decrease in click volume is attributed to the impact of the coronavirus pandemic and our internal decision to reduce overall click generation efforts to better align with industry demand.

Cost of Revenues. Cost of revenues consists of purchase request and traffic acquisition costs and other cost of revenues. Purchase request and traffic acquisition costs consist of payments made to our third-party purchase request providers, including internet portals and online automotive information providers. Other cost of revenues consists of SEM and fees paid to third parties for data and content, including search engine optimization activity, included on our websites; connectivity costs; development costs related to our websites; technology license fees; server equipment depreciation; and technology amortization directly related to our Websites.

The \$38.5 million or 42% decrease in cost of revenues in 2020 compared to 2019 was primarily due to decreased SEM, purchase request and traffic acquisition costs and a decrease in click publisher costs.

Gross Profit. Gross profit increased \$1.1 million, or 5%, compared to 2019 due to prioritizing gross profitability by reducing lead generation effort as opposed to the maximization of lead traffic and lead volume. Further contributing to this increase was a reduction in cost of revenues primarily driven by a reduction in cost-per-click.

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

	Years Ended December 31,		\$ Change	% Change
	2020	2019		
Operating expenses:				
Sales and marketing	\$ 8,201	\$ 10,512	\$ (2,311)	(22)%
Technology support	6,574	8,849	(2,275)	(26)
General and administrative	12,718	14,175	(1,457)	(10)
Depreciation and amortization	1,711	4,371	(2,660)	(61)
Total operating expenses	<u>\$ 29,204</u>	<u>\$ 37,907</u>	<u>\$ (8,703)</u>	<u>(23)%</u>
Interest and other (expense) income, net	<u>\$ (1,286)</u>	<u>\$ 119</u>	<u>\$ (1,405)</u>	<u>(1,181)</u>
Income tax provision	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ —</u>	<u>—%</u>

Sales and Marketing. Sales and marketing expense include costs for developing our brand, personnel costs, and other costs associated with Dealer and Wholesale sales, website advertising and dealer support.

Sales and marketing expense for the year ended December 31, 2020, decreased \$2.3 million, or 22%, compared to the 2019 period, due primarily to a decrease in compensation and related benefits and the elimination of certain discretionary compensation.

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

Technology support expense for the year ended December 31, 2020, decreased \$2.3 million, or 26%, compared to the year ended December 31, 2019. The change was due primarily to lower headcount related costs coupled with the elimination of certain discretionary compensation.

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

General and administrative expense for the year ended December 31, 2020, decreased \$1.5 million, or 10%, compared to the 2019 period due primarily to lower consulting and recruiting costs coupled with a reduction in compensation and benefit-related expenses and certain discretionary compensation.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2020, decreased \$2.7 million to \$1.7 million compared to \$4.4 million in the 2019 period. This was primarily due to assets that have been fully depreciated as compared to the same period in the prior year.

Interest and Other (Expense) Income, net. Interest and other (expense) income was approximately (\$1.3) million for the year ended December 31, 2020, compared to interest and other (expense) income of approximately \$0.1 million for the year ended December 31, 2019. Interest expense increased to \$1.6 million for the year ended December 31, 2020, compared to \$0.5 million for the year ended December 31, 2019, which is primarily due to the write-off of our deferred financing fees associated with the revolving line of credit under the PNC Credit Facility. Interest expense also includes interest on outstanding borrowings and the amortization of debt issuance costs.

Income tax provision. Income tax expense was \$10,000 for both the years ended December 31, 2020, and 2019. Operating losses during the year ended December 31, 2020, did not result in any tax benefit due as valuation allowances were recorded against the deferred tax assets. Income tax expense was also driven by changes in certain state taxes.

For a discussion of our fiscal 2019 results compared to our fiscal 2018 results, refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Part II of our annual report on Form 10-K for the fiscal year ended December 31, 2019 (“**2019 Form 10-K**”), which was filed with the Securities and Exchange Commission on March 27, 2020.

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, 2020 and 2019 (dollars in thousands):

	Years Ended December 31,	
	2020	2019
Net cash provided by (used in) operating activities	\$ 1,901	\$ (9,417)
Net cash used in investing activities	(596)	(1,390)
Net cash provided by financing activities	7,856	3,153

Our principal sources of liquidity are our cash and cash equivalent balances and borrowings under the CNC Credit Agreement. See Note 7 of the “Notes to Consolidated Financial Statements.” Our cash and cash equivalents and restricted cash totaled \$15.1 million as of December 31, 2020, compared to \$5.9 million as of December 31, 2019. For the year ended December 31, 2020, we had a net loss of \$6.8 million. The net loss is primarily attributable to operating expenses of \$29.2 million for the year ended December 31, 2020. We had net cash provided by operations of \$1.9 million for the year ended December 31, 2020. As of December 31, 2020, we had an accumulated deficit of \$349.8 million and stockholders’ equity of \$16.3 million.

We have developed a strategic plan focused on improving operating performance in the future that includes modernizing and upgrading our technology and systems, pursuing business objectives and responding to business opportunities, developing new or improving existing products and services and enhancing operating infrastructure.

Our objective is to achieve cash generation as a business; however, there is no assurance that we will be able to achieve this objective. The CNC Credit Agreement is expected to be used to continue to partially fund operations.

We believe that current cash reserves and operating cash flows will be enough to sustain operations for the next twelve months. If we are unsuccessful in meeting our objective to achieve cash generation as a business, we may need to seek to satisfy our future cash needs through private or public sales of securities, debt financings or partnering/licensing transactions; however, there is no assurance that we will be successful in satisfying our future cash needs to continue operations.

Net Cash Provided by Operating Activities. Net cash provided by operating activities totaled \$1.9 million for the year ended December 31, 2020, compared to net cash use of \$9.4 million in the prior year. Net cash provided by operating activities in 2020 was due primarily to collections efforts resulting in a reduction in Accounts Receivable of \$9.7 million offsetting a net loss of \$6.8 million. Additional operating cash changes include a use of cash in reducing Accounts Payable of \$7.3 million partially offset by Depreciation & Amortization, Share-based Compensation and Right-of-Use Assets net of Lease Liabilities favorable cash impacts of \$3.6 million, \$2.0 million and \$0.2 million, respectively.

Net cash used in operating activities totaled \$9.4 million for the year ended December 31, 2019, compared to \$2.9 million in the prior year. Net cash used in 2019 was due primarily to a net loss of \$15.2 million coupled with a net change in assets and liabilities of \$3.4 million. Offsetting these decreases was an increase in other non-cash expenses including depreciation and share-based compensation of \$9.2 million.

Net Cash Used in Investing Activities. Net cash used in investing activities of \$0.6 million in 2020 primarily related to purchase of property and equipment and expenditures related to capitalized internal use software of \$0.5 million.

Net cash used in investing activities of \$1.4 million in 2019 primarily related to purchase of property and equipment and expenditures related to capitalized internal use software of \$1.6 million, offset by \$0.2 million in proceeds from the sale of the GoMoto investment.

Net Cash Provided by Financing Activities. Net cash provided by financing activities of \$7.9 million in 2020 primarily consisted of \$6.4 million of net borrowings on the credit facilities, coupled with \$1.4 million of proceeds related to the PPP loan and \$0.1 million for exercises of stock options.

Net cash provided by financing activities of \$3.2 million in 2019 primarily consisted of \$3.7 million of net borrowings on the credit facility, coupled with \$0.4 million proceeds from the exercise of stock options, offset by a \$1.0 million repayment of the convertible subordinated promissory note for \$1.0 million issued to AutoNationDirect.com, Inc. in connection with the acquisition of AutoUSA, LLC on January 13, 2014. Refer to the 2019 Form 10-K for comparison of 2019 to 2018.

Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations as of December 31, 2020 (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility Obligations (a)	\$ 10,185	\$ —	\$ 10,185	\$ —	\$ —
Operating Lease Obligations (b)	3,589	1,187	1,678	724	—
Debt Obligations (c)	1,509	1,449	60	—	—
Total	\$ 15,283	\$ 2,636	\$ 11,923	\$ 724	\$ —

(a) Credit Facility obligations as defined by ASC 470, “Debt,” and disclosed in Note 7 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 842, “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.

(c) Debt obligations as defined by ASC 470, “Debt,” and disclosed in Note 7 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. Included in Debt obligations is the approximate \$1.4 million PPP Loan that was forgiven on January 13, 2021. Refer to Note 7 for additional information related to the PPP Loan.

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 general and administrative 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 general and administrative 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. From time to time, the Company may issue discounts or credits on current invoices. These discounts or credits are direct reductions to revenue without a change in the allowance for customer credits.

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.

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

Not Applicable

Item 8. Financial Statements and Supplementary Data

Our Consolidated Balance Sheets as of December 31, 2020 and 2019, and our Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 2020, 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 maintained 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, 2020. 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, 2020.

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, 2020. 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, 2020. Management reviewed the results of its assessment with the Audit Committee of the Board of Directors.

Changes in Internal Control Over Financial Reporting

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 fourth fiscal quarter of the Company's year ended December 31, 2020, 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 2021 Annual Meeting of Stockholders that will be filed not later than 120 days after December 31, 2020 ("**2021 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 2021 Proxy Statement: "Proposal 1-Nomination and Election of Directors;" "Board of Directors;" "Executive Officers;" "Delinquent Section 16(a) Reports;" 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 2021 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 2021 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 2021 Proxy Statement: "Corporate Governance Matters—Certain Relationships and Related-Party Transactions" and "—Director Independence."

Item 14 *Principal Accountant Fees and Services*

The information called for in this Item 14 is incorporated by reference to the following sections of the 2021 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-4
Consolidated Statements of Operations	F-5
Consolidated Statements of Stockholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8

(2) *Financial Statement Schedules:*

Schedule II - Valuation Qualifying Accounts	F-32
---	------

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

<u>Number</u>	<u>Description</u>
3.1	Seventh Amended and Restated Certificate of Incorporation of AutoWeb, Inc. (filed with the Secretary of the State of Delaware on June 22, 2020), incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on June 23, 2020 (SEC File No. 001-34761).
3.2	Seventh Amended and Restated Bylaws of AutoWeb, Inc. dated as of October 9, 2017, incorporated by reference to Exhibit 3.5 to the Current Report on Form 8-K filed with the SEC on October 10, 2017 (SEC File No. 001-34761).
4.1*	Description of AutoWeb, Inc. Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.2	Tax Benefit Preservation Plan dated as of May 26, 2010, by and 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); Amendment No. 3 to Tax Benefit Preservation Plan dated as of March 31, 2020, 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 2, 2020 (SEC File No. 001-34761); 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■	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).
10.2■	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); and 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).

- 10.3■ 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); 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); 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 Report ended June 30, 2018, filed with the SEC on August 2, 2018 (SEC File No. 001-34761); 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); and 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).
- 10.4■ 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).
- 10.5■ Form of Indemnification Agreement between 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).
- 10.6■ Employment Agreement dated as of April 12, 2018, between Company and Jared Rowe, 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); as amended by Amendment No. 1 to Employment Agreement dated as of August 26, 2019, incorporated by reference to [Exhibit 10.2](#) to the Quarterly Report on Form 10-Q filed with the SEC on November 7, 2019 (SEC File No. 001-34761).
- 10.7■ Inducement Stock Option Award Agreement dated as of April 12, 2018, between Company and Jared Rowe, 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).
- 10.8■ Letter Agreement dated as of 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); as amended by Memorandum dated as of 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); and as amended by Memorandum dated April 18, 2018, incorporated by reference to [Exhibit 10.20](#) to the Annual Report on Form 10-K for the Year Ended December 31, 2018, filed with the SEC on March 7, 2019 (SEC File No. 001-34761).
- [10.9](#)■* Third Amended and Restated Severance Benefits Agreement dated as of March 3, 2021, between Company and Glenn Fuller.
- 10.10■ Offer of Employment dated as of November 26, 2018, between Company and Daniel Ingle, 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).
- 10.11■ Inducement Stock Option Award Agreement dated as of January 16, 2019, between Company and Daniel Ingle, incorporated by reference to [Exhibit 10.25](#) to the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 7, 2019 (SEC File No. 001-34761).
- 10.12■ Amended and Restated Severance Benefits Agreement dated as of March 3, 2021, between Company and Daniel Ingle, incorporated by reference to [Exhibit 10.2](#) to the Current Report on Form 8-K filed with the SEC on March 4, 2021 (SEC File No. 001-34761).
- 10.13■ Offer of Employment dated as of November 16, 2020, between Company and Michael Sadowski, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on November 19, 2020 (SEC File No. 001-34761).
- [10.14](#)■* Inducement Stock Option Award Agreement dated as of November 30, 2020, between Company and Michael Sadowski.
- 10.15■ Amended and Restated Severance Benefits Agreement dated as of March 3, 2021, between Company and Michael Sadowski, incorporated by reference to [Exhibit 10.1](#) to the Current Report on Form 8-K filed with the SEC on March 4, 2021 (SEC File No. 001-34761).
- 10.16■ 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).

10.17■	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).
10.18 ■*	Amended and Restated Severance Benefits Agreement dated as of March 3, 2021, between Company and Sara Partin.
10.19	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).
10.20	Lease Agreement dated as of March 11, 2020, between Company and The Irvine Company LLC, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 16, 2020 (SEC File No. 001-34761).
10.21	Lease Agreement dated as of December 9, 2015, between Company and Rivergate Tower Owner, LLC, as amended by Amendment No. 1 to Lease Agreement 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).
10.22	Contract for Lease and Deposit dated as of 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); Letter Agreements for Lease Extension dated as of December 18, 2019 and January 6, 2020, between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1101, incorporated by reference to Exhibit 10.32 to the Annual Report on Form 10-K filed with the SEC on March 27, 2020 (SEC File No. 001-34761).
10.23	Contract for Lease and Deposit dated as of 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); Letter Agreements for Lease Extension dated as of December 18, 2019 and January 6, 2020, between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1102, incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K filed with the SEC on March 27, 2020 (SEC File No. 001-34761).
10.24	Tax Benefit Preservation Plan Exemption Agreement and Irrevocable Proxy dated as of November 15, 2017, by and among Company, 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).
10.25	Tax Benefit Preservation Plan Exemption Agreement and Irrevocable Proxies, effective as of November 30, 2018, by and among Company, 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).
10.26	Transitional License and Linking Agreement dated as of January 1, 2017, by and among Company, Internet Brands, Inc., a Delaware corporation, and Car.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 6, 2017 (SEC File No. 001-34761).
10.27	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).
10.28	Loan, Security and Guarantee Agreement dated as of March 26, 2020, by and among AutoWeb, Inc., as Borrower, Autobytel, Inc., AW GUA USA, Inc., and Car.com, Inc., as Guarantors, Certain Financial Institutions, as lenders, and CIT Northbridge Credit LLC, as agent, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 26, 2020 (SEC File No. 001-34761); as amended by First Amendment to Loan, Security and Guarantee Agreement dated as of May 18, 2020, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 19, 2020 (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 11, 2021.
31.2*	Chief Financial Officer Section 302 Certification of Periodic Report dated March 11, 2021.
32.1*	Chief Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated March 11, 2021.
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.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibit 101)
*	Filed or Furnished herewith.
■	Management Contract or Compensatory Plan or Arrangement.

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 11th day of March 2021.

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, Michael Sadowski and 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 11, 2021
<u>/s/ JARED R. ROWE</u> Jared R. Rowe	President, Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2021
<u>/s/ MICHAEL SADOWSKI</u> Michael Sadowski	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 11, 2021
<u>/s/ CHERAY DURAN</u> Cheray Duran	Vice President, Corporate Controller (Principal Accounting Officer)	March 11, 2021
<u>/s/ MICHAEL A. CARPENTER</u> Michael A. Carpenter	Director	March 11, 2021
<u>/s/ MATIAS DE TEZANOS</u> Matias de Tezanos	Director	March 11, 2021
<u>/s/ CHAN GALBATO</u> Chan Galbato	Director	March 11, 2021
<u>/s/ MARK N. KAPLAN</u> Mark N. Kaplan	Director	March 11, 2021
<u>/s/ JANET M. THOMPSON</u> Janet M. Thompson	Director	March 11, 2021
<u>/s/ JOSE VARGAS</u> Jose Vargas	Director	March 11, 2021

AUTOWEB, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-4
Consolidated Statements of Operations	F-5
Consolidated Statements of Stockholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8

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, 2020 and 2019, the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 8 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019.

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.

Critical Audit Matters

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

Revenue recognition – Identifying and evaluating terms and conditions in contracts

For the fiscal year ended December 31, 2020, Company’s revenue was approximately \$76.6 million. As described in Note 3 to the consolidated financial statements, the Company applies the following steps in their determination of revenue to be recognized: 1) identification of the contract with a customer; 2) identification of the performance obligations in the contract; 3) determination of the transaction price; 4) allocation of the transaction price to the performance obligations in the contract; and 5) recognition of revenue when, or as, the Company satisfies a performance obligation. The Company earns revenue from multiple revenue streams and frequently enters into contracts that include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Further, the Company’s revenue contracts are subject to frequent amendment.

The identification and evaluation of all relevant terms and conditions in each contract has been determined to be a critical audit matter. The principal considerations for this determination include the fact that the Company’s revenue process is largely manual and requires the evaluation of a large volume of contracts which are subject to frequent modification or amendment, which results in a significant effort by the Company to identify and evaluate all the relevant terms and conditions in each contract with a customer and its impact on revenue recognition. This led to a high degree of audit effort in performing our audit procedures to evaluate whether all the relevant terms and conditions in its revenue contracts were appropriately identified and evaluated by the Company.

The primary audit procedures we performed to address the critical audit matter included, among others, testing the completeness and accuracy of the Company’s identification and evaluation of the appropriate contract utilized by examining revenue arrangements on a test basis, and testing the Company’s application of the terms and conditions in the contract by inspecting the corresponding invoice and payment remittance ensuring the revenue was recognized in the appropriate period.

/s/ Moss Adams LLP
San Diego, California
March 11, 2021

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

AUTOWEB, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,803	\$ 892
Restricted cash	4,304	5,054
Accounts receivable, net of allowances for bad debts and customer credits of \$406 and \$740 at December 31, 2020 and 2019, respectively	13,955	24,051
Prepaid expenses and other current assets	847	1,265
Total current assets	<u>29,909</u>	<u>31,262</u>
Property and equipment, net	2,953	3,349
Right-of-use assets	2,892	2,528
Intangible assets, net	4,733	7,104
Other assets	642	661
Total assets	<u>\$ 41,129</u>	<u>\$ 44,904</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,233	\$ 14,412
Borrowings under revolving credit facility	10,185	3,745
Accrued employee-related benefits	2,123	1,351
Other accrued expenses and other current liabilities	538	1,636
Current portion of the PPP loan	1,384	—
Current portion of lease liabilities	1,015	1,167
Current portion of financing debt	65	—
Total current liabilities	<u>22,543</u>	<u>22,311</u>
Lease liabilities, net of current portion	2,191	1,497
Financing debt, net of current portion	60	—
Total liabilities	<u>24,794</u>	<u>23,808</u>
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 11,445,187 shares authorized		
Series A Preferred stock 2,000,000 shares authorized, none issued and outstanding at December 31, 2020 and 2019, respectively	—	—
Common stock, \$0.001 par value; 55,000,000 shares authorized; 13,169,204 and 13,146,831 shares issued and outstanding at December 31, 2020 and 2019, respectively	13	13
Additional paid-in capital	366,087	364,028
Accumulated deficit	(349,765)	(342,945)
Total stockholders' equity	<u>16,335</u>	<u>21,096</u>
Total liabilities and stockholders' equity	<u>\$ 41,129</u>	<u>\$ 44,904</u>

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

AUTOWEB, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per-share data)

	Years Ended December 31,		
	2020	2019	2018
Revenues:			
Lead generation	\$ 61,114	\$ 90,728	\$ 96,936
Digital advertising	15,441	23,173	28,169
Other revenues	15	80	484
Total revenues	<u>76,570</u>	<u>113,981</u>	<u>125,589</u>
Cost of revenues	52,890	91,412	101,315
Cost of revenues – impairment	<u>—</u>	<u>—</u>	<u>9,014</u>
Gross profit	23,680	22,569	15,260
Operating expenses:			
Sales and marketing	8,201	10,512	12,178
Technology support	6,574	8,849	13,838
General and administrative	12,718	14,175	16,318
Depreciation and amortization	1,711	4,371	4,897
Goodwill impairment	—	—	5,133
Long-lived asset impairment	—	—	1,968
Total operating expenses	<u>29,204</u>	<u>37,907</u>	<u>54,332</u>
Operating loss	(5,524)	(15,338)	(39,072)
Interest and other (expense) income:			
Interest (expense) income	(1,524)	(410)	(106)
Other income (expense)	<u>238</u>	<u>529</u>	<u>356</u>
Loss before income tax provision	(6,810)	(15,219)	(38,822)
Income tax provision (benefit)	10	10	(6)
Net loss	<u>\$ (6,820)</u>	<u>\$ (15,229)</u>	<u>\$ (38,816)</u>
Basic loss per common share	<u>\$ (0.52)</u>	<u>\$ (1.17)</u>	<u>\$ (3.04)</u>
Diluted loss per common share	<u>\$ (0.52)</u>	<u>\$ (1.17)</u>	<u>\$ (3.04)</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, 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	12,960,450	\$ 13	—	\$ —	\$ 361,218	\$ (327,716)	\$ 33,515
Share-based compensation	—	—	—	—	2,402	—	2,402
Issuance of common stock upon exercise of stock options	213,048	—	—	—	408	—	408
Cancellation of restricted stock	(26,667)	—	—	—	—	—	—
Issuance of common stock	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	(15,229)	(15,229)
Balance at December 31, 2019	13,146,831	\$ 13	—	\$ —	\$ 364,028	\$ (342,945)	\$ 21,096
Share-based compensation	—	—	—	—	1,984	—	1,984
Issuance of common stock upon exercise of stock options	22,373	—	—	—	75	—	75
Net loss	—	—	—	—	—	(6,820)	(6,820)
Balance at December 31, 2020	13,169,204	\$ 13	—	\$ —	\$ 366,087	\$ (349,765)	\$ 16,335

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,		
	2020	2019	2018
Cash flows from operating activities:			
Net loss	\$ (6,820)	\$ (15,229)	\$ (38,816)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,624	6,454	8,544
Goodwill impairment	—	—	5,133
Intangible asset impairment	—	—	9,014
Provision for bad debt	291	293	241
Provision for customer credits	83	250	217
Share-based compensation	1,984	2,402	4,866
Right-of-use-assets	1,426	1,697	—
Lease Liabilities	(1,248)	(1,706)	—
Write-down of assets	—	59	—
Loss on disposal of assets	6	—	—
Long-lived asset impairment	—	—	1,968
(Gain)/loss on investment	—	(250)	(25)
Change in deferred tax assets	—	—	692
Changes in assets and liabilities:			
Accounts receivable	9,722	2,304	(1,445)
Prepaid expenses and other current assets	418	(20)	814
Other non-current assets	19	(145)	(278)
Accounts payable	(7,279)	(3,753)	5,076
Accrued expenses and other current liabilities	(325)	(1,773)	1,079
Net cash provided by (used in) operating activities	<u>1,901</u>	<u>(9,417)</u>	<u>(2,920)</u>
Cash flows from investing activities:			
Purchases of property and equipment	(596)	(1,640)	(896)
Proceeds from sale of investment	—	250	125
Net cash used in investing activities	<u>(596)</u>	<u>(1,390)</u>	<u>(771)</u>
Cash flows from financing activities:			
Borrowings under PNC credit facility	28,564	73,968	—
Principal payments on PNC credit facility	(32,308)	(70,223)	—
Borrowings under CNC credit facility	71,072	—	—
Principal payments on CNC credit facility	(60,887)	—	—
Principal payments on MUFG Union Bank credit facility	—	—	(8,000)
Borrowings under the PPP loan	1,384	—	—
Proceeds from issuance of common stock	—	—	200
Payments on convertible note	—	(1,000)	—
Payments under financing agreement	(44)	—	—
Net proceeds from stock option exercises	75	408	98
Net cash provided by (used in) financing activities	<u>7,856</u>	<u>3,153</u>	<u>(7,702)</u>
Net increase (decrease) in cash and cash equivalents	9,161	(7,654)	(11,393)
Cash and cash equivalents and restricted cash, beginning of period	5,946	13,600	24,993
Cash and cash equivalents and restricted cash, end of period	<u>\$ 15,107</u>	<u>\$ 5,946</u>	<u>\$ 13,600</u>
Reconciliation of cash and cash equivalents and restricted cash			
Cash and cash equivalents at beginning of period	\$ 892	\$ 13,600	\$ 24,993
Restricted cash at beginning of period	5,054	—	—
Cash and cash equivalents and restricted cash at beginning of period	<u>\$ 5,946</u>	<u>\$ 13,600</u>	<u>\$ 24,993</u>
Cash and cash equivalents at end of period	\$ 10,803	\$ 892	\$ 13,600
Restricted cash at end of period	4,304	5,054	—
Cash and cash equivalents and restricted cash at end of period	<u>\$ 15,107</u>	<u>\$ 5,946</u>	<u>\$ 13,600</u>
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	\$ 1	\$ 12	\$ 4
Cash refunds for income taxes	\$ 849	\$ 128	\$ 223
Cash paid for interest	<u>\$ 845</u>	<u>\$ 176</u>	<u>\$ 118</u>
Supplemental schedule of non-cash investing and financing activities:			
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 1,790</u>	<u>\$ —</u>	<u>\$ —</u>
Financing for the purchase of fixed assets	<u>\$ 170</u>	<u>\$ —</u>	<u>\$ —</u>
Purchases on account related to capitalized software	<u>\$ 99</u>	<u>\$ —</u>	<u>\$ —</u>

AUTOWEB, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. 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 through its programs for online lead and traffic referrals, Dealer marketing products and services, and online advertising.

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 submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles (“**Leads**”). Leads are internally-generated from Company Websites or acquired from third parties that generate Leads from their websites.

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 the Company’s 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.

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.

The Company accounts for comprehensive income in accordance with ASC 220 (“**Comprehensive Income**”), which specifies the computation, presentation, and disclosure requirements for comprehensive income (loss). During the reported periods, the Company had no other comprehensive income.

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.

Restricted Cash. For purposes of the Consolidated Balance Sheets and the Consolidated Statements of Cash Flows, restricted cash primarily consists of cash pledged pursuant to the CNC Credit Agreement (See Note 7).

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 general and administrative 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 general and administrative 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.

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, restricted cash, 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 year ended December 31, 2018, consisted of an investment in GoMoto and SaleMove which were accounted for under the cost method. On July 30, 2019, the Company entered into a Repurchase Agreement with GoMoto, pursuant to which GoMoto repurchased these 317,460 shares of Series Seed Preferred Stock and 1,781,047 shares of Series A-2 Preferred Stock from the Company for an aggregate purchase price of \$250,000. 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.

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.

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 the Company's stock could be material.

The Company has a concentration of credit risk with the Company's automotive industry related accounts receivable balances, particularly with Carat Detroit (General Motors), Ford Direct, Urban Science Applications (which represents several Manufacturer programs) and Autodata Solutions. During 2020, approximately 46% of the Company's total revenues were derived from these four customers, and approximately 62% or \$8.6 million of gross accounts receivable related to these four customers at December 31, 2020. Carat Detroit accounted for 12% and 19% of total revenues and accounts receivable, respectively, as of December 31, 2020. Ford Direct accounted for 11% and 16% of total revenues and accounts receivable, respectively, as of December 31, 2020. Urban Science Applications accounted for 12% and 15% of total revenues and accounts receivable, respectively, as of December 31, 2020. Autodata Solutions accounted for 11% and 12% of total revenues and accounts receivable, respectively, as of December 31, 2020.

During 2019, approximately 25% of the Company's total revenues were derived from Urban Science Applications and Carat Detroit. Approximately 33% or \$8.4 million of gross accounts receivable related to these two customers at December 31, 2019. Urban Science Applications accounted for 15% and 13% of total revenues and accounts receivable, respectively, as of December 31, 2019. Carat Detroit accounted for 9% and 21% of total revenues and accounts receivable, respectively, as of December 31, 2019.

During 2018, approximately 37% of the Company's total revenues were derived from Urban Science Applications (which represents several Manufacturer programs), General Motors and media.net Advertising 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.

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, respectively.

Operating Leases. The Company leases office space and certain office equipment under operating lease agreements which expire on various dates through 2025, with options to renew on expiration of the original lease terms. These operating lease agreements include one material related-party agreement, whereby the Company incurred \$0.1 million of operating lease payments during 2020.

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 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 placed in service \$1.5 million and \$0.4 million of such costs for the years ended December 31, 2020 and 2019, respectively.

Indefinite-lived intangible assets. Indefinite-lived intangible assets consist of a domain name, which was acquired as part of the Dealix/Autotegrity 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 are 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.

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. In 2018, the Company recorded impairments totaling \$11.0 million, primarily attributable to a \$9.0 million charge due to the Company's 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. The Company did not record any impairment of long-lived assets and intangible assets in 2020 and 2019, respectively.

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 in 2018.

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.

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 Tax Cuts and Jobs Act of 2017 ("**TCJA**") provisions, the staff of the Securities and Exchange Commission ("**SEC**") 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, the Company 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 of \$11.7 million, 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, the Company completed 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.

In response to the coronavirus pandemic, the Coronavirus Aid, Relief and Economic Security (“**CARES**”) Act was signed into law in March 2020. The CARES Act lifts certain deduction limitations originally imposed by the TCJA. Corporate taxpayers may carryback NOLs originating during 2018 through 2020 for up to five years, which was not previously allowed under the TCJA. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020.

Taxpayers may generally deduct interest up to the sum of 50% of adjusted taxable income plus business interest income (30% limit under the TCJA) for tax years beginning January 1, 2019 and 2020. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the TCJA. The enactment of the CARES Act did not result in any material adjustments to the Company’s income tax provision for the year ended December 31, 2020, or to its net deferred tax assets as of December 31, 2020.

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>2020</u>	<u>2019</u>	<u>2018</u>
Basic Shares:			
Weighted average common shares outstanding	13,144,314	13,070,898	12,756,191
Weighted average common shares repurchased	—	—	—
Basic Shares	<u>13,144,314</u>	<u>13,070,898</u>	<u>12,756,191</u>
Diluted Shares:			
Basic Shares	13,144,314	13,070,898	12,756,191
Weighted average dilutive securities	—	—	—
Dilutive Shares	<u>13,144,314</u>	<u>13,070,898</u>	<u>12,756,191</u>

For the years ended December 31, 2020, 2019 and 2018, 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.

Potentially dilutive securities representing approximately 3.8 million, 4.4 million, and 3.5 million shares of common stock for the years ended December 31, 2020, 2019, and 2018, 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 stock-based awards (“**Awards**”) primarily in the form of stock options and restricted stock awards (“**RSAs**”) under several of its stock-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, 2020, 2019 and 2018 was \$0.3 million, \$0.6 million and \$1.4 million, respectively.

Recent Accounting Pronouncements

The Company has reviewed all recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a material impact to its consolidated financial statements.

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 lead generation, digital 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 two main revenue sources – Lead generation and Digital advertising. Accordingly, the Company recognizes revenue for each source as described below:

- Lead generation – paid by Dealers and Manufacturers participating in the Company's Lead programs and are comprised of Lead transaction and/or monthly subscription fees. Lead generation is recognized in the period when service is provided.
- Digital advertising – fees paid by Dealers, Manufacturers and third-party wholesale suppliers for (i) the Company's click traffic program, (ii) display advertising on Company websites, and (iii) email and other direct marketing. Revenue is recognized in the period advertisements are displayed on Company Websites or the period in which clicks have been delivered, as applicable. The Company recognizes revenue from the delivery of action-based advertisement (including email and other direct marketing) in the period in which a user takes the action for which the marketer contracted with the Company. For advertising revenue arrangements where the Company is not the principal, the Company recognizes revenue on a net basis.

Variable Consideration

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 can be estimated, 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. However, it should be noted that from time to time, the Company may issue discounts or credits on current invoices. These discounts or credits are direct reductions to revenue without a change in the allowance for customer credits. Allowance for customer credits totaled \$64,000 and \$194,000 as of December 31, 2020 and 2019, respectively.

See further discussion below on significant judgments exercised by the Company in regard 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.

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, 2020 and 2019. 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, 2020 and 2019.

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 following table summarizes revenue from contracts with customers, disaggregated by revenue source, for the years ended December 31, 2020, 2019 and 2018. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

	Years Ended December 31,		
	2020	2019	2018
		<i>(in thousands)</i>	
Lead generation	\$ 61,114	\$ 90,728	\$ 96,936
Digital advertising			
Clicks	13,058	19,599	23,387
Display and other advertising	2,383	3,574	4,782
Other revenues	15	80	484
Total revenues	<u>\$ 76,570</u>	<u>\$ 113,981</u>	<u>\$ 125,589</u>

4. Disposals

Disposal of Specialty Finance Leads Product

In December 2016, AutoWeb sold substantially all of the assets of its automotive specialty finance leads group to Internet Brands, Inc., a Delaware corporation ("**Internet Brands**"). In connection with this disposal of assets, the parties to the transaction entered into a Transitional License and Linking Agreement ("**Transition Agreement**"). Under the Transition Agreement, AutoWeb and its Car.com subsidiary provide Internet Brands certain transition services and arrangements, including (i) the grant of a limited, non-exclusive, non-transferable license to Internet Brands to use the Car.com logo and name solely for sales and marketing purposes in Internet Brand's automotive specialty finance leads business; and (ii) certain redirect linking of consumer traffic from the Company's specialty finance leads application forms to a landing page designated by Internet Brands. The Transition Agreement provides that Internet Brands will pay AutoWeb \$1.6 million in fees over the five-year term of the Transition Agreement, and the Company received \$0.3 million, \$0.3 million, and \$0.4 million during the years ended December 31, 2020, 2019 and 2018, respectively, related to the Transition Agreement.

5. Investments

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 Statement of Operations 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 Statement of Operations 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 Statement of Operations 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. On July 30, 2019, the Company entered into a Repurchase Agreement with GoMoto, pursuant to which GoMoto repurchased these 317,460 shares of Series Seed Preferred Stock and 1,781,047 shares of Series A-2 Preferred Stock from the Company for an aggregate purchase price of \$250,000.

6. Selected Balance Sheet Accounts

Property and equipment consist of the following:

	As of December 31,	
	2020	2019
	<i>(in thousands)</i>	
Computer software and hardware	\$ 4,940	\$ 11,267
Capitalized internal use software	7,391	5,878
Furniture and equipment	935	1,743
Leasehold improvements	884	1,613
Construction in progress	805	1,537
	<u>14,955</u>	<u>22,038</u>
Less—Accumulated depreciation and amortization	(12,002)	(18,689)
Property and equipment, net	<u>\$ 2,953</u>	<u>\$ 3,349</u>

As of December 31, 2020 and 2019, capitalized internal use software, net of amortization, was \$1.4 million and \$0.6 million, respectively. Depreciation and amortization expense related to property and equipment was \$1.3 million for the year ended December 31, 2020. Of this amount, \$0.8 million was recorded in cost of revenues and \$0.5 million was recorded in operating expenses for the year ended December 31, 2020. Depreciation and amortization expense related to property and equipment was \$1.6 million for the year ended December 31, 2019. Of this amount, \$0.9 million was recorded in cost of revenues and \$0.7 million was recorded in operating expenses for the year ended December 31, 2019. 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.

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 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.

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 5% 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.

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 of 2018, 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 Statements of Operations for the year ended December 31, 2018.

A quantitative analysis was performed by the Company in 2018 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 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, 2020			December 31, 2019		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trademarks/trade names/licenses/ domains	3 – 7 years	\$ 16,589	\$ (15,961)	\$ 628	\$ 16,589	\$ (15,442)	\$ 1,147
Customer relationships	2 - 5 years	19,563	(19,563)	—	19,563	(18,800)	763
Developed technology	5-7 years	8,955	(7,050)	1,905	8,955	(5,961)	2,994
		<u>\$ 45,107</u>	<u>\$ (42,574)</u>	<u>\$ 2,533</u>	<u>\$ 45,107</u>	<u>\$ (40,203)</u>	<u>\$ 4,904</u>

Indefinite-lived Intangible Asset	Estimated Useful Life	December 31, 2020			December 31, 2019		
		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. Amortization expense was \$2.4 million, \$4.9 million, and \$8.1 million in 2020, 2019 and 2018, 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 four years is as follows:

Year	Amortization Expense (in thousands)
2021	\$ 1,499
2022	902
2023	86
2024	46
	<u>\$ 2,533</u>

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 during the year ended December 31, 2018.

As of December 31, 2020, and 2019, accrued expenses and other current liabilities consisted of the following:

	As of December 31,	
	2020	2019
	<i>(in thousands)</i>	
Accrued employee related benefits	\$ 2,123	\$ 1,351
Other accrued expenses and other current liabilities:		
Other accrued expenses	143	532
Amounts due to customers	94	354
Other current liabilities	301	750
Total other accrued expenses and other current liabilities	538	1,636
Total accrued expenses and other current liabilities	\$ 2,661	\$ 2,987

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. Debt

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.

On April 30, 2019, the Company entered into a \$25.0 million Revolving Credit and Security Agreement (“**PNC Credit Agreement**”) with PNC Bank, N.A. (“**PNC**”) as agent, and the Company’s U.S. subsidiaries Car.com, Inc., Autobytel, Inc., and AW GUA USA, Inc. (“**Company U.S. Subsidiaries**”). The obligations under the PNC Credit Agreement were guaranteed by the Company U.S. Subsidiaries and secured by a first priority lien on all of the Company’s and the Company U.S. Subsidiaries’ tangible and intangible assets. The PNC Credit Agreement provided a subfacility of up to \$5.0 million for letters of credit. The PNC Credit Agreement was to expire on April 30, 2022.

The interest rates per annum applicable to borrowings under the PNC Credit Agreement were, at the Company’s option (subject to certain conditions), equal to either a domestic rate (“**Domestic Rate Loans**”) or a LIBOR rate for one, two, or three-month interest periods chosen by the Company (“**LIBOR Rate Loans**”), plus the applicable margin percentage of 2% for Domestic Rate Loans and 3% for LIBOR Rate Loans. The domestic rate for Domestic Rate Loans would be the highest of (i) the base commercial lending rate of the lender, (ii) the overnight bank funding rate plus 0.50%, or (iii) the LIBOR rate plus 1.00% so long as the daily LIBOR rate is offered, ascertainable and not unlawful. The PNC Credit Agreement also provided for commitment fees ranging from 0.5% to 1.5% applied to unused funds (with the applicable fee based on quarterly average borrowings), but with the fees fixed at 1.5% until September 30, 2019. Fees for Letters of Credit were to be equal to 3% for LIBOR Rate Loans, with a fronting fee for each Letter of Credit in an amount equal to 0.5% of the daily average aggregate undrawn amount of all Letters of Credit outstanding. The Company was required to maintain a \$5.0 million pledged interest-bearing deposit account with the lender until the Company’s consolidated EBITDA is greater than \$10.0 million.

On October 29, 2019, the Company, the Company’s U.S. Subsidiaries, and PNC entered into a First Amendment to the PNC Credit Agreement (“**PNC Credit Agreement First Amendment**”) that provided for an amended financial covenant related to the Company’s minimum required EBITDA (as defined in the PNC Credit Agreement). This amended financial covenant required the Company to maintain its consolidated EBITDA (as defined in the PNC Credit Agreement) at stated minimum levels (i) of \$0.7 million for the quarter ended September 30, 2019; (ii) \$250,000 for the month of October 2019; (iii) \$600,000 for the two months ended November 30, 2019; and ranging from \$3.6 million to \$7.5 million for the later periods set forth in the PNC Credit Agreement First Amendment during the remaining term of the PNC Credit Agreement. In addition, the PNC Credit Agreement First Amendment added a new financial covenant requiring the Company to maintain at least a 1.20 to 1.00 Fixed Charge Coverage Ratio (as defined in the PNC Credit Agreement First Amendment) for the periods set forth in the PNC Credit Agreement First Amendment. If the Company failed to comply with the minimum EBITDA requirements or the Fixed Charge Coverage Ratio, the Company had the right to cure (“**Cure Right**”) through the application of the proceeds from the sale of new equity interests in the Company, subject to the conditions set forth in the PNC Credit Agreement First Amendment. The Cure Right could not be exercised more than three times during the term of the PNC Credit Agreement and any proceeds from a sale of equity interests could not be less than the greater of (i) the amount required to cure the applicable default; and (ii) \$500,000.

On January 16, 2020, the Company received a notice of event of default and reservation of rights (“**Default Notice**”) from PNC Bank, under the PNC Credit Agreement advising the Company that an event of default had occurred and was continuing under Section 10.3 of the PNC Credit Agreement by reason of AutoWeb’s failure to deliver to PNC the financial statements and related compliance certificate for the month ended November 30, 2019. Although not covered by the Default Notice at the time, AutoWeb also was not in compliance with the minimum EBITDA financial covenant under the PNC Credit Agreement. As a result of the Default Notice, PNC increased the interest rate under the PNC Credit Agreement by 2.0% per annum.

On March 26, 2020, the Company fully paid the PNC Credit Agreement, at which time it was terminated, and in conjunction with the termination of the PNC Credit Agreement, on March 26, 2020, the Company entered into a \$20.0 million Loan, Security and Guarantee Agreement (“**CNC Credit Agreement**”) with CIT Northbridge Credit LLC, as agent (the “**Agent**”), and the Company U.S. Subsidiaries. The CNC Credit Agreement provides for a \$20.0 million revolving credit facility with borrowings subject to availability based primarily on limits of 85% of eligible billed accounts receivable and 75% against eligible unbilled accounts receivable. The obligations under the CNC Credit Agreement are guaranteed by the Company U.S. Subsidiaries and secured by a first priority lien on all of the Company’s and the Company U.S. Subsidiaries’ tangible and intangible assets. The CNC Credit Agreement has an average minimum borrowing usage requirement of an average of \$10,000,000.

As of December 31, 2020, the Company had \$10.2 million outstanding under the CNC Credit Agreement and approximately \$1.1 million of net availability. To increase the borrowing base sufficient enough to meet the minimum borrowing usage requirement, the Company on June 29, 2020, placed \$3.0 million into a restricted cash account that provided for greater availability under the CNC Credit Agreement. The Company placed an additional \$1.0 million into the same restricted cash account in December 2020. The Company can borrow up to 97.5% of the total restricted cash amount. The restricted cash accrues interest at a variable rate currently averaging 0.25% per annum.

Financing costs related to the CNC Credit Agreement, net of accumulated amortization, of approximately \$0.4 million, have been deferred over the initial term of the loan and are included in other assets as of December 31, 2020. The interest rate per annum applicable to borrowings under the CNC Credit Agreement is the LIBO plus 5.5%. The LIBO Rate is equal to the greater of (i) 1.75%, and (ii) the rate determined by the Agent to be equal to the quotient obtained by dividing (1) the LIBO Base Rate (i.e., the rate per annum determined by Agent to be the offered rate that appears on the applicable Bloomberg page) for the applicable LIBOR Loan for the applicable interest period by (2) one minus the Eurodollar Reserve Percentage (i.e., the reserve percentage in effect under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement with respect to Eurocurrency funding for the applicable LIBOR Loan for the applicable interest period). If adequate and reasonable means do not exist for ascertaining or the LIBOR rate is no longer available, the Company and the Agent may amend the CNC Credit Agreement to replace LIBOR with an alternate benchmark rate. If no LIBOR successor rate is determined, the obligation of the lenders to make or maintain LIBOR loans will be suspended and the LIBO Base Rate component will no longer be utilized in determining the base rate.

If, due to any circumstance affecting the London interbank market, the Agent determines that adequate and fair means do not exist for ascertaining the LIBO Rate on any applicable date (and such circumstances that are identified in the next two paragraphs below are not covered or governed by such provisions below), then until the Agent determines that such circumstance no longer exists, the obligation of lenders to make LIBOR Loans will be suspended and, if requested by the Agent, the Company must promptly, at its option, either (i) pay all such affected LIBOR Loans or (ii) convert such affected LIBOR Loans into loans that bear reference to the Base Rate plus the Applicable Margin.

If the Agent determines that for any reason (i) dollar deposits are not being offered to banks in the London interbank Eurodollar market for the applicable loan amount or applicable interest period, (ii) adequate and reasonable means do not exist for determining the LIBO Rate for the applicable interest period, or (iii) LIBOR for the applicable interest period does not adequately and fairly reflect the cost to the lenders of funding a loan, then the lenders' obligation to make or maintain LIBOR Loans will be suspended to the extent of the affected LIBOR Loan or interest period until all such loans are converted to loans bearing interest at the Base Rate (as defined below) plus the Applicable Margin (as specified below).

However, if Agent determines that (i) adequate and reasonable means do not exist for ascertaining LIBOR for any requested interest period and such circumstances are unlikely to be temporary; (ii) the administrator of the LIBOR screen rate or a governmental authority having jurisdiction over the Agent has made a public statement identifying a specific date after which LIBOR or the LIBOR screen rate shall no longer be made available, or used for determining the interest rate of loans ("**Scheduled Unavailability Date**"); or (iii) syndicated loans currently being executed, or that include language similar to that contained in this paragraph are being executed or amended to incorporate or adopt a new benchmark interest rate to replace LIBOR, then, Agent and the Company may amend the CNC Credit Agreement to replace LIBOR with an alternate benchmark rate ("**LIBOR Successor Rate**") and any such amendment will become effective unless lenders holding more than 50% in value of the loans or commitments under the CNC Credit Agreement do not accept such amendment. If no LIBOR Successor Rate has been determined and the circumstances under clause (i) above exist or the Scheduled Unavailability Date has occurred, (x) the obligation of lenders to make or maintain LIBOR Loans will be suspended (to the extent of the affected LIBOR Loans or interest periods), and (y) the LIBO Base Rate component will no longer be utilized in determining the Base Rate. The Base Rate for any day is a fluctuating rate per annum equal to the highest of: (i) the Federal Funds Rate plus 1/2 of 1%; (ii) the rate of interest in effect for such day as publicly announced from time to time by JPMorgan Chase Bank, N.A. as its "prime rate" in effect for such day; or (iii) the most recently available LIBO Base Rate (as adjusted by any minimum LIBO Rate floor) plus 1%. The Applicable Margin is equal to 5.50%. The CNC Credit Agreement expires on March 26, 2023.

On April 16, 2020, the Company received a loan in the amount of approximately \$1.38 million ("**PPP Loan**") from PNC pursuant to the Paycheck Protection Program ("**PPP**") administered by the United States Small Business Administration ("**SBA**") under the CARES Act. The PPP Loan was granted pursuant to a Paycheck Protection Program Term Note dated April 16, 2020, issued by the Company ("**PPP Note**").

On June 5, 2020 the Paycheck Protection Program Flexibility Act ("**PPFPA**") was signed into law that contained important clarifications and modifications to the previous PPP loan rules under the CARES Act. These revisions provided that at least 60% of the PPP Loan proceeds must be used for payroll expenses. Also, all, or a portion of, the PPP Loan may be forgiven based on the sum of documented payroll costs, covered lease payments, covered mortgage interest and covered utilities during an eight-week or twenty-four-week period beginning on the date on which the PPP Loan was approved.

The PPP Note matures on April 16, 2022, and bears interest at a rate of 1.00% per annum. Principal and accrued interest are payable monthly in equal installments commencing November 15, 2020, unless the PPP Loan is forgiven as described below. The PPP Note may be prepaid at any time prior to maturity with no prepayment penalties. The PPP Note contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. The proceeds from the PPP Loan could only be used to retain workers and maintain payroll or make mortgage interest, lease and utility payments. For purposes of the CARES Act, payroll costs excluded compensation of an individual employee in excess of \$100,000, prorated annually. Not more than 40% of the forgiven amount could be for non-payroll costs. Forgiveness of the PPP Loan is reduced if full-time headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. The outstanding principal will be reduced in the event the Loan, or any portion thereof, is forgiven pursuant to the PPP. The Company originally applied for loan forgiveness on October 12, 2020, using the 8-week loan forgiveness methodology. Prior to final PNC Bank review acceptance and final submission to the SBA, the Company reapplied for loan forgiveness using the 24-week methodology on December 29, 2020. The loan forgiveness application was reviewed by PNC Bank and submitted to the SBA on December 30, 2020.

On January 13, 2021, the Company received a notice from PNC Bank regarding forgiveness of the loan in the principal amount of approximately \$1.38 million that was made to the Company pursuant to the SBA PPP under the CARES Act of 2020. The notice states that SBA has remitted to PNC a loan forgiveness payment equal to \$1.39 million, which constitutes full payment and forgiveness of the principal amount of the PPP loan and all accrued interest.

On June 10, 2020, the Company entered into a thirty-six-month equipment financing agreement (“**Financing Agreement**”) with Dimension Funding LLC. The Financing Agreement provides for an advance payment of approximately \$170,000 to be used to secure furniture and fixtures for the Company’s new office location in Irvine, California. Payments of approximately \$5,300 (inclusive of imputed interest) are made monthly under the Financing Agreement. As of December 31, 2020, the Company has paid approximately \$45,000. The Financing Agreement will mature on December 31, 2022.

The Company’s future commitments under the Financing Agreement as of December 31, 2020, are as follows:

Year (1)	
2021	\$ 65
2022	60
Total financing debt	<u>\$ 125</u>

8. Commitments and Contingencies

Operating Leases

The Company adopted ASC 842, Leases, on January 1st, 2019. Consequently, financial information has not been updated for dates and periods before January 1, 2019. The Company determines if an arrangement is a lease at inception. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date of the lease based on the present value of lease payments over the lease term. The Company has lease arrangements for certain equipment and facilities that typically have original terms not exceeding five years and, in some cases, contain automatic renewal provisions that provide for multiple year renewal terms unless either party, prior to the then-expiring term, notifies the other party of the intention not to renew the lease. The Company’s lease terms may also include options to terminate the lease when it is reasonably certain that the Company will exercise such options. When readily determinable, the Company uses the implicit rate in determining the present value of lease payments. The ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company had a weighted average remaining lease term of 3.0 years and a weighted average discount rate as determined by the Company CNC Credit Agreement of 6.25% as of December 31, 2020. The Company had a weighted average remaining lease term of 1.6 years and a weighted average discount rate of 5.5% as of December 31, 2019.

Lease Liabilities

Lease liabilities as of December 31, 2020, consist of the following:

Current portion of lease liabilities	\$ 1,015
Long-term lease liabilities, net of current portion	2,191
Total lease liabilities	<u>\$ 3,206</u>

The Company leases its facilities and certain office equipment under operating leases which expire on various dates through 2025. 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,	
2021	\$ 1,187
2022	881
2023	797
2024	528
2025	196
Total minimum lease payments	3,589
Less imputed interest	383
Total lease liabilities	<u>\$ 3,206</u>

On March 11, 2020, the Company entered into a Lease Agreement ("**New Irvine Lease**") with The Irvine Company LLC, pursuant to which the Company leases approximately 12,000 square feet of office space located in Irvine, California. The term of the New Irvine Lease commenced on August 1, 2020, and continues for a period of approximately five years, unless earlier terminated in accordance with the terms of the New Irvine Lease. The Company has the option to extend the term of the New Irvine Lease for one additional period of five years. The new office space replaced the Company's prior, approximately 39,361 square feet of office space in Irvine, California, the lease for which expired July 31, 2020. The Company included the New Irvine Lease on its balance sheet and within the future minimum lease payment table above.

Operating lease cost was \$1.7 million, \$2.0 million and \$1.7 million for the years ended December 31, 2020, 2019 and 2018, respectively. In June 2017, the Company subleased one of its buildings to a third party for the remainder of the lease term which expired in February 2019. Rent expense for the years ended December 31, 2019 and 2018, is net of sublease income of \$26,000 and \$0.2 million, 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. 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.

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 for the year ended December 31, 2020, was \$0.1 million. The Company contribution for the years ended December 31, 2019 and 2018, was \$0.3 million each year.

10. Stockholders’ Equity

Stock-Based Incentive Plans

The Company has established plans that provide for stock-based awards (“Awards”), primarily in the form of stock options and restricted stock awards (“RSAs”), to employees, directors, and consultants. As of June 21, 2018, new Awards may only be granted under the 2018 Equity Incentive Plan, and as of December 31, 2020, an aggregate of approximately 2.5 million shares of Company common stock were available for granting of new Awards under the 2018 Equity Incentive Plan.

Share-based compensation expense is included in costs and expenses in the Consolidated Statements of Operations as follows:

	Years Ended December 31,		
	2020	2019	2018
	<i>(in thousands)</i>		
Share-based compensation expense:			
Cost of revenues	\$ —	\$ —	\$ 23
Sales and marketing	116	304	982
Technology support	81	197	1,247
General and administrative	1,787	1,901	2,615
	<u>1,984</u>	<u>2,402</u>	<u>4,867</u>
Share-based compensation expense	1,984	2,402	4,867
Amount capitalized to internal use software	—	—	1
Total share-based compensation expense	<u>\$ 1,984</u>	<u>\$ 2,402</u>	<u>\$ 4,866</u>

During the year ended December 31, 2019 and 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. The Company recognized acceleration expense of \$0.2 million and \$2.1 million in the years ended December 31, 2019 and 2018, respectively. No awards were accelerated or modified for the year ended December 31, 2020.

As of December 31, 2020, 2019 and 2018, there was approximately \$1.6 million, \$3.0 million and \$2.6 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 1.5 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 \$1.27, \$1.77 and \$1.75 for the years ended December 31, 2020, 2019 and 2018, respectively, based on the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

	Years Ended December 31,		
	2020	2019	2018
Expected volatility	74%	65%	68%
Expected risk-free interest rate	0.9%	2.2%	2.6%
Expected life (years)	4.6	4.4	4.5

A summary of the Company's outstanding stock options as of December 31, 2020, 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, 2019	4,361,606	\$ 5.80	4.8	\$ 37
Granted	635,000	2.15		
Exercised	(22,373)	3.35		29
Forfeited or expired	(1,215,563)	8.72		
Outstanding at December 31, 2020	3,758,670	\$ 4.26	4.7	\$ 270
Vested and expected to vest at December 31, 2020	3,625,650	\$ 4.31	4.7	\$ 254
Exercisable at December 31, 2020	2,323,528	\$ 5.12	4.2	\$ 47

Service-Based Options. During the years ended December 31, 2020, 2019 and 2018, the Company granted 635,000, 1,697,883, and 2,056,700 service-based stock options, which had weighted average grant date fair values of \$1.27, \$1.77, and \$1.75, respectively.

Stock option exercises. During 2020, there were 22,373 options exercised, with an aggregate weighted average exercise price of \$3.35. During 2019, there were 213,048 options exercised, with an aggregate weighted average exercise price of \$1.92. During 2018, 28,467 options were exercised, with an aggregate weighted average exercise price of \$3.39. The total intrinsic value of options exercised during 2020 is de minimis. The total intrinsic value of options exercised during 2019 and 2018 was \$0.5 million and \$0.1 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. On April 12, 2018, pursuant to the stock option award agreement, vesting of then-unvested 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.

Market Condition Options. In August 2019, the Company awarded a total of 455,000 stock options of the Company's common stock to certain officers under the 2018 Equity Incentive Plan. In addition to the service-based vesting described above, vesting of these options is subject to the achievement of a performance condition based on the weighted average closing price of the Company's common stock on The Nasdaq Capital Market reaching Five Dollars (\$5.00) for 10 consecutive trading days. The weighted average grant date fair value of these stock options was \$1.69.

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 on 40,000 shares of RSAs were modified upon the entry into a consulting agreement with a former executive officer (with 26,666 of these 40,000 shares being forfeited in 2019). 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. During the year ended December 31, 2019, the forfeiture restrictions on 3,333 shares of RSA lapsed upon the termination of employment of a former officer of the Company, and the Company recognized a de minimis amount of expense related to the acceleration of vesting of these RSAs during the year ended December 31, 2019. As of December 31, 2020, the Company does not have any unvested RSAs.

Options and Warrants Outstanding and Shares Available for New Awards Under Stockholder-Approved Plans

As of December 31, 2020, the Company had outstanding the following options and warrants to purchase shares of common stock and shares available for new Awards under stockholder-approved plans:

	Number of Shares
Stock options outstanding	3,758,670
Authorized for future Award grants under stockholder-approved stock-based incentive plans	2,497,070
Warrants outstanding	1,482,400
Total	<u>7,738,140</u>

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, Amendment No. 2 to Tax Benefit Preservation Plan dated as of April 13, 2017, Amendment No. 3 to Tax Benefit Preservation Plan dated as of March 31, 2020, and Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan dated July 12, 2012 (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 \$20.00 (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, 2023 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 2020 Annual Meeting of Stockholders and will expire on May 26, 2023 unless that date is advanced or extended by the Company's Board of Directors.

Warrant

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**"), Autobyte, 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.

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. No shares were repurchased in 2020 or 2019. As of December 31, 2020, \$2.3 million remains available for stock repurchases under the program.

11. Income Taxes

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>		
United States	\$ (7,089)	\$ (15,647)	\$ (39,334)
International	279	428	512
Total loss before income tax provision	<u>\$ (6,810)</u>	<u>\$ (15,219)</u>	<u>\$ (38,822)</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>		
Current:			
Federal	\$ —	\$ —	\$ 32
State	10	10	(6)
Foreign	—	—	—
	<u>10</u>	<u>10</u>	<u>26</u>
Deferred:			
Federal	(562)	(2,065)	(6,213)
State	(159)	(417)	(1,188)
Foreign	—	—	—
	<u>(721)</u>	<u>(2,482)</u>	<u>(7,401)</u>
Change in federal tax rate	—	—	—
Valuation allowance	<u>721</u>	<u>2,482</u>	<u>7,369</u>
Total income tax expense (benefit)	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ (6)</u>

The reconciliations of the U.S. federal statutory rate to the effective income tax rate for the years ended December 31, 2020, 2019 and 2018, are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax provision at U.S. federal statutory rates	21.0%	21.0%	21.0%
State income taxes net of federal benefit	2.1	3.0	3.2
Deferred tax asset adjustments – NOL related	0.0	(0.4)	(0.2)
Non-deductible permanent items	(1.1)	(0.3)	(0.2)
Stock options	(28.0)	(3.2)	(3.4)
Goodwill impairment	0.0	—	(1.5)
Other	0.0	(3.9)	(0.2)
Change in valuation allowance	5.8	(16.3)	(18.7)
Effective income tax rate	<u>(0.2)%</u>	<u>(0.1)%</u>	<u>0.0%</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, 2020 and 2019 are as follows:

	2020	2019
	(in thousands)	
Deferred tax assets:		
Allowance for doubtful accounts	\$ 103	\$ 187
Accrued liabilities	412	826
Net operating loss carryforwards	24,798	23,933
Intangible assets	4,259	4,334
Share-based compensation expense	228	2,120
Other	1,370	406
Total gross deferred tax assets	31,181	31,806
Valuation allowance	(30,447)	(31,168)
Total deferred tax assets	734	638
Deferred tax liabilities:		
Right of use assets	(733)	(638)
Fixed assets	—	—
Other	(1)	—
Total gross deferred tax liabilities	(734)	(638)
Net deferred tax assets	\$ —	\$ —

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, the Company 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. The Company has made an accounting policy election to reflect GILTI taxes, if any, as a current income tax expense in the period incurred.

During 2020 and 2019, 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 \$0.7 million and \$2.5 million against its deferred tax assets during the years ended 2020 and 2019, respectively. 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.

In response to the coronavirus pandemic, the CARES Act was signed into law in March 2020. The CARES Act lifts certain deduction limitations originally imposed by the TCJA. Corporate taxpayers may carryback net operating losses (“NOL’s”) originating during 2018 through 2020 for up to five years, which was not previously allowed under the TCJA. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020.

Taxpayers may generally deduct interest up to the sum of 50% of adjusted taxable income plus business interest income (30% limit under the TCJA) for tax years beginning January 1, 2019 and 2020. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the TCJA. The enactment of the CARES Act did not result in any material adjustments to the Company’s income tax provision for the year ended December 31, 2020, or to its net deferred tax assets as of December 31, 2020.

The CARES Act lifts certain deduction limitations originally imposed by the TCJA. Corporate taxpayers may carryback NOLs originating during 2018 through 2020 for up to five years, which was not previously allowed under the TCJA. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act of 2021 (the “Act”). The Act enhances and expands certain provisions of the CARES Act. The Act permits taxpayers whose PPP loans are forgiven to deduct the expenses relating to their loans to the extent they would otherwise qualify as ordinary and necessary business expenses. This rule applies retroactively to the effective date of the CARES Act, so that expenses paid using funds from PPP loans previously issued under the CARES Act are deductible, regardless of when the loan was forgiven. The Company’s \$1.4M PPP loan was completely forgiven in January 2021 and the expenses are currently deductible on the Company’s 2020 Federal tax return.

On December 31, 2020, the Company had federal and state NOLs of approximately \$104.1 million and \$48.9 million, respectively. \$30.0 million of the federal NOLs have an indefinite life and do not expire. The remaining \$74.1 million of the federal and all of the state NOLs expire through 2035 and 2040, respectively, as follows:

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

2025	\$ 4.2
2026	25.5
2027	15.5
2028	5.2
2029	7.7
2030	10.6
2031	1.3
2032	—
2033	0.1
2034	2.5
2035	1.5
Do not expire	30.0
	<u>\$ 104.1</u>

The state NOLs expire through 2040 as follows (in millions):

2028	\$ 2.6
2029	5.8
2030	11.0
2034	1.4
2035	0.8
2038	2.3
2039	2.2
2040	0.6
California NOLs	26.8
Other State NOLs	22.1
Total State NOLs	<u>\$ 48.9</u>

Utilization of the NOLs and tax credit carryforwards 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 carryforwards 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, 2020.

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, 2020, the Company has state research and development tax credit carryforwards of \$0.2 million. The previous federal tax credits have been written off in the current year and the state credits do not expire.

As of December 31, 2020, and 2019, the Company had unrecognized tax benefits of approximately \$0.2 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:

	2020	2019
	(in thousands)	
Balance at January 1,	\$ 464	\$ 464
Reductions based on tax positions related to prior years and settlements	(275)	—
Balance at December 31,	\$ 189	\$ 464

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 2017 and 2016, respectively (except for the use of tax losses generated prior to 2017 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, 2020 and 2019.

12. Selected Quarterly Financial Data (Unaudited)

The following table presents quarterly unaudited consolidated financial information for the eight quarters preceding December 31, 2020. 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, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
	(in thousands, except per-share amounts)							
Total net revenues	\$ 17,252	\$ 17,813	\$ 17,033	\$ 24,472	\$ 26,687	\$ 28,552	\$ 27,142	\$ 31,604
Gross profit (loss)	\$ 5,860	\$ 6,423	\$ 6,040	\$ 5,357	\$ 5,522	\$ 5,907	\$ 5,384	\$ 5,757
Net income (loss)	\$ (937)	\$ (448)	\$ (1,374)	\$ (4,061)	\$ (3,177)	\$ (1,739)	\$ (4,953)	\$ (5,360)
Basic earnings (loss) per share	\$ (0.07)	\$ (0.03)	\$ (0.10)	\$ (0.31)	\$ (0.24)	\$ (0.13)	\$ (0.38)	\$ (0.41)
Diluted earnings (loss) per share	\$ (0.07)	\$ (0.03)	\$ (0.10)	\$ (0.31)	\$ (0.24)	\$ (0.13)	\$ (0.38)	\$ (0.41)

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	Years Ended December 31,		
	2020	2019	2018
		(in thousands)	
Allowance for bad debts:			
Beginning balance	\$ 546	\$ 445	\$ 679
Additions	470	330	241
Write-offs	(674)	(229)	(475)
Ending balance	<u>\$ 342</u>	<u>\$ 546</u>	<u>\$ 445</u>
Allowance for customer credits:			
Beginning balance	\$ 194	\$ 121	\$ 213
Additions	(26)	250	198
Write-offs	(104)	(177)	(290)
Ending balance	<u>\$ 64</u>	<u>\$ 194</u>	<u>\$ 121</u>
Tax valuation allowance:			
Beginning balance	\$ 31,168	\$ 28,687	\$ 21,318
Charged (credited) to tax expense	(721)	2,481	7,369
Charged (credited) to retained earnings	—	—	—
Ending balance	<u>\$ 30,447</u>	<u>\$ 31,168</u>	<u>\$ 28,687</u>

**DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following summary description of the securities of AutoWeb, Inc., a Delaware corporation (“**Company**” or “**AutoWeb**”), is not complete and is qualified in its entirety by reference to, and should be read in conjunction with, the Company’s Seventh Restated Certificate of Incorporation (“**Certificate of Incorporation**”), Seventh Amended and Restated Bylaws (“**Bylaws**”), Tax Benefit Preservation Plan dated as of May 26, 2010, as amended, between the Company and Computershare Trust Company, N.A., as rights agent (“**Tax Benefits Preservation Plan**”) and applicable provisions of the Delaware General Corporation Law (“**DGCL**”).

Authorized Capital Stock

The Company’s authorized capital stock consists of 55,000,000 shares of Common Stock, \$0.001 par value per share (“**Common Stock**”), and 11,445,187 shares of Preferred Stock, \$0.001 par value per share (“**Preferred Stock**”). Of the 11,445,187 shares of Preferred Stock authorized, the Company’s Board of Directors (“**Board**”) has designated 2,000,000 shares as Series A Junior Participating Preferred Stock, \$0.001 par value per share (“**Series A Preferred Stock**”). As of March 8, 2021 there were no shares of Preferred Stock issued or outstanding.

Securities Registered Under the Exchange Act

The Common Stock is the only security of AutoWeb registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”). The Common Stock is listed on The NASDAQ Capital Market under the ticker symbol “AUTO.” Computershare Trust Company, N.A. is the transfer agent and registrar for the Common Stock.

Description of Authorized Capital Stock

Description of Common Stock

Fully Paid and Nonassessable. All of the outstanding shares of Common Stock are fully paid and nonassessable and are not subject to further calls or assessments by the Company.

Voting Rights. The holders of Common Stock are entitled to one vote per share of Common Stock. Other than as provided in the Certificate of Incorporation, the Bylaws or pursuant to applicable law, or the rules or regulations of any stock exchange applicable to the Company, all matters will be decided by the vote of a majority in voting power of the shares of Common Stock present in person or by proxy at the meeting of stockholders and entitled to vote on the matter other than the election of directors. With respect to the election of directors, the Bylaws provide that the persons receiving the greatest number of votes, up to the number of directors then to be elected, will be the persons elected. Holders of Common Stock are not entitled to cumulative voting rights in the election of directors.

Dividends. The holders of Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by the Board in its discretion from funds legally available therefor, subject to the rights of any holders of our Preferred Stock to receive such dividends.

Liquidation Distributions. Upon liquidation, dissolution or winding-up, the holders of Common Stock are entitled to share ratably in any assets remaining available for distribution after the satisfaction in full of the prior rights of creditors, including holders of Company indebtedness, and the aggregate liquidation preference of any Preferred Stock then outstanding.

No Preemptive or Similar Rights; No Redemption or Sinking Fund Provisions. The Common Stock has no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to the Common Stock.

Description of Preferred Stock

Undesignated Preferred Stock. The undesignated shares of Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board. The Board is further authorized to determine or alter the rights, powers (including voting powers), preferences and privileges, and the qualifications, limitations or restrictions thereof, granted to or imposed upon any wholly unissued series of Preferred Stock and, to fix the number of shares of any series of Preferred Stock and, to fix the number of shares of any series of Preferred Stock and the designation of any such series of Preferred Stock. The Board, within the limits and restrictions stated in any resolution or resolutions of the Board originally fixing the number of shares constituting any series of Preferred Stock, may increase or decrease (but not below the number of shares in any such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series.

Series A Preferred Stock. The number of shares of Series A Preferred Stock may be increased or decreased by resolution of the Board; *provided*, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series A Preferred Stock. The following is a summary of the rights, powers, preferences and privileges of the Series A Preferred Stock set forth in the Amended Certificate of Designation of Series A Junior Participating Preferred Stock ("**Series A Preferred Stock Certificate of Designation**"), which is attached as Exhibit A to the Certificate of Incorporation.

Rank. The Series A Preferred Stock ranks, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Company's Preferred Stock.

Voting. The holders of Series A Preferred Stock are entitled to one vote per share of Series A Preferred Stock.

Dividend and Distribution Rights of Series A Preferred Stock.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of April, July, October and January in each year (each such date being referred to herein as a "**Quarterly Dividend Payment Date**"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of (a) \$1.00 per share or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series A Preferred Stock as provided in the foregoing paragraph (A) immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); *provided*, that in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Consolidation, Merger. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

No Redemption. Shares of Series A Preferred Stock are not redeemable.

Possible Anti-Takeover Effects Of Provisions in The Company's Certificate of Incorporation, Bylaws, and Tax Benefit Preservation Plan and the DGCL

Provisions of our 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 AutoWeb and could discourage a third party from attempting to acquire control of AutoWeb. The issuance of Preferred Stock 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. These provisions could limit the price that some investors might be willing to pay in the future for shares of Common Stock and may have the effect of delaying or preventing corporate actions such as a merger, asset sale or other change in control of the Company.

Number of Directors; Classification; Filing Vacancies; Removal; No Cumulative Voting. The Certificate of Incorporation provides that the number of directors that will constitute the whole Board shall be designated in the Bylaws. The Bylaws provide that the authorized number of directors shall be eight until changed by an amendment to the Bylaws. The Board is authorized to adopt, alter, amend or repeal the Bylaws, including to increase or decrease the authorized number of directors, without stockholder approval.

The terms of office of the Board of Directors is divided into three classes. At each annual meeting of stockholders, the successors to directors whose term will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. The directorships will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the number of directors constituting the whole Board of Directors. Classification of the Board may have the effect of delaying or preventing changes in control or change in our management because less than a majority of the number of directors are up for election at each annual meeting.

Directors may be removed only for cause by a vote of the holders of a majority of the shares entitled to vote at an election of directors. Any vacancy on the Board, including vacancies created by an increase in the size of the Board, may be filled by a majority of the remaining directors then in office, whether or not less than a quorum, or by a sole remaining director.

No stockholder is permitted to cumulate votes at any election of directors.

Advance Notice Provision for Nomination of Directors. The Bylaws provide that only persons who are nominated in accordance with the advance notice procedures in the Bylaws shall be eligible for election as directors of the Company, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of Preferred Stock of the Company to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board may be made at any annual meeting of stockholders or at any special meeting of stockholders called for the purpose of electing directors, (i) if specified in the notice of meeting (or any supplement thereto) given by or at the discretion of the Board (or a duly authorized committee thereof), (ii) by or at the direction of the Board (or any duly authorized committee thereof) or (iii) by any stockholder of the Company (1) who is a stockholder of record on the date of the giving of the advance notice and on the record date for the determination of stockholders entitled to vote at such meeting and (2) who complies with the advance notice procedures set forth in the Bylaws.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company (a) in the case of an annual meeting, not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person; (ii) the principal occupation or employment of the person; (iii) (A) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person, and (B) the name of each nominee holder of shares of capital stock of the Company owned beneficially but not of record by such person or affiliates or associates of such person and the number of shares held by each such nominee; (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares) that has been entered into as of or prior to, and is in effect as of, the date of the stockholder's notice by, or on behalf of, such person or any affiliates or associates of such person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such person or any affiliate or associate of such person, with respect to shares of stock of the Company; and (v) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (i) the name and record address of such stockholder as they appear on the Company's books, and of such beneficial owner; (ii) (A) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder and such beneficial owner, and (B) the name of each nominee holder of shares of capital stock of the Company owned beneficially but not of record by such stockholder or beneficial owner and the number of shares held by each such nominee; (iii) a description of all arrangements or understandings between such stockholder and/or such beneficial owner and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder; (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to shares of stock of the Company; (v) a representation that such stockholder is a holder of record of the stock of the Company as of the date of the stockholder's advance notice required by the Bylaws and that such stockholder intends to be a holder of record of stock of the Company on the record date for the determination of stockholders entitled to vote at such meeting; (vi) that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; (vii) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to elect the nominee and/or (2) otherwise to solicit proxies or votes from stockholders in support of such nomination; and (ix) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to and in accordance with Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected. The Company may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Company.

Advance Notice Provision for Proposing Business at Stockholder Meetings. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Company (i) who is a stockholder of record on the date of the giving of the advance notice provided for in the Bylaws and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the advance notice procedures set forth in the Bylaws.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company and any proposed business must constitute a proper matter for stockholder action.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each matter such stockholder proposes to bring before the annual meeting a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Company, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (i) the name and record address of such stockholder as they appear on the Company's books, and of the beneficial owner; (ii) (A) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder and such beneficial owner, and (B) the name of each nominee holder of shares of capital stock of the Company owned beneficially but not of record by such stockholder or beneficial owner and the number of shares held by each such nominee; (iii) a description of all arrangements or understandings between such stockholder and/or beneficial owner and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and such beneficial owner and any material interest of such stockholder and/or beneficial owner in such business; (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares) that has been entered into as of or prior to, and is in effect as of, the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to shares of stock of the Company; (v) a representation that such stockholder is a holder of record of stock of the Company as of the date of the giving of the stockholder's advance notice required by the Bylaws and intends to be a holder of record of stock of the Company on the record date for the determination of stockholders entitled to vote at such annual meeting date; (vi) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting; and (vii) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to approve or adopt the proposal and/or (2) otherwise to solicit proxies or votes from stockholders in support of such proposal.

The foregoing notice requirements shall be deemed satisfied by a stockholder with respect to business other than a nomination of a director if the stockholder has notified the Company of such stockholder's intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

Notwithstanding the foregoing advance notice provisions, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this advance notice provision of the Bylaws; provided, however, that any references in these Bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit any requirements applicable to proposals as to any other business to be considered pursuant to the advance notice provision, and compliance with the advance notice provision shall be the exclusive means for a stockholder to submit other business (other than, as provided above, matters brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in the advance notice provision shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Company's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

No Stockholder Actions by Written Consent. Actions to be taken by the Company's stockholders may be taken only at a duly called annual or special meeting of stockholders and not by written consent.

Special Meetings. The By-laws provide that special meetings may be called only by the Board (or a committee thereof authorized to call special meetings), the Chairman of the Board, or the Company's President. This provision may delay consideration of a stockholder proposal until the Company's next annual meeting unless a special meeting is called pursuant to our By-laws.

Amendment of Bylaws. The Board is authorized to adopt, alter, amend or repeal the Bylaws without stockholder approval. Any Bylaw made or altered by the stockholders may be altered or repealed by the Board.

Issuance of Preferred Stock. The Certificate of Incorporation allows the Board to issue preferred stock with rights senior to those of the Common Stock without any further vote or action by the stockholders.

Tax Benefit Preservation Plan. The Board adopted the Tax Benefit Preservation Plan to protect stockholder value by preserving important tax assets. The Company has generated substantial net operating loss carryovers and other tax attributes for United States federal income tax purposes ("**Tax Benefits**") that can generally be used to offset future taxable income and therefore reduce federal income tax obligations. However, the Company's ability to use the Tax Benefits will be adversely affected if there is an "ownership change" of the Company as defined under Section 382 of the Internal Revenue Code ("**Section 382**"). In general, an ownership change will occur if the Company's "5% shareholders" (as defined under Section 382) collectively increase their ownership in the Company by more than 50% over a rolling three-year period. The Tax Benefit Preservation Plan was adopted to reduce the likelihood that the Company's use of its Tax Benefits could be substantially limited under Section 382.

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 issued and outstanding. 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 at a price of \$20.00 (as this price may be adjusted under the Tax Benefit Preservation Plan) ("**Purchase Price**") 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 shares of Series A Preferred Stock purchasable upon exercise of the Rights have been previously authorized by the Board, and the rights, powers, preferences and privileges of the Series A Preferred Stock are as set forth in the Series A Preferred Stock Certificate of Designation.

The Rights will be triggered upon the acquisition of beneficial ownership of 4.90% or more of the Company's outstanding Common Stock or future acquisitions by any existing holders of beneficial ownership of 4.90% or more of the Company's outstanding Common Stock (an "**Acquiring Person**" as defined in the Tax Benefit Preservation Plan). If a person or group acquires beneficial ownership of 4.90% or more of the Company Common Stock, all Rights holders, except the Acquiring Person, will be entitled to acquire at the then exercise price of a Right that number of shares of Common Stock which, at the time, has a market value of two times the exercise price of the Rights. For purposes of the Tax Benefit Preservation Plan, ownership is in general determined pursuant to applicable rules and regulations of the Internal Revenue Code, including Section 382 and by the definition of "beneficial ownership" of Rule 13d-3 of the Securities Exchange Act of 1934, as amended.

The Tax Benefit Preservation Plan authorizes the Board 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 (i) 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 (ii) is otherwise in the best interests of the Company.

Until the earlier to occur of (i) the close of business on the tenth business day following the first date of public announcement that a person, entity or group (each, a “**person**”) has become an Acquiring Person, by acquiring beneficial ownership of 4.90% or more of the outstanding shares of Common Stock, or that the Board has concluded that a person has become an Acquiring Person, or (ii) the close of business on the tenth business day (or, except in certain circumstances, such later date as may be specified by the Board) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person (with certain exceptions) of 4.90% or more of the outstanding shares of Common Stock (the earlier of such dates being called the “**Distribution Date**”), the Rights are evidenced, by Common Stock certificates that may still be outstanding and representing issued and outstanding shares of Common Stock or by the registration in book-entry form of Common Stock issued and outstanding, and the Rights will be transferable only in connection with the transfer of shares of the underlying Common Stock. Any person that owned 4.90% or more of the issued and outstanding shares of Common Stock on May 26, 2010 (“**Record Date**”) will not be deemed an Acquiring Person unless and until such person acquires ownership of any additional shares of Common Stock. Until a Right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

The Rights are not exercisable until the Distribution Date. The Rights will expire upon the earliest of (i) the close of business on May 26, 2023 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) if the Board elects to extend the Tax Benefit Preservation Plan beyond May 26, 2023, the end of the calendar month in which the Company’s 2023 annual meeting of stockholders is held if stockholder approval of the Tax Benefit Preservation Plan has not been received before such time, (iv) 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, (v) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, or (vi) 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 number of outstanding Rights is subject to adjustment in the event of a stock dividend on the Common Stock payable in shares of Common Stock or subdivisions, consolidations or combinations of the Common Stock occurring, in any such case, before the Distribution Date. The Purchase Price payable, and the number of shares of Series A Preferred Stock or other securities or property issuable, upon exercise of the Rights is subject to adjustment from time to time to prevent dilution: (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Preferred Stock, (ii) upon the grant to holders of the Series A Preferred Stock of certain rights or warrants to subscribe for or purchase Series A Preferred Stock at a price, or securities convertible into Series A Preferred Stock with a conversion price, less than the then-current market price of the Series A Preferred Stock or (iii) upon the distribution to holders of the Series A Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Series A Preferred Stock) or of subscription rights or warrants (other than those referred to above). With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional shares of Common Stock or Series A Preferred Stock will be issued (other than fractions of Series Preferred Stock which are integral multiples of one one-hundredth of a share of Series A Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), and in lieu thereof an adjustment in cash will be made based on the current market price of the Series A Preferred Stock or the Common Stock.

In the event that any person becomes an Acquiring Person, (i) each holder of a Right, other than holders of Rights owned by the Acquiring Person, related persons, or transferees (which will thereupon become null and void), will thereafter (subject to any delay of exercisability approved by the Board) have the right to receive upon exercise of a Right (including payment of the Purchase Price) that number of shares of Common Stock having a market value of two times the Purchase Price in lieu of shares of Series A Preferred Stock; and (ii) the Board, in its sole discretion, may permit the Rights, other than Rights owned by the Acquiring Person, related persons, or transferees (which will thereupon become void), to be exercisable in a cashless exercise for 50% of the shares of Common Stock that would otherwise be purchasable upon the payment of the Purchase Price in consideration of the surrender to the Company of the exercised Rights in lieu of payment of the Purchase Price.

At any time after any person becomes an Acquiring Person but before the acquisition by such Acquiring Person of ownership of 50% or more of the shares of Common Stock then outstanding, the Board may exchange the Rights, other than Rights owned by such Acquiring Person, related persons, or transferees (which will have become null and void), in whole or in part, for shares of Common Stock or Series A Preferred Stock (or a series of the Company’s Preferred Stock having equivalent rights, preferences and privileges), at an exchange ratio of one share of Common Stock, or a fractional share of Series A Preferred Stock of equivalent value, per Right (subject to adjustment).

At any time before the time an Acquiring Person becomes such, the Board may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right (“**Redemption Price**”) payable, at the option of the Company, in cash, shares of Common Stock or such other form of consideration as the Board shall determine. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price as rounded to the nearest \$0.01. For so long as the Rights are then redeemable, the Company may, except with respect to the Redemption Price, amend the Plan in any manner. After the Rights are no longer redeemable, the Company may, except with respect to the Redemption Price, amend the Plan in any manner that does not adversely affect the interests of holders of the Rights (other than the Acquiring Person, related persons, or transferees).

The Tax Benefit Preservation Plan could discourage a third party from attempting to acquire control of AutoWeb.

Section 203 of the DGCL. The Company is subject to Section 203 of the DGCL. In general, this 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 AutoWeb.

AUTOWEB, INC.

THIRD AMENDED AND RESTATED SEVERANCE BENEFITS AGREEMENT

This Third Amended and Restated Severance Benefits Agreement (“**Agreement**”) entered into effective as of March 3, 2021, (“**Effective Date**”) between AutoWeb, Inc., a Delaware corporation (“**AutoWeb**” or “**Company**”), and Glenn E. Fuller (“**Employee**”).

Background

AutoWeb has determined that it is in its best interests to encourage Employee’s continued employment with, and dedication to the business of, AutoWeb, and as a result thereof, AutoWeb and Employee have previously entered into a Second Amended and Restated Severance Benefits Agreement dated as of April 12, 2018 (the “**Prior Severance Agreement**”). After consultation by the Compensation Committee of the Company’s Board of Directors with the committee’s independent compensation advisor to evaluate updated market and peer group data related to severance benefits for senior management, the Company has determined that it is in the Company’s best interests to amend the Prior Severance Agreement to provide for additional incentive to encourage Employee’s continued employment with AutoWeb and dedication to AutoWeb’s business.

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 October 16, 2006 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 in 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 Legal Officer and Secretary of the Company.

(j) “Employee’s Primary Work Location” means AutoWeb’s offices located at 6410 Oak Canyon, Suite 250, Irvine, CA 92618.

(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 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 eighteen (18) months.

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

(p) “Termination Without Cause” means termination of Employee’s employment with the Company by the Company (i) for any reason other than (1) death, (2) Disability or (3) those reasons expressly set forth in the definition of “Cause,” (ii) for no reason at all, or (iii) in connection with or as a result of a Change in Control; provided, however, that a termination of Employee’s employment with the Company in connection with a Change in 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) (i) **Termination Not in Connection With or Within 18 Months of a Change in Control.** If before, or more than eighteen months following, a Change in Control there occurs (i) a Termination Without Cause, 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 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; (C) Employee shall receive the amount of Employee's annual incentive compensation plan payout for the annual incentive compensation plan year in which Employee's date of termination occurred, based on actual performance for the entire performance period and prorated for the amount of time Employee was employed by the Company prior to the date of termination during such plan year ("**Actual Incentive Compensation Payment**"); and (D) 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.

(ii) **Termination In Connection With or Within 18 Months of a Change in Control.** If upon, or within eighteen months following, a Change in Control there occurs (i) a Termination Without Cause, or (ii) the termination of Employee's employment with the Company by Employee for Good Reason, if the event giving rise to such Good Reason occurred within eighteen (18) months following a Change in Control, 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 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; (C) Employee shall receive a lump sum amount equal to Employee's target annual incentive compensation opportunity at the rate of base annual salary and the target annual incentive compensation opportunity in effect immediately before such termination, prorated for the amount of time Employee was employed by the Company prior to the date of termination during such plan year ("**Target Incentive Compensation Payment**"); (D) in addition to the Target Incentive Compensation Payment, if the Actual Incentive Compensation Payment is more than the Target Incentive Compensation Payment, then Employee shall receive an additional lump sum payment equal to the difference between the Actual Incentive Compensation Payment and the Target Incentive Compensation Payment; and (E) 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 Confidential Separation and Release Agreement in favor of the Company and Releasees (as defined in the Release), 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 19 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 19 of the Release ("**Release Revocation Period**"); (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; and (iv) Employee has complied with the terms and conditions set forth in the Release. 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) Subject to Section 3, satisfaction of the conditions set forth in Section 2(c), and the last sentence of this Section 2(d), all payments under Section 2(a)(i)(A), Section 2(a)(ii)(A), and Section 2(a)(ii)(C) 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 payments under Section 2(a)(i)(A), Section 2(a)(ii)(A) and Section 2(a)(ii)(C) 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)(i)(A), Section 2(a)(ii)(A) and Section 2(a)(ii)(C) 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) Subject to Section 3, the satisfaction of the conditions set forth in Section 2(c), and the last sentence of this Section 2(e), the lump sum cash payments under Section 2(a)(i)(C) and Section 2(a)(ii)(D) shall be made once the Company's board of directors has determined and approved the payouts, if any, under the Company's annual incentive compensation plan for the applicable year and at the same time as payouts are made to other executive officers of the Company who are actively employed by the Company at the time. In any case, the lump sum cash payments under Section 2(a)(i)(C) and Section 2(a)(ii)(D) 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 its terms prior to expiration of such two and one-half month period. If the period of time covered by the entire allowed Release Consideration Period and the entire Release Revocation Period (considering such periods consecutively) begins in one calendar year and ends in the following calendar year, the lump sum cash payments under Section 2(a)(i)(C) and Section 2(a)(ii)(D) 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.

(f) 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(f) are not conditioned upon Employee's signing the Release and shall be made within the time period(s) required by applicable law.

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

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

(i) 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.
400 North Ashley Dr., Suite 300
Tampa, FL 33602
Attn: Chief People 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.]

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

AUTOWEB, INC.

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

EMPLOYEE

/s/ Glenn E. Fuller
Glenn E. Fuller

EXHIBIT A

CONFIDENTIAL SEPARATION AND RELEASE AGREEMENT

This Confidential Separation and Release Agreement (“**Release**”) is hereby entered into as of _____, 20__ (“**Release Signature Date**”) by and between Glenn E. Fuller for such person and such person’s spouse, family, heirs, agents and attorneys) (collectively and jointly, “**You**,” “**Your**,” or “**Employee**”), and AutoWeb, Inc., a Delaware corporation (for itself and its predecessors, successors, affiliates, directors, employees, shareholders, fiduciaries, insurers, employees and agents (collectively and jointly, “**AutoWeb**” or “**Company**”)(Employee and the Company being collectively referred to herein as the “**Parties**”).

Background

[Insert Description of Events Leading to Employment Termination]

This Release is entered into in connection with that certain Third Amended and Restated Severance Benefits Agreement dated effective as of March 3, 2021, by and between the Company and Employee (“**Severance Benefits Agreement**”) (this Release and the Severance Benefits Agreement are collectively referred to herein as the “**Severance and Release Agreements**”).

In order to implement the foregoing and for valuable consideration, receipt of which is hereby acknowledged, and in consideration of the representations, covenants, and releases contained herein, the parties hereto agree as follows.

1. Separation of Employment.

(a) The effective date of the termination of your employment with the Company is [____], 20[___] (“**Employment Termination Date**”). You have delivered your resignation 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.

(b) You will not perform any further duties, functions or services for the Company subsequent to the Employment Termination Date.

(c) You acknowledge that You shall continue to be governed by and subject to the Company’s Securities Trading Policy until such time as the Company notifies You that You are no longer governed by the policy and not subject to any trading blackouts or other restrictions.

2. Release Consideration.

(a) In exchange for Your promises and obligations in the Severance and Release Agreements, including the release of claims and covenant not to sue set forth in this Release, and provided that You sign and do not revoke this Release, You comply with the terms and conditions of this Release, and this Release becomes effective, the Company will pay You the amounts, and will provide You the benefits, due to You under the Severance Benefits Agreement (“**Release Consideration**”).

(b) 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 in the Severance Benefits Agreement) and, if no time is specified, within 5 business days after this Release becomes effective.

(c) All payments made pursuant to the Severance and Release Agreements will be subject to withholding of applicable federal, state and local payroll deductions and withholdings. Notwithstanding the foregoing, You are solely responsible and liable for the satisfaction of any federal, state, or local taxes that may arise with respect to the Severance and Release Agreements. Neither the Company nor any of its employees, directors, or service providers shall have any obligation whatsoever to pay any such taxes or interest, to prevent You from incurring them, or to mitigate or protect You from any such tax or interest liabilities.

(d) In addition to the payments and benefits under the Severance and Release Agreements, upon termination of Your employment with the Company, You shall receive any payments required by applicable law (including payments with respect to accrued and unused vacation time). Payments required under this Section 2(d) are not conditioned upon You signing this Release or upon this Release becoming effective and shall be made within the time period(s) required by applicable law.

(e) Other than the Release Consideration, You shall not be entitled to any additional payments or benefits from the Company resulting from a termination of Your employment with the Company or under any Company incentive compensation, commission or other plan or arrangement.

(f) To the extent you may have stock options to acquire common stock of the Company that are vested as of the Employment Termination Date, the effect of the termination of Your employment with the Company on your rights to exercise such stock options and on their termination, expiration or forfeiture shall be governed by the applicable plan and award agreements under which such stock options were granted.

3. Acknowledgement of Receipt of Amounts Due. You acknowledge and agree that You have received all payments, benefits or other compensation owed to You as a result of Your employment with the Company or Your separation from employment with the Company, and that the Company does not owe You any additional, payments, benefits or other compensation, including, but not limited to, wages, commissions, bonuses, incentive compensation, 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-Disclosure.

(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, sales commission and compensation plans and other confidential matters, except as necessary for compliance purposes and as required by applicable law, rule, regulation, legal process or order, including when required or requested pursuant to a court order, subpoena, or written request from an administrative agency or a legislature. 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 October 16, 2006 ("**Confidentiality Agreement**"), which shall survive and remain binding on You after the Employment Termination Date.

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

(c) In addition to Your obligations and restrictions under Section 5(a) above, You hereby agree that You may not, at any time, use the Company's trade secrets to (i) solicit business from any source, including the Company's customers or clients; or (ii) solicit any employee of the Company to leave Company's employ or induce a consultant to sever the consultant's relationship with Company. You represent and warrant that You have not engaged in any of the foregoing activities prior to the Release Signature Date. 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 Release Signature Date.

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. Notwithstanding the foregoing provisions of this Section 6, the foregoing provisions shall not be deemed to prevent or restrict You from disclosing factual information to the extent any such provisions are prohibited by applicable law with respect to any such disclosure of factual information.

7. Unconditional General Release of Claims.

(a) In consideration for the Release Consideration, and notwithstanding the provisions of Section 1542 of the Civil Code of California, You fully, finally and unconditionally waive, 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 collectively 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, and regardless of whether the knowledge thereof would have materially affected Your agreement to release the Company hereunder, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the Release Signature Date, 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 Release), wages, penalties, premiums, severance pay, vacation pay or any benefits, including 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 of 1967 ("**ADEA**"), the Older Worker Benefits Protection Act, the Americans With Disabilities Act of 1990, Sections 1981 through 1988 of Title 42 of the United States Code, the Fair Labor Standards Act, the Worker Adjustment and Retraining Notification Act, The Employee Retirement Income Security Act of 1974 ("**ERISA**"), The Immigration Reform and Control Act, The Fair Credit Reporting Act, The Equal Pay Act, The Genetic Information Nondiscrimination Act of 2008, The Families First Coronavirus Response Act, The Coronavirus Aid, Relief, and Economic Security Act, 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; any other federal, state or local law, rule, regulation, or ordinance, any public policy, contract, tort, or common law, or any basis for recovering costs, fees, or other expenses including attorneys' fees incurred in these matters; (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 common law or statutory torts, and any claims for costs, fees, or other expenses, including attorneys' fees; (v) any agreement, understanding or inducement, oral or written, express or implied, between You and any of the Releasees, including any employment agreement; and (vi) any other aspect of your employment or the termination of your employment, including any impairment of Your ability to obtain subsequent 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 Release Signature Date, including but limited to claims that You did not know or suspect to exist in Your favor at the time of Your 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 that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that known by him or her would have materially affected his or her settlement with the debtor or released party.”

(d) If any claim is not subject to release, to the extent permitted by law, You waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which the Company or any other Releasee identified in this Agreement is a party.

(e) This Release will not waive any rights You may have 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.

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

(g) This general release does not waive or release rights or claims arising after the Release Signature Date, including claims to enforce 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, administrative agency, arbitration or other alternative dispute resolution complaint, claim, or lawsuit, or any complaint or claim with the Company’s internal complaint process, involving any claims You have released in this Release, and You agree to withdraw any such complaints, claims or lawsuits You have filed, or were filed on your behalf, prior to the Release Signature Date. You agree if You breach this covenant, then You must pay the legal expenses incurred by any Releasee in defending against your claim, complaint or lawsuit, including reasonable attorneys’ fees, or, at the Company’s option, return everything paid to You under this Release. In that event, the Company shall be excused from making any further payments or continuing any other benefits otherwise owed to You under Section 2 of this Release. 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. Notwithstanding the foregoing provisions of this Section 10, to the extent any of the foregoing provisions of this Section 10 are void or unenforceable under applicable law, such provisions shall be deemed stricken from this Release and not enforceable.

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 Release are for convenience only and shall not control the meaning, effect, or construction of this Release. Time periods used in this Release shall mean calendar periods unless otherwise expressly indicated.

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: (i) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) 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: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

(b) You understand that this general release does not apply to those rights that as a matter of law cannot be waived. You further understand that nothing contained in this Agreement or in the Confidentiality Agreement limits Your ability to do any of the following: (i) file a claim for unemployment or workers' compensation insurance; (ii) 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, the California Department of Fair Employment and Housing, or any other federal, state or local governmental agency or commission ("**Government Agencies**"); (iii) 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; (iv) testify in an administrative, legislative, or judicial proceeding concerning alleged criminal conduct or sexual harassment on the part of the Company or any agent or employee of the Company when You are required or requested to attend the proceeding pursuant to a court order, subpoena, or written request from an administrative agency or a legislature; and (vii) receive an award for information provided to any Government Agencies, *provided*, however, You agree that if any claim is prosecuted in Your name before any court or administrative agency, You waive and agree not to take any damages from such suit.

17. **Entire Agreement.** You hereby acknowledge that no promise or inducement has been offered to You, except as expressly stated in the Severance and Release Agreements, and You are relying upon none. The Severance and Release Agreements 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. Exhibits, appendices, and schedules referred to herein and attached hereto, if any, are incorporated by reference into this Release and form a part hereof.

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 Severance Benefits Agreement).

19. **Period for Review and Consideration/Revocation Rights.**

[Alternative 1 for Section 19 if Employee is age 40 or over at time of separation from employment and separation from employment is NOT in connection with a group separation]

(a) This Release has been delivered to You by the Company on the Employment Termination Date (also referred to herein as the “**Release Delivery Date**”). So that You can review this Release as You deem appropriate, and in accordance with the Older Worker Benefits Protection Act, You acknowledge that You have the right to seek legal counsel and are advised by the Company to seek such counsel, before entering into this Release. You have been advised that this Release does not waive or release any rights or claims arising after You sign this Release. You further understand that You have twenty-one (21) days after the Release Delivery Date (“**Release Review Period**”) to decide whether to sign this Release, although You may sign this Release prior to the expiration of the Release Review Period if you so desire. Should You decide to sign this Release prior to the expiration of the Release Review Period, the date you sign this Release is referred to herein as the “**Release Signature Date.**” If You do not sign this Release prior to the expiration of the Release Review Period, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You do not sign this Release prior to the expiration of the Release Review Period, You will not be entitled to the Release Consideration.

(b) If You do sign this Release prior to the expiration of the Release Review Period, You also understand that You will have an additional seven (7) days after the Release Signature Date You sign this Release 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., 6410 Oak Canyon, Suite 250, Irvine, California 92618, on or before the seventh (7th) day after the Release Signature Date (or on the next business day if the seventh day is not a business day). You understand that this Release will not become effective or enforceable until after this seven (7) day revocation period has passed (the day after the expiration of this seven (7) day revocation period being referred to herein as the “**Release Effective Date**”). If You revoke this Release prior to the expiration of the seven (7) day revocation period, 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 Release Consideration.

[Alternative 2 for Section 19 if Employee is age 40 or over at time of separation from employment and separation from employment IS in connection with a group termination]

(a) This Release has been delivered to You by the Company on the Employment Termination Date (also referred to herein as the “**Release Delivery Date**”). So that You can review this Release as You deem appropriate, and in accordance with the Older Worker Benefits Protection Act, You acknowledge that You have the right to seek legal counsel and are advised by the Company to seek such counsel, before entering into this Release. You have been advised that this Release does not waive or release any rights or claims arising after You sign this Release. You further understand that You have forty-five (45) days after the Release Delivery Date (“**Release Review Period**”) to decide whether to sign this Release, although You may sign this Release prior to the expiration of the Release Review Period if you so desire. Should You decide to sign this Release prior to the expiration of the Release Review Period, the date you sign this Release is referred to herein as the “**Release Signature Date.**” If You do not sign this Release prior to the expiration of the Release Review Period, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You do not sign this Release prior to the expiration of the Release Review Period, You will not be entitled to the Release Consideration.

(b) If You do sign this Release prior to the expiration of the Release Review Period, You also understand that You will have an additional seven (7) days after the Release Signature Date You sign this Release 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., 6410 Oak Canyon, Suite 250, Irvine, California 92618, on or before the seventh (7th) day after the Release Signature Date (or on the next business day if the seventh day is not a business day). You understand that this Release will not become effective or enforceable until after this seven (7) day revocation period has passed (the day after the expiration of this seven (7) day revocation period being referred to herein as the "**Release Effective Date**"). If You revoke this Release prior to the expiration of the seven (7) day revocation period, 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 Release Consideration.

(c) 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. You acknowledge that: (i) the Company has advised You to consult with an attorney and/or tax advisor of Your choosing (and at Your own cost and expense) before executing this Release, and (ii) You are not relying upon the Company for, and the Company has not provided, legal or tax advice to You in connection with this Release. It is Your responsibility 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. You acknowledge that You have had a reasonable opportunity to seek and consider advice from Your attorney and tax advisors.

PLEASE READ THIS RELEASE 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 YOU.

AUTOWEB INC.

By: _____

(Officer Name)
(Title)

EMPLOYEE

Glenn E. Fuller

[If Applicable Under Section 19(c), Add Appendix A-Group Termination Information]

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 OPTIONEE AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN OPTIONEE SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY OPTIONEE 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 Optionee on the signature page hereto (“**Optionee**”).

Optionee has not previously been an employee or director of the Company. The Company has determined to offer employment to Optionee, and as an inducement material to Optionee’s decision to accept such employment offer, the Company determined to grant Optionee 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 Optionee 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 Optionee’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 Optionee 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 Optionee 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. Optionee may remit withholding payment following Option exercise through the use of broker assisted Option exercise. Optionee hereby agrees that the Company may withhold from Optionee'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 Optionee on exercise of the Options, up to Optionee'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 Optionee 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 Optionee 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) Optionee 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 Optionee's employment with Company, either by Optionee or Company, other than in the event of a termination of Optionee's employment by Company for Cause (as defined below), voluntary termination by Optionee without Good Reason (as defined below) or by reason of Optionee's death or Disability (as defined below). In the event the termination of Optionee's employment is by Company without Cause or by Optionee 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 Optionee 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) Optionee 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 Optionee is not entitled to exercise the Options at the date of termination of employment, or if Optionee 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 Optionee (“Severance Agreement”).

(ii) **Termination of Employment for Cause.** Upon the termination of Optionee’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 Optionee given as of the date of termination, authorize Optionee to exercise any vested portion of the Options for a period of up to thirty (30) days following Optionee’s termination of employment for Cause, provided that in no event may Optionee exercise the Options beyond the Option Expiration Date.

(iii) **Termination of Optionee’s Employment By Reason of Optionee’s Death.** In the event Optionee’s employment is terminated by reason of Optionee’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 Optionee’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 Optionee could exercise the Options at the date of termination.

(iv) **Termination of Optionee’s Employment By Reason of Optionee’s Disability.** In the event that Optionee ceases to be an employee by reason of Optionee’s Disability, unless the Options have been earlier terminated, Optionee (or Optionee’s attorney-in-fact, conservator or other representative on behalf of Optionee) 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 Optionee was otherwise entitled to exercise the Options at the date of such termination of employment. For purposes of this Agreement, “Disability” shall mean Optionee’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 Optionee 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 Optionee’s employment is terminated by Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause or by Optionee 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 Optionee 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 Optionee's employment with Company shall be superseded and governed by the provisions, if any, of a written employment or severance agreement between Optionee and Company or a severance plan of Company covering Optionee, 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 Optionee 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 Optionee'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) Optionee exercises any portion of the Options; or (ii) the effective date of any termination of Optionee's employment by the Company or by Optionee for any reason, Optionee 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 Optionee'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 Optionee 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 Optionee from exercising all or a portion of the Options at any time following the date that Optionee engaged in any such activity or conduct, as determined as of the time of exercise, shall be forfeited by Optionee and shall be paid by Optionee 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) Optionee'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 Optionee'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 Optionee'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 Optionee'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) Optionee 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 Optionee. Optionee represents and warrants that Optionee is acquiring the Options and will acquire the Shares for investment for Optionee'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, Optionee hereby agrees that Optionee will not sell, transfer, offer, pledge or hypothecate all or any part of the shares unless and until Optionee 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 Optionee as to the availability of such exemptions, then Optionee shall be required to deliver to the Company (1) an opinion of counsel (skilled in securities matters, selected by Optionee 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 Optionee provide the Company with written reconfirmation of Optionee'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 OPTIONEE AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN OPTIONEE SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY OPTIONEE 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 Optionee 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.** Optionee 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, Optionee 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 Optionee'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.
6410 Oak Canyon, Suite 250
Irvine, CA 92618
Attention: Chief Legal Officer

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

The Company or Optionee 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 Optionee'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 Optionee'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 Optionee, 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.** Optionee agrees that Company may impose, and Optionee 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: November 30, 2020

Total Options Awarded: 120,000

Exercise Price Per Share: \$3.22

Severance Benefits Agreement: Severance Benefits Agreement dated November 30, 2020

Vesting Schedule: (i) thirty-three and one-third percent (33 1/3%) of the Options (adjusted to avoid the vesting of fractional options) shall vest and become exercisable on the first anniversary of the Grant Date; and (ii) one thirty-sixth (1/36th) of the Options (adjusted monthly to avoid the vesting of fractional options in any month) shall vest and become exercisable on each successive monthly anniversary of the Grant Date thereafter for the following twenty-four (24) months, ending on the third anniversary of the Grant Date.

“Company”

AutoWeb, Inc., a Delaware corporation

By: /s/ Glenn E. Fuller

Glenn E. Fuller

Executive Vice President, Chief Legal Officer and Secretary

“Optionee”

By: /s/ Michael A. Sadowski

Michael A. Sadowski

AUTOWEB, INC.

AMENDED AND RESTATED SEVERANCE BENEFITS AGREEMENT

This Amended and Restated Severance Benefits Agreement (“**Agreement**”) entered into effective as of March 3, 2021, (“**Effective Date**”) between AutoWeb, Inc., a Delaware corporation (“**AutoWeb**” or “**Company**”), and Sara E. Partin (“**Employee**”).

Background

AutoWeb has determined that it is in its best interests to encourage Employee’s continued employment with, and dedication to the business of, AutoWeb, and as a result thereof, AutoWeb and Employee have previously entered into a Severance Benefits Agreement dated as of October 22, 2018 (“**Prior Severance Agreement**”). After consultation by the Compensation Committee of the Company’s Board of Directors with the committee’s independent compensation advisor to evaluate updated market and peer group data related to severance benefits for senior management, the Company has determined that it is in the Company’s best interests to amend the Prior Severance Agreement to provide for additional incentive to encourage Employee’s continued employment with AutoWeb and dedication to AutoWeb’s business.

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 October 22, 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 in 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 Senior Vice President, Chief People Officer of the Company.

(j) “Employee’s Primary Work Location” means [PERSONAL HOME ADDRESS REDACTED].

(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 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 twelve (12) months.

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

(p) “Termination Without Cause” means termination of Employee’s employment with the Company by the Company (i) for any reason other than (1) death, (2) Disability or (3) those reasons expressly set forth in the definition of “Cause,” (ii) for no reason at all, or (iii) in connection with or as a result of a Change in Control; provided, however, that a termination of Employee’s employment with the Company in connection with a Change in 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) (i) **Termination Not in Connection With or Within 18 Months of a Change in Control.** If before, or more than eighteen months following, a Change in Control there occurs (i) a Termination Without Cause, 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 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; (C) Employee shall receive the amount of Employee's annual incentive compensation plan payout for the annual incentive compensation plan year in which Employee's date of termination occurred, based on actual performance for the entire performance period and prorated for the amount of time Employee was employed by the Company prior to the date of termination during such plan year ("**Actual Incentive Compensation Payment**"); and (D) 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.

(ii) **Termination In Connection With or Within 18 Months of a Change in Control.** If upon, or within eighteen months following, a Change in Control there occurs (i) a Termination Without Cause, or (ii) the termination of Employee's employment with the Company by Employee for Good Reason, if the event giving rise to such Good Reason occurred within eighteen (18) months following a Change in Control, 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 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; (C) Employee shall receive a lump sum amount equal to Employee's target annual incentive compensation opportunity at the rate of base annual salary and the target annual incentive compensation opportunity in effect immediately before such termination, prorated for the amount of time Employee was employed by the Company prior to the date of termination during such plan year ("**Target Incentive Compensation Payment**"); (D) in addition to the Target Incentive Compensation Payment, if the Actual Incentive Compensation Payment is more than the Target Incentive Compensation Payment, then Employee shall receive an additional lump sum payment equal to the difference between the Actual Incentive Compensation Payment and the Target Incentive Compensation Payment; and (E) 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 Confidential Separation and Release Agreement in favor of the Company and Releasees (as defined the Release), 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 19 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 19 of the Release (“**Release Revocation Period**”); (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; and (iv) Employee has complied with the terms and conditions set forth in the Release. 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) Subject to Section 3, satisfaction of the conditions set forth in Section 2(c), and the last sentence of this Section 2(d), all payments under Section 2(a)(i)(A), Section 2(a)(ii)(A), and Section 2(a)(ii)(C) 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 payments under Section 2(a)(i)(A), Section 2(a)(ii)(A) and Section 2(a)(ii)(C) 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)(i)(A), Section 2(a)(ii)(A) and Section 2(a)(ii)(C) 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) Subject to Section 3, the satisfaction of the conditions set forth in Section 2(c), and the last sentence of this Section 2(e), the lump sum cash payments under Section 2(a)(i)(C) and Section 2(a)(ii)(D) shall be made once the Company’s board of directors has determined and approved the payouts, if any, under the Company’s annual incentive compensation plan for the applicable year and at the same time as payouts are made to other executive officers of the Company who are actively employed by the Company at the time. In any case, the lump sum cash payments under Section 2(a)(i)(C) and Section 2(a)(ii)(D) 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 its terms prior to expiration of such two and one-half month period. If the period of time covered by the entire allowed Release Consideration Period and the entire Release Revocation Period (considering such periods consecutively) begins in one calendar year and ends in the following calendar year, the lump sum cash payments under Section 2(a)(i)(C) and Section 2(a)(ii)(D) 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.

(f) 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(f) are not conditioned upon Employee's signing the Release and shall be made within the time period(s) required by applicable law.

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

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

(i) 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.
400 North Ashley Dr., Suite 300
Tampa, FL 33602
Attn: Chief Legal 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 Florida without giving effect to such State's choice of law rules. This Agreement is deemed to be entered into entirely in the State of Florida. 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.]

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

AUTOWEB, INC.

By: /s/ Glenn E. Fuller
Glenn E. Fuller
Executive Vice President,
Chief Legal Officer and Secretary

EMPLOYEE

/s/ Sara E. Partin
Sara E. Partin

EXHIBIT A

CONFIDENTIAL SEPARATION AND RELEASE AGREEMENT

This Confidential Separation and Release Agreement (“**Release**”) is hereby entered into as of _____, 20__ (“**Release Signature Date**”) by and between Sara E. Partin (for such person and such person’s spouse, family, heirs, agents and attorneys) (collectively and jointly, “**You**,” “**Your**,” or “**Employee**”), and AutoWeb, Inc., a Delaware corporation (for itself and its predecessors, successors, affiliates, directors, employees, shareholders, fiduciaries, insurers, employees and agents (collectively and jointly, “**AutoWeb**” or “**Company**”)(Employee and the Company being collectively referred to herein as the “**Parties**”).

Background

[Insert Description of Events Leading to Employment Termination]

This Release is entered into in connection with that certain Amended and Restated Severance Benefits Agreement dated effective as of March 3, 2021, by and between the Company and Employee (“**Severance Benefits Agreement**”) (this Release and the Severance Benefits Agreement are collectively referred to herein as the “**Severance and Release Agreements**”).

In order to implement the foregoing and for valuable consideration, receipt of which is hereby acknowledged, and in consideration of the representations, covenants, and releases contained herein, the parties hereto agree as follows.

1. Separation of Employment.

(a) The effective date of the termination of your employment with the Company is [____], 20[___] (“**Employment Termination Date**”). You have delivered your resignation 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.

(b) You will not perform any further duties, functions or services for the Company subsequent to the Employment Termination Date.

(c) You acknowledge that You shall continue to be governed by and subject to the Company’s Securities Trading Policy until such time as the Company notifies You that You are no longer governed by the policy and not subject to any trading blackouts or other restrictions.

2. Release Consideration.

(a) In exchange for Your promises and obligations in the Severance and Release Agreements, including the release of claims and covenant not to sue set forth in this Release, and provided that You sign and do not revoke this Release, You comply with the terms and conditions of this Release, and this Release becomes effective, the Company will pay You the amounts, and will provide You the benefits, due to You under the Severance Benefits Agreement (“**Release Consideration**”).

(b) 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 in the Severance Benefits Agreement) and, if no time is specified, within 5 business days after this Release becomes effective.

(c) All payments made pursuant to the Severance and Release Agreements will be subject to withholding of applicable federal, state and local payroll deductions and withholdings. Notwithstanding the foregoing, You are solely responsible and liable for the satisfaction of any federal, state, or local taxes that may arise with respect to the Severance and Release Agreements. Neither the Company nor any of its employees, directors, or service providers shall have any obligation whatsoever to pay any such taxes or interest, to prevent You from incurring them, or to mitigate or protect You from any such tax or interest liabilities.

(d) In addition to the payments and benefits under the Severance and Release Agreements, upon termination of Your employment with the Company, You shall receive any payments required by applicable law (including payments with respect to accrued and unused vacation time). Payments required under this Section 2(d) are not conditioned upon You signing this Release or upon this Release becoming effective and shall be made within the time period(s) required by applicable law.

(e) Other than the Release Consideration, You shall not be entitled to any additional payments or benefits from the Company resulting from a termination of Your employment with the Company or under any Company incentive compensation, commission or other plan or arrangement.

(f) To the extent you may have stock options to acquire common stock of the Company that are vested as of the Employment Termination Date, the effect of the termination of Your employment with the Company on your rights to exercise such stock options and on their termination, expiration or forfeiture shall be governed by the applicable plan and award agreements under which such stock options were granted.

3. Acknowledgement of Receipt of Amounts Due. You acknowledge and agree that You have received all payments, benefits or other compensation owed to You as a result of Your employment with the Company or Your separation from employment with the Company, and that the Company does not owe You any additional, payments, benefits or other compensation, including, but not limited to, wages, commissions, bonuses, incentive compensation, 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-Disclosure.

(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, sales commission and compensation plans and other confidential matters, except as necessary for compliance purposes and as required by applicable law, rule, regulation, legal process or order, including when required or requested pursuant to a court order, subpoena, or written request from an administrative agency or a legislature. 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 October 22, 2018 (“**Confidentiality Agreement**”), which shall survive and remain binding on You after the Employment Termination Date.

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

(c) In addition to Your obligations and restrictions under Section 5(a) above, You hereby agree that You may not, at any time, use the Company’s trade secrets to (i) solicit business from any source, including the Company’s customers or clients; or (ii) solicit any employee of the Company to leave Company’s employ or induce a consultant to sever the consultant’s relationship with Company. You represent and warrant that You have not engaged in any of the foregoing activities prior to the Release Signature Date. 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 Release Signature Date.

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. Notwithstanding the foregoing provisions of this Section 6, the foregoing provisions shall not be deemed to prevent or restrict You from disclosing factual information to the extent any such provisions are prohibited by applicable law with respect to any such disclosure of factual information.

7. Unconditional General Release of Claims.

(a) In consideration for the Release Consideration, You fully, finally and unconditionally waive, 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 collectively 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, and regardless of whether the knowledge thereof would have materially affected Your agreement to release the Company hereunder, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the Release Signature Date, 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 Release), wages, penalties, premiums, severance pay, vacation pay or any benefits, including 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 of 1967 ("**ADEA**"), the Older Worker Benefits Protection Act, the Americans With Disabilities Act of 1990, Sections 1981 through 1988 of Title 42 of the United States Code, the Fair Labor Standards Act, the Worker Adjustment and Retraining Notification Act, The Employee Retirement Income Security Act of 1974 ("**ERISA**"), The Immigration Reform and Control Act, The Fair Credit Reporting Act, The Equal Pay Act, The Genetic Information Nondiscrimination Act of 2008, The Families First Coronavirus Response Act, The Coronavirus Aid, Relief, and Economic Security Act, The Florida Civil Rights Act – Fla. Stat. § 760.01, *et seq.*, Florida's Private-Sector Whistle-blower's Act – Fla. Stat. § 448.101, *et seq.*, Florida's Statutory Provision Regarding Retaliation/Discrimination for Filing a Workers Compensation Claim – Fla. Stat. § 440.205, Florida's Statutory Provision Regarding Wage Rate Discrimination Based on Sex – Fla. Stat. § 448.07, The Florida Equal Pay Act – Fla. Stat. § 725.07, The Florida Omnibus AIDS Act – Fla. Stat. § 760.50, Florida's Statutory Provisions Regarding Employment Discrimination on the Basis of and Mandatory Screening or Testing for Sickle-Cell Trait – Fla. Stat. §§ 448.075, 448.076, Florida's Wage Payment Laws, Fla. Stat. §§ 448.01, 448.08, Florida's Domestic Violence Leave Act – Fla. Stat. §741.313, Florida's Preservation & Protection of Right to Keep & Bear Arms in Motor Vehicles Act – Fla. Stat. §790.251, Florida's Statutory Provision Regarding Termination of Employees who Testify in Judicial Proceedings – Fla. Stat. § 92.57, Florida's General Labor Regulations, Fla. Stat. ch. 448; any other federal, state or local law, rule, regulation, or ordinance, any public policy, contract, tort, or common law, or any basis for recovering costs, fees, or other expenses including attorneys' fees incurred in these matters; (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 common law or statutory torts, and any claims for costs, fees, or other expenses, including attorneys' fees; (v) any agreement, understanding or inducement, oral or written, express or implied, between You and any of the Releasees, including any employment agreement; and (vi) any other aspect of your employment or the termination of your employment, including any impairment of Your ability to obtain subsequent employment.

(c) If any claim is not subject to release, to the extent permitted by law, You waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which the Company or any other Releasee identified in this Agreement is a party.

(d) This Release will not waive any rights You may have 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 the Release Signature Date, including claims to enforce 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, administrative agency, arbitration or other alternative dispute resolution complaint, claim, or lawsuit, or any complaint or claim with the Company's internal complaint process, involving any claims You have released in this Release, and You agree to withdraw any such complaints, claims or lawsuits You have filed, or were filed on your behalf, prior to the Release Signature Date. You agree if You breach this covenant, then You must pay the legal expenses incurred by any Releasee in defending against your claim, complaint or lawsuit, including reasonable attorneys' fees, or, at the Company's option, return everything paid to You under this Release. In that event, the Company shall be excused from making any further payments or continuing any other benefits otherwise owed to You under Section 2 of this Release. 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. Notwithstanding the foregoing provisions of this Section 10, to the extent any of the foregoing provisions of this Section 10 are void or unenforceable under applicable law, such provisions shall be deemed stricken from this Release and not enforceable.

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 Florida 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 Release are for convenience only and shall not control the meaning, effect, or construction of this Release. Time periods used in this Release shall mean calendar periods unless otherwise expressly indicated.

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: (i) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) 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: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

(b) You understand that this general release does not apply to those rights that as a matter of law cannot be waived. You further understand that nothing contained in this Agreement or in the Confidentiality Agreement limits Your ability to do any of the following: (i) file a claim for unemployment or workers' compensation insurance; (ii) 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**"); (iii) 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; (iv) testify in an administrative, legislative, or judicial proceeding concerning alleged criminal conduct or sexual harassment on the part of the Company or any agent or employee of the Company when You are required or requested to attend the proceeding pursuant to a court order, subpoena, or written request from an administrative agency or a legislature; and (vii) receive an award for information provided to any Government Agencies, *provided*, however, You agree that if any claim is prosecuted in Your name before any court or administrative agency, You waive and agree not to take any damages from such suit.

17. **Entire Agreement.** You hereby acknowledge that no promise or inducement has been offered to You, except as expressly stated in the Severance and Release Agreements, and You are relying upon none. The Severance and Release Agreements 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. Exhibits, appendices, and schedules referred to herein and attached hereto, if any, are incorporated by reference into this Release and form a part hereof.

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 Severance Benefits Agreement).

19. **Period for Review and Consideration/Revocation Rights.**

[Alternative 1 for Section 19 regardless of Employee's age at time of separation from employment and separation from employment is NOT in connection with a group separation]

(a) This Release has been delivered to You by the Company on the Employment Termination Date (also referred to herein as the "**Release Delivery Date**"). So that You can review this Release as You deem appropriate, and in accordance with the Older Worker Benefits Protection Act, You acknowledge that You have the right to seek legal counsel and are advised by the Company to seek such counsel, before entering into this Release. You have been advised that this Release does not waive or release any rights or claims arising after You sign this Release. You further understand that You have twenty-one (21) days after the Release Delivery Date ("**Release Review Period**") to decide whether to sign this Release, although You may sign this Release prior to the expiration of the Release Review Period if you so desire. Should You decide to sign this Release prior to the expiration of the Release Review Period, the date you sign this Release is referred to herein as the "**Release Signature Date**." If You do not sign this Release prior to the expiration of the Release Review Period, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You do not sign this Release prior to the expiration of the Release Review Period, You will not be entitled to the Release Consideration.

(b) If You do sign this Release prior to the expiration of the Release Review Period, You also understand that You will have an additional seven (7) days after the Release Signature Date You sign this Release 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., 6410 Oak Canyon, Suite 250, Irvine, California 92618, on or before the seventh (7th) day after the Release Signature Date (or on the next business day if the seventh day is not a business day). You understand that this Release will not become effective or enforceable until after this seven (7) day revocation period has passed (the day after the expiration of this seven (7) day revocation period being referred to herein as the "**Release Effective Date**"). If You revoke this Release prior to the expiration of the seven (7) day revocation period, 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 Release Consideration.

[Alternative 2 for Section 19 if Employee is age 40 or over at time of separation from employment and separation from employment IS in connection with a group termination]

(a) This Release has been delivered to You by the Company on the Employment Termination Date (also referred to herein as the “**Release Delivery Date**”). So that You can review this Release as You deem appropriate, and in accordance with the Older Worker Benefits Protection Act, You acknowledge that You have the right to seek legal counsel and are advised by the Company to seek such counsel, before entering into this Release. You have been advised that this Release does not waive or release any rights or claims arising after You sign this Release. You further understand that You have forty-five (45) days after the Release Delivery Date (“**Release Review Period**”) to decide whether to sign this Release, although You may sign this Release prior to the expiration of the Release Review Period if you so desire. Should You decide to sign this Release prior to the expiration of the Release Review Period, the date you sign this Release is referred to herein as the “**Release Signature Date.**” If You do not sign this Release prior to the expiration of the Release Review Period, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You do not sign this Release prior to the expiration of the Release Review Period, You will not be entitled to the Release Consideration.

(b) If You do sign this Release prior to the expiration of the Release Review Period, You also understand that You will have an additional seven (7) days after the Release Signature Date You sign this Release 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., 6410 Oak Canyon, Suite 250, Irvine, California 92618, on or before the seventh (7th) day after the Release Signature Date (or on the next business day if the seventh day is not a business day). You understand that this Release will not become effective or enforceable until after this seven (7) day revocation period has passed (the day after the expiration of this seven (7) day revocation period being referred to herein as the “**Release Effective Date**”). If You revoke this Release prior to the expiration of the seven (7) day revocation period, 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 Release Consideration.

(c) 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. You acknowledge that: (i) the Company has advised You to consult with an attorney and/or tax advisor of Your choosing (and at Your own cost and expense) before executing this Release, and (ii) You are not relying upon the Company for, and the Company has not provided, legal or tax advice to You in connection with this Release. It is Your responsibility 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. You acknowledge that You have had a reasonable opportunity to seek and consider advice from Your attorney and tax advisors.

PLEASE READ THIS RELEASE 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 YOU.

AUTOWEB INC.

By: _____
(Officer Name)
(Title)

EMPLOYEE

Sara E. Partin

[If Applicable Under Section 19(c), Add Appendix A-Group Termination Information]

SUBSIDIARIES OF AUTOWEB, INC.

<u>Subsidiary Name</u>	<u>Jurisdiction of Incorporation</u>
Autobytel, 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 in the Registration Statement Form S-3 No. 333-249876 and Registration Statements Form S-8 Nos. 333-168834, 333-197325, 333-212910, 333-226519, and 333-226520 of our report dated March 11, 2021 (which expresses an unqualified opinion and includes an explanatory paragraph relating to a change in the method of accounting for leases in 2019), 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, 2020.

/s/ Moss Adams LLP

San Diego, California
March 11, 2021

**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 annual 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 11, 2021

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, Michael Sadowski, certify that:

1. I have reviewed this annual 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 11, 2021

By: /s/ Michael Sadowski
Michael Sadowski
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, 2020 (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 11, 2021

By: /s/ Jared R. Rowe
Jared R. Rowe
Chief Executive Officer

Date: March 11, 2021

By: /s/ Michael Sadowski
Michael Sadowski
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.
