

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

Form 10-Q

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

For the quarterly period ended March 31, 2018

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 Number)

18872 MacArthur Boulevard, Suite 200, Irvine,  
California  
(Address of principal executive offices)

92612  
(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller  
reporting company)

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 pursuant to Section 13(a) of the Exchange Act.

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

As of May 7, 2018, there were 12,886,225 shares of the Registrant's Common Stock, \$0.001 par value, outstanding.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**AUTOWEB, INC.**  
**UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS**  
(Amounts in thousands, except share and per-share data)

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15,159	\$ 24,993
Short-term investment	255	254
Accounts receivable, net of allowances for bad debts and customer credits of \$857 and \$892 at March 31, 2018 and December 31, 2017, respectively	25,024	25,911
Prepaid expenses and other current assets	1,667	1,805
Total current assets	<u>42,105</u>	<u>52,963</u>
Property and equipment, net	4,070	4,311
Investments	100	100
Intangible assets, net	27,426	29,113
Goodwill	—	5,133
Long-term deferred tax asset	—	692
Other assets	1,269	601
Total assets	<u>\$ 74,970</u>	<u>\$ 92,913</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 5,984	\$ 7,083
Accrued employee-related benefits	1,925	2,411
Other accrued expenses and other current liabilities	7,473	7,252
Current convertible note payable	1,000	—
Total current liabilities	<u>16,382</u>	<u>16,746</u>
Convertible note payable	—	1,000
Borrowings under revolving credit facility	—	8,000
Total liabilities	<u>16,382</u>	<u>25,746</u>
Commitments and contingencies (Note 10)	—	—
Stockholders' equity:		
Preferred stock, \$0.001 par value, 11,445,187 shares authorized Series A Preferred stock, none issued and outstanding	—	—
Common stock, \$0.001 par value; 55,000,000 shares authorized and 12,896,225 and 13,059,341 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	13	13
Additional paid-in capital	357,754	356,054
Accumulated deficit	(299,179)	(288,900)
Total stockholders' equity	<u>58,588</u>	<u>67,167</u>
Total liabilities and stockholders' equity	<u>\$ 74,970</u>	<u>\$ 92,913</u>

*See accompanying notes to unaudited consolidated condensed financial statements.*

**AUTOWEB, INC.**  
**UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME (LOSS)**  
**(Amounts in thousands, except per-share data)**

	Three Months Ended	
	March 31,	
	2018	2017
Revenues:		
Lead fees	\$ 24,080	\$ 29,092
Advertising	8,087	7,969
Other revenues	182	280
Total revenues	<u>32,349</u>	<u>37,341</u>
Cost of revenues	<u>24,659</u>	<u>24,430</u>
Gross profit	7,690	12,911
Operating expenses:		
Sales and marketing	3,712	3,763
Technology support	3,385	3,253
General and administrative	4,575	3,457
Depreciation and amortization	1,160	1,229
Goodwill impairment	5,133	—
Total operating expenses	<u>17,965</u>	<u>11,702</u>
Operating income (loss)	(10,275)	1,209
Interest and other income (expense), net	—	(100)
Income (loss) before income tax provision	<u>(10,275)</u>	<u>1,109</u>
Income tax provision	4	625
Net income (loss) and comprehensive income (loss)	<u>\$ (10,279)</u>	<u>\$ 484</u>
Basic earnings (loss) per common share	<u>\$ (0.81)</u>	<u>\$ 0.04</u>
Diluted earnings (loss) per common share	<u>\$ (0.81)</u>	<u>\$ 0.04</u>

*See accompanying notes to unaudited consolidated condensed financial statements.*

**AUTOWEB, INC.**  
**UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$ (10,279)	\$ 484
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,179	1,841
Provision for bad debts	69	43
Provision for customer credits	65	94
Share-based compensation	1,626	1,011
Change in deferred tax asset	692	334
Goodwill impairment	5,133	—
Changes in assets and liabilities:		
Accounts receivable	753	4,980
Prepaid expenses and other current assets	137	16
Other assets	(668)	44
Accounts payable	(1,099)	(2,527)
Accrued expenses and other current liabilities	(265)	(2,858)
Net cash (used in) provided by operating activities	<u>(1,657)</u>	<u>3,462</u>
Cash flows from investing activities:		
Purchases of property and equipment	(250)	(163)
Net cash used in investing activities	<u>(250)</u>	<u>(163)</u>
Cash flows from financing activities:		
Payments on term loan borrowings	—	(2,625)
Proceeds from exercise of stock options	73	457
Payments on revolving credit facility	(8,000)	—
Net cash used in financing activities	<u>(7,927)</u>	<u>(2,168)</u>
Net (decrease) increase in cash and cash equivalents	(9,834)	1,131
Cash and cash equivalents, beginning of period	24,993	38,512
Cash and cash equivalents, end of period	<u>\$ 15,159</u>	<u>\$ 39,643</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ —	\$ —
Cash paid for interest	<u>\$ 73</u>	<u>\$ 356</u>

*See accompanying notes to unaudited consolidated condensed financial statements.*

**AUTOWEB, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**1. Organization and Operations**

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

The Company’s consumer-facing automotive websites (“**Company Websites**”) provide consumers with information and tools to aid them with their automotive purchase decisions and gives in-market consumers the ability to connect with Dealers regarding purchasing or leasing vehicles. These consumers are connected to Dealers via the Company’s various programs for online lead referrals (“**Leads**”). The Company’s AutoWeb® consumer traffic referral product engages with car buyers from AutoWeb’s network of automotive websites and uses our proprietary technology to present them with highly relevant offers based on their make and model of interest and their geographic location. The Company then directs these in-market consumers to key areas of a Dealer’s or Manufacturer’s website to maximize conversion for sales, service or other products or services.

The Company was incorporated in Delaware on May 17, 1996. Its principal corporate offices are located in Irvine, California. The Company’s common stock is listed on The Nasdaq Capital Market under the symbol AUTO.

On October 9, 2017, the Company changed its name from Autobytel Inc. to AutoWeb, Inc., assuming the name of AutoWeb, Inc., which was the name of the company that the Company acquired in October 2015. In connection with this name change, the Company changed its stock ticker symbol from “ABTL” to “AUTO” on The Nasdaq Capital Market.

**2. Basis of Presentation**

The accompanying unaudited consolidated condensed financial statements are presented on the same basis as the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (“**2017 Form 10-K**”) filed with the Securities and Exchange Commission (“**SEC**”). AutoWeb has made its disclosures in accordance with U.S. generally accepted accounting principles (“**GAAP**”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. Certain amounts have been reclassified from the prior year presentation to conform to the current year presentation. The consolidated condensed statements of operations and comprehensive income (loss) and cash flows for the periods ended March 31, 2018 and 2017 are not necessarily indicative of the results of operations or cash flows expected for the year or any other period. The unaudited consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the 2017 Form 10-K.

**3. Recent Accounting Pronouncements**

*Issued but not yet adopted by the Company*

*Accounting Standards Codification 220 “Comprehensive Income.”* In February 2018, Accounting Standards Update (“**ASU**”) 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” was issued. The new guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (“**TCJA**”) and will improve the usefulness of information reported to financial statement users. The ASU will take effect for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company does not believe this ASU will have a material effect on the consolidated financial statements and related disclosures.

*Accounting Standards Codification 842 “Leases.”* In February 2016, ASU No. 2016-02, “Leases (Topic 842)” was issued. This ASU will require lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases of terms more than 12 months. The ASU will require both capital and operating leases to be recognized on the balance sheet. Qualitative and quantitative disclosures will also be required to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. In January 2018, ASU No. 2018-01, “Land Easement Practical Expedient for Transition to Topic 842” was issued. This ASU permits an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity’s adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. The ASU will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company expects this standard will have a material effect on its consolidated financial statements due to the recognition of new right-of-use assets and lease liabilities on its balance sheet for real estate and equipment operating leases. The Company continues to evaluate the effect this guidance will have on the consolidated financial statements and related disclosures.

#### **Recently adopted by the Company**

*Accounting Standards Codification 606 “Revenue from Contracts with Customers.”* In May 2014, ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” was issued. This ASU requires the use of a five-step methodology to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the ASU requires enhanced disclosure regarding revenue recognition.

The standard permits the use of either the retrospective or cumulative effect transition method (modified retrospective method). The Company adopted the ASU on a modified retrospective transition method on January 1, 2018 and will apply ASC 606 to the most current period presented in the financial statements issued subsequent to the adoption date. The Company did not record a cumulative adjustment to retained earnings as of January 1, 2018 since the Company was recognizing revenue consistent with the provisions of ASC 606 and any adjustment would have been deemed immaterial. In preparation for adoption of the standard, the Company implemented internal controls to enable the preparation of financial information and has reached conclusions on key accounting assessments related to the standard, including that accounting for variable consideration is immaterial.

The Company adopted the standard through the application of the portfolio approach and selected a sample of customer contracts to assess under the guidance of the new standard that are characteristically representative of each revenue stream. The Company completed its review of the sample contracts, and there was no significant change to the pattern or timing of revenue recognition as a result of adopting the new standard.

*Accounting Standards Codification 805 “Business Combinations.”* In January 2017, ASU No. 2017-01, “Clarifying the Definition of a Business” was issued. This ASU provides a more robust framework to use in determining when a set of assets and activities is a business. The amendments in this ASU are effective for annual periods beginning after December 15, 2017, and interim periods within those periods. The Company adopted this ASU on January 1, 2018 and it did not have a material effect on the consolidated financial statements.

*Accounting Standards Codification 718 “Compensation – Stock Compensation.”* In May 2017, ASU No. 2017-09, “Scope of Modification Accounting” was issued. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should apply this ASU on a prospective basis for an award modified on or after the adoption date for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company adopted this ASU on January 1, 2018 and it did not have a material effect on the consolidated financial statements.

#### **4. Revenue Recognition**

Revenue is recognized upon transfer of control of promised goods or services to our customers, or when performance obligations under contract have been satisfied, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Further, under ASC 606, contract assets or contract liabilities that arise from a past performance but require a further performance obligation to be satisfied as a condition of settlement must be identified and recorded on the balance sheet until respectively settled.

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, we satisfy a performance obligation.

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### *Accounting Policy - Revenue Recognition*

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. We record revenue on distinct performance obligations at a single point in time, when control is transferred to the customer, which is consistent with past practice.

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

- Lead fees - paid by Dealers and Manufacturers participating in the Company's Lead programs and are comprised of Lead transaction and/or monthly subscription fees. Lead fees are recognized in the period when service is provided.
- Advertising - fees paid by Dealers and Manufacturers for 1) display advertising on our website and 2) fees from our clicks program. Revenue is recognized in the period advertisements are displayed on our websites or the period in which clicks have been delivered, as applicable. The Company recognizes gross revenue from the delivery of action-based ads in the period in which a user takes the action for which the marketer contracted with us. For advertising revenue arrangements where we are not the principal, we recognize revenue on a net basis.
- Other Revenues - consists primarily of revenues from our mobile products and revenues from our Reseller Agreement entered into with SaleMove, Inc. Revenue is recognized in the period in which products or services are sold.

### *Variable Consideration*

The Company's products, namely Leads, are generally sold with a right-of-return for services that do not meet customer requirements as specified by the contract. Rights-of-return are estimable, and provisions for estimated returns are recorded as a reduction in revenue by the Company in the period revenue is recognized, and thereby accounted for as variable consideration. We include the allowance for customer credits in our net accounts receivable balances on the Company's balance sheet at period end, which is consistent with past practice. Allowance for customer credits totaled \$186,000 and \$213,000 as of March 31, 2018 and December 31, 2017, respectively.

See further discussion below on Significant Judgments exercised by the Company in regards to variable consideration.

### *Contract Assets and Contract Liabilities*

#### *Unbilled Revenue*

Timing of revenue recognition may differ from the timing of invoicing to customers. We record 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 but not-yet invoiced, for which we have satisfied contract performance obligation and have a right to receive payment. These receivable balances are driven by the timing of administrative transaction processing, rather than indicative of partially complete performance obligations, or unbilled revenue, which represents revenue that is partially earned, control of promised services has not yet transferred to the customer and for which we have not earned complete right to payment.

#### *Deferred Revenue*

We defer the recognition of revenue when cash payments are received or due in advance of satisfying our performance obligations, including amounts which are refundable. Such activity is not a common practice of operation.



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Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days from date of invoice.

### *Practical Expedients and Exemptions*

We exclude from the transaction price all sales taxes related to revenue producing transactions collected from the customer for a governmental authority.

We apply 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 on the financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio.

We generally expense 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 traffic referrals and online advertising products and services. Properly accounting for revenue generated by these digital marketing activities, as well as any related assets and liabilities that may arise in conjunction with these activities, requires management to exercise significant judgment:

- *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. The Company sometimes may also provide other customer credits or sales incentives which 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 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. 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. Customer credits are included in the net accounts receivable balance of the Company's balance sheets as of March 31, 2018 and December 31, 2017.

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

### *Disaggregation of Revenue*

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

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The following table summarizes revenue from contracts with customers, disaggregated by revenue source, for the three months ended March 31, 2018 and 2017. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

	Three Months Ended March 31,	
	2018	2017
	<i>(in thousands)</i>	
Lead fees	\$ 24,080	\$ 29,092
Advertising		
Clicks	6,691	6,514
Display and other advertising	1,396	1,455
Other revenues	182	280
Total revenue	<u>\$ 32,349</u>	<u>\$ 37,341</u>

**5. Net Earnings (Loss) Per Share and Stockholders' Equity**

Basic net earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period, excluding any unvested restricted stock. 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 methods, during the period. Potential common shares consist of unvested restricted stock and 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 per share for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Basic Shares:		
Weighted average common shares outstanding	13,010,948	11,025,864
Weighted average unvested restricted stock	(393,890)	(116,667)
Basic Shares	<u>12,617,058</u>	<u>10,909,197</u>
Diluted Shares:		
Basic shares	12,617,058	10,909,197
Weighted average dilutive securities	—	2,399,938
Diluted Shares	<u>12,617,058</u>	<u>13,309,135</u>

For the three months ended March 31, 2018, the Company's basic and diluted net loss per share are the same since the Company generated a net loss for the period and potentially dilutive securities are excluded from diluted net loss per share because they have an anti-dilutive impact. For the three months ended March 31, 2017, weighted average dilutive securities included dilutive options, restricted stock awards, and the convertible note issued in connection with the acquisition of AutoWeb, Inc. ("AWI").

For the three months ended March 31, 2018 and 2017, 3.0 million and 2.2 million of potentially anti-dilutive securities related to common stock have been excluded from the calculation of diluted net earnings per share, respectively.

On September 6, 2017, the Company announced that its board of directors authorized the Company to repurchase up to \$3.0 million of the Company's common stock. Under the repurchase program, the Company may repurchase common stock from time to time on the open market or in private transactions. This authorization does not require the Company to purchase a specific number of shares, and the board of directors may suspend, modify or terminate the program at any time. The Company will fund future repurchases, if any, through the use of available cash. No shares were repurchased during the three months ended March 31, 2018 and 2017. As of March 31, 2018, \$2.3 million remains available for the Company to repurchase common stock.

On June 22, 2017, the Company obtained stockholder approval for the issuance of shares of the Company's common stock upon (i) the conversion of the Company's then outstanding Series B Junior Participating Convertible Preferred Stock, par value \$0.001 per share ("**Series B Preferred Stock**"); and (ii) the conversion of shares of Series B Preferred Stock that would be issued upon exercise of the AWI Warrant (described below). Upon obtaining stockholder approval for the conversion, each outstanding share of Series B Preferred Stock was automatically converted into 10 shares of the Company's common stock, which resulted in the outstanding shares of Series B Preferred Stock being converted into 1,680,070 shares of the Company's common stock, and the AWI Warrant converted into warrants to acquire up to 1,482,400 shares of the Company's common stock.

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**Warrants.** The warrant to purchase 69,930 shares of the Company's common stock issued in connection with the acquisition of AutoUSA was valued at \$7.35 per share for a total value of \$0.5 million ("**AutoUSA Warrant**"). The Company used an option pricing model to determine the value of the AutoUSA Warrant. Key assumptions used in valuing the AutoUSA Warrant are as follows: risk-free rate of 1.6%, stock price volatility of 65.0% and a term of 5.0 years. The AutoUSA Warrant was valued based on long-term stock price volatilities of the Company. The exercise price of the AutoUSA Warrant is \$14.30 per share (as may be adjusted for stock splits, stock dividends, combinations and other similar events). The AutoUSA Warrant became exercisable on January 13, 2017 and expires on January 13, 2019.

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 becomes exercisable on October 1, 2018, subject to the following vesting conditions: (i) with respect to the first one-third (1/3) 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 for the preceding 30 trading days (adjusted for any stock splits, stock dividends, reverse stock splits or combinations of the Company's common stock occurring after the issuance date) ("**Weighted Average Closing Price**") is at or above \$30.00; (ii) with respect to the second one-third (1/3) 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 (1/3) 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.

### 6. Share-Based Compensation

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

	Three Months Ended March 31,	
	2018	2017
	<i>(in thousands)</i>	
Share-based compensation expense:		
Cost of revenues	\$ 15	\$ 20
Sales and marketing	225	412
Technology support	153	128
General and administrative (1)	1,234	452
Share-based compensation costs	1,627	1,012
Amount capitalized to internal use software	1	1
Total share-based compensation costs	\$ 1,626	\$ 1,011

- (1) Certain awards were modified in connection with the termination of the Company's former Chief Executive Officer's employment by the Company and their vesting accelerated in accordance with the terms of the applicable award agreements. The total expense related to the acceleration of vested awards was approximately \$0.8 million in the three months ended March 31, 2018.

**Service-Based Options.** The Company granted the following service-based options for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Number of service-based options granted	1,500	319,250
Weighted average grant date fair value	\$ 4.30	\$ 6.91
Weighted average exercise price	\$ 8.19	\$ 13.81

These options are valued using a Black-Scholes option pricing model and generally vest one-third on the first anniversary of the grant date and ratably over twenty-four months thereafter. The vesting of these awards is contingent upon the employee's continued employment with the Company during the vesting period and vesting may be accelerated in the event of a change in control of the Company.

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*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 are subject to both stock price-based and service-based vesting requirements that must be satisfied for the Former CEO Market Condition Options to vest and become exercisable. The Former CEO Market Condition Options provide that the stock price-based vesting condition will be met (i) with respect to the first one-third (1/3) of the Former CEO Market Condition Options, if at any time after the grant date and prior to the expiration date of the Former CEO Market Condition Options the Weighted Average Closing Price is at or above \$30.00; (ii) with respect to the second one-third (1/3) of the Former CEO Market Condition Options, if at any time after the grant date 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 (1/3) of the Former CEO Market Condition Options, if at any time after the grant date and prior to the expiration date the Weighted Average Closing Price is at or above \$45.00. With respect to any of the Former CEO Market Condition Options for which the stock price-based requirements are met, these options are also subject to the following service-based vesting schedule: (i) thirty-three and one-third percent (33 1/3%) of these options vested on January 21, 2017 and (ii) one thirty-sixth (1/36th) of these options will vest on each successive monthly anniversary thereafter for the following twenty-four months ending on January 21, 2019. The Former CEO Market Condition Options expire on January 21, 2023. Subsequent to March 31, 2018, the Former CEO Market Condition Options fully vested pursuant to the stock option award agreement for these options. See Note 12.

*Stock option exercises.* The following stock options were exercised during the three months ended March 31, 2018 and 2017, respectively:

	Three Months Ended March 31,	
	2018	2017
Number of stock options exercised	15,217	58,959
Weighted average exercise price	\$ 4.80	\$ 7.75

The grant date fair value of stock options granted during these periods was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	Three Months Ended March 31,	
	2018	2017
Dividend yield	—	—
Volatility	64%	61%
Risk-free interest rate	2.4%	1.8%
Expected life (years)	4.5	4.4

Upon adoption of ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” the Company elected to estimate the number of forfeitures.

*Restricted Stock Awards.* The Company granted an aggregate of 125,000 restricted stock awards (“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 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. Forfeiture restrictions lapsed on 8,333 shares of restricted stock on April 23, 2016 and on 8,334 shares of restricted stock on April 23, 2017. During the three months ended March 31, 2018, 8,333 of the foregoing service-based RSAs were forfeited upon the resignation of this executive officer. This executive officer was also awarded 100,000 shares of the Company’s common stock in the form of performance-based RSAs. During the three months ended March 31, 2018, 100,000 of these 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 executive 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. Lapsing of the forfeiture restrictions may be accelerated in the event of a change in control of the Company and will accelerate upon the death or disability of the holder. During the three months ended March 31, 2018, 70,000 shares of these RSAs were forfeited upon the resignation of an executive officer.

## 7. Investments

The Company's investments at March 31, 2018 and December 31, 2017 consisted primarily of investments in SaleMove and GoMoto, Inc., a Delaware corporation ("GoMoto").

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 were previously classified as a long-term investment on the consolidated balance sheet. The Company recorded an impairment charge of \$0.6 million in SaleMove in the three months ended December 31, 2017.

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 share equally in revenues from automotive-related sales of the SaleMove products and services. In connection with this reseller arrangement, the Company advanced to SaleMove \$1.0 million to fund SaleMove's 50% share of various product development, marketing and sales costs and expenses, with the advanced funds to be recovered by the Company from SaleMove's share of sales revenue. SaleMove advances are repaid to the Company from SaleMove's share of net revenues and expenses from the Reseller Agreement. As of March 31, 2018, the net advances due from SaleMove totaled \$401,000 and are recorded as an other long-term asset on the Unaudited Consolidated Condensed Balance Sheets.

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, respectively, in GoMoto 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. As of March 31, 2018, the Company maintains a reserve of \$0.8 million related to the GoMoto Notes and related interest receivable because the Company believes the amounts may not be recoverable.

## 8. Selected Balance Sheet Accounts

*Property and Equipment.* Property and equipment consists of the following:

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
	<i>(in thousands)</i>	
Computer software and hardware	\$ 11,168	\$ 11,065
Capitalized internal use software	5,896	5,774
Furniture and equipment	1,702	1,703
Leasehold improvements	1,565	1,539
	<u>20,331</u>	<u>20,081</u>
Less—Accumulated depreciation and amortization	(16,261)	(15,770)
Property and Equipment, net	<u>\$ 4,070</u>	<u>\$ 4,311</u>

The Company periodically reviews the value of long-lived assets to determine if there are any impairment indicators. 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. The Company's judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of the Company's long-lived assets. If such indicators exist, the Company evaluates 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. Should the carrying amount of an asset exceed 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 the fair value of these assets using an undiscounted cash flow model, which includes assumptions and estimates.

*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 and accounts receivable. Cash and cash equivalents are primarily maintained with two high credit quality financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. These deposits may be redeemed upon demand.

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Accounts receivable are primarily derived from fees billed to Dealers and Manufacturers. The Company generally requires no collateral to support its accounts receivables and maintains an allowance for bad debts for potential credit losses.

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents Acura, Audi, Honda, Nissan, Infiniti, Subaru, Toyota, Volkswagen and Volvo), Media.net Advertising and General Motors. During the first three months of 2018, approximately 38% of the Company's total revenues was derived from these three customers, and approximately 45%, or \$11.6 million of gross accounts receivables related to these three customers at March 31, 2018. During the first three months of 2017, approximately 29% of the Company's total revenues was derived from Urban Science Applications, Ford Direct and General Motors, and approximately 40%, or \$11.7 million of gross accounts receivables, related to these three customers at March 31, 2017.

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

On October 5, 2017, the Company and DealerX 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.

The transaction consideration consisted of: (i) \$8.0 million in cash paid to DealerX upon execution of the DealerX License Agreement and (ii) the right to 710,856 shares of the Company's common stock, par value \$0.001 per share, representing approximately five percent of the Company's outstanding Common Stock as of the date the parties entered into the DealerX License Agreement ("**Market Capitalization Shares**") if on or before October 5, 2022: (i) AutoWeb's market capitalization averages at least \$225.0 million over a consecutive 90 day period or (ii) there is a change in control of AutoWeb that reflects a market capitalization of at least \$225.0 million. If the Market Capitalization Shares are issued to DealerX, DealerX's 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 is made, DealerX's contingent right to receive the Market Capitalization Shares will be terminated. The fair value of the Market Capitalization Shares was calculated at \$2.5 million. The DealerX perpetual license and related Market Capitalization Shares is being amortized over seven years.

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

Definite-lived Intangible Asset	Estimated Useful Life	March 31, 2018			December 31, 2017		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
		<i>(in thousands)</i>					
Trademarks/trade names/licenses/domains	3 – 7 years	\$ 16,589	\$ (4,602)	\$ 11,987	\$ 16,589	\$ (4,037)	\$ 12,552
Software and publications	3 years	1,300	(1,300)	—	1,300	(1,300)	—
Customer relationships	2 - 10 years	19,563	(11,331)	8,232	19,563	(10,555)	9,008
Employment/non-compete agreements	1-5 years	1,510	(1,499)	11	1,510	(1,493)	17
Developed technology	5-7 years	8,955	(3,959)	4,996	8,955	(3,619)	5,336
		<u>\$ 47,917</u>	<u>\$ (22,691)</u>	<u>\$ 25,226</u>	<u>\$ 47,917</u>	<u>\$ (21,004)</u>	<u>\$ 26,913</u>

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

Amortization expense is included in cost of revenues and depreciation and amortization in the Unaudited Consolidated Condensed Statements of Operations. Amortization expense was \$1.7 million and \$1.4 million for the three months ended March 31, 2018 and 2017, respectively.

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Amortization expense for the remainder of the year and for future years is as follows:

Year	Amortization Expense (in thousands)
2018	\$ 4,918
2019	5,236
2020	3,805
2021	3,697
2022	3,100
Thereafter	4,470
	<u>\$ 25,226</u>

*Goodwill.* Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or earlier, when 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 quarter ended March 31, 2018.

	(in thousands)
Goodwill as of December 31, 2017	\$ 5,133
Impairment charge	(5,133)
Goodwill as of March 31, 2018	<u>\$ —</u>

*Accrued Expenses and Other Current Liabilities.* Accrued expenses and other current liabilities consisted of the following:

	March 31, 2018	December 31, 2017
	(in thousands)	
Accrued employee-related benefits	\$ 1,925	\$ 2,411
Other accrued expenses and other current liabilities:		
Other accrued expenses	6,563	6,307
Amounts due to customers	452	438
Other current liabilities	458	507
Total other accrued expenses and other current liabilities	<u>7,473</u>	<u>7,252</u>
Total accrued expenses and other current liabilities	<u>\$ 9,398</u>	<u>\$ 9,663</u>

*Convertible Notes Payable.* In connection with the acquisition of AutoUSA, 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 is to be paid in full on January 31, 2019. The holder of the AutoUSA Note may at any time convert all or any part, but at least 30,600 shares, of the then outstanding and unpaid principal of the AutoUSA Note into fully paid shares of the Company’s common stock at a conversion price of \$16.34 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). In the event of default, the entire unpaid balance of the AutoUSA Note will become immediately due and payable and will bear interest at the lower of 8% per year and the highest legal rate permissible under applicable law.

## 9. Credit Facility

The Company and MUFG Union Bank, N.A. 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, is referred to collectively as the “**Credit Facility Agreement**”). The Credit Facility Agreement provided for (i) a \$9.0 million term loan; (ii) a \$15.0 million term loan; 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.



## 10. Commitments and Contingencies

### *Employment Agreements*

The Company has employment agreements and severance benefits/retention agreements with certain key employees. A number of these agreements require severance payments and continuation of certain insurance benefits in the event of a termination of the employee's employment by the Company without cause or by the employee for good reason (as defined in these agreements). Stock option agreements and restricted stock award agreements with some key employees provide for acceleration of vesting of stock options and lapsing of forfeiture restrictions on restricted stock in the event of a change in control of the Company, upon termination of employment by the Company without cause or by the employee for good reason, or upon the employee's death or disability.

### *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.

## 11. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation known as the TCJA. The TCJA establishes new tax laws that took effect in 2018, including, but not limited to (1) reduction of the U.S. federal corporate tax rate from a maximum of 35% to 21%; (2) elimination of the corporate alternative minimum tax; (3) a new limitation on deductible interest expense; (4) the Transition Tax; (5) limitations on the deductibility of certain executive compensation; (6) changes to the bonus depreciation rules for fixed asset additions; and (7) limitations on net operating loss carryovers 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 accordance with SAB 118, a company must reflect the income tax effects of those aspects of the TCJA for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the TCJA is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the TCJA.

At March 31, 2018 and December 31, 2017, the Company has not completed its accounting for the tax effects of enactment of the TCJA; however, the Company has made a reasonable estimate of the effects of the TCJA's change in the federal rate and revalued its deferred tax assets based on the rates at which they are expected to reverse in the future, which is generally the new 21% federal corporate tax rate plus applicable state tax rate. 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. The Company's provisional estimates will be adjusted during the measurement period defined under SAB 118, based upon ongoing analysis of data and tax positions along with the new guidance from regulators and interpretations of the law.

On an interim basis, the Company estimates what its anticipated annual effective tax rate will be and records a quarterly income tax provision in accordance with the estimated annual rate, plus the tax effect of certain discrete items that arise during the quarter. As the fiscal year progresses, the Company refines its estimates based on actual events and financial results during the year. This process can result in significant changes to the Company's estimated effective tax rate. When this occurs, the income tax provision is adjusted during the quarter in which the estimates are refined so that the year-to-date provision reflects the estimated annual effective tax rate. These changes, along with adjustments to the Company's deferred taxes and related valuation allowance, may create fluctuations in the overall effective tax rate from quarter to quarter.



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

The Company's effective tax rate for the three months ended March 31, 2018 differed from the U.S. federal statutory rate primarily due to operating losses that receive no tax benefit as a result of valuation allowance recorded for such losses.

The total amount of unrecognized tax benefits, excluding associated interest and penalties, was \$0.5 million as of March 31, 2018, all of which, if subsequently recognized, would have affected the Company's tax rate.

As of March 31, 2018 and December 31, 2017, the total balance of accrued interest and penalties related to uncertain tax positions was zero. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense, and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company's condensed consolidated balance sheets. There were no material interest or penalties included in income tax expense for the three months ended March 31, 2018 and March 31, 2017.

The Company operates under a tax holiday in Guatemala, which began November 16, 2017 and is effective through November 16, 2027. The tax holiday is conditional upon our meeting certain employment and investment requirements. The impact of the tax holiday was not material for the year ended December 31, 2017 and decreased foreign taxes by \$33,000 for the three months ended March 31, 2018. The benefit of the tax holiday on net income per share (diluted) was not material for 2017 or for the three months ended March 31, 2018.

The Company is subject to taxation in the U.S. and in various foreign and state jurisdictions. Due to expired statutes of limitation, the Company's federal income tax returns for years prior to calendar year 2014 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state jurisdictions where the Company does business, periods prior to calendar year 2013 are no longer subject to examination. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

## **12. Subsequent Event**

On April 12, 2018, the Company's board of directors ("**Board**") terminated Jeffrey H. Coats' employment as President and CEO without cause. In connection with the termination of Mr. Coats' employment and in accordance with his Second Amended and Restated Employment Agreement dated April 3, 2014, Mr. Coats is entitled to severance benefits, including (i) continued payment of his annual base salary of \$550,000 in monthly installments for a period of 12 months after his employment termination date; (ii) reimbursement or payment of the premiums for continuation of his medical, dental and vision insurance benefits under COBRA for a period of 12 months after the employment termination date; and (iii) his annual incentive compensation payout based on actual performance for the entire performance period, prorated for the amount of time Mr. Coats was employed by the Company prior to the date of termination during such performance period. Any stock options or restricted stock awards granted to Mr. Coats that remained unvested as of April 12, 2018 immediately vested in accordance with the terms of the applicable award agreements. The Company accrued \$1.4 million in severance charges during the quarter ended March 31, 2018 related to Mr. Coats' termination.

Also on April 12, 2018, the Board appointed Jared R. Rowe to the position of President and CEO. In accordance with his employment agreement, the Board also appointed Mr. Rowe to the Board as a Class I director effective on that date, with his term to expire at the Company's annual meeting of stockholders in 2020.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cautionary Note Concerning 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 Quarterly Report on Form 10-Q contains 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," "plans," "believes," "will" and words of similar substance used in connection with any discussion of future operations or financial performance identify forward-looking statements. In particular, statements regarding expectations and opportunities, industry trends, new product expectations and capabilities, and our outlook regarding our performance and growth are forward-looking statements. This Quarterly Report on Form 10-Q 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 outcomes or results to differ materially from those reflected in forward-looking statements include, but are not limited to, those discussed in this Item 2 and under the heading "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2017 ("**2017 Form 10-K**"). 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.

You should read the following discussion of our results of operations and financial condition in conjunction with our unaudited consolidated condensed financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the notes thereto in the 2017 Form 10-K.

Our corporate website is located at [www.autoweb.com](http://www.autoweb.com). Information on our website is not incorporated by reference in this Quarterly Report on Form 10-Q. At or through the Investor Relations section of our website we make available free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to these reports as soon as practicable after the reports are electronically filed with or furnished to the SEC.

Unless the context otherwise requires, the terms "we", "us", "our", "AutoWeb" and "Company" refer to AutoWeb, Inc. and its consolidated subsidiaries.

### Basis of Presentation and Critical Accounting Policies

See Note 2, *Basis of Presentation*, to the accompanying unaudited consolidated condensed financial statements.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which require us 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. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and our actual results, our financial condition or results of operations may be affected. For a detailed discussion of the application of our critical accounting policies, see Note 2 of the "Notes to Consolidated Financial Statements" in Part II, Item 8 "Financial Statements and Supplementary Data" in the 2017 Form 10-K. There have been no changes to our critical accounting policies since we filed our 2017 Form 10-K.

### Overview

We are a digital marketing services company 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 referrals, Dealer marketing products and services, online advertising and consumer traffic referral programs 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. Our AutoWeb® consumer traffic referral product 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 a Company Website 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.

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Our business, results of operations and financial condition are impacted by the volume and quality of our Leads. We measure Lead quality by the conversion of Leads to actual vehicle sales, which we refer to as the “buy rate.” Buy rate is the percentage of the consumers submitting Leads that we delivered to our customers represented by the number of these consumers who purchased vehicles within ninety days of the date of the Lead submission. We rely on detailed feedback from Manufacturers and wholesale customers to confirm the performance of our Leads. Our Manufacturer and other wholesale customers each match the Leads we deliver to our customers against vehicle sales to provide us with information about vehicle purchases by the consumers who submitted Leads that we delivered to these customers. AutoWeb also obtains vehicle registration data from a third party provider. This information, together with our internal analysis allows us to estimate the buy rates for the consumers who submitted the Internally Generated Leads and Non-Internally Generated Leads that we delivered to our customers, and based on these estimates, to estimate an industry average buy rate. Based on the most current information and our internal analysis, we have estimated that, on average, consumers who submit Internally-Generated Leads that we deliver to our customers have an estimated buy rate of approximately 18%. Buy rates that individual Dealers may achieve can be impacted by factors such as the strength of processes and procedures within the dealership to manage communications and follow up with consumers.

Total revenues in the first three months of 2018 were \$32.3 million compared to \$37.3 million in the first three months of 2017. The decline in revenue was primarily due to less efficient traffic acquisition and lower retail dealer count and lead volumes. The lower revenue was partially offset by continued growth in advertising click revenues. We believe that a large part of the inefficiency in traffic acquisition was the result of increased traffic acquisition costs that we believe are being driven by increased search engine marketing (“SEM”) spend from several of our competitors as well as the consumers shift to mobile. We will continue to work with our traffic partners to optimize our SEM methodologies and rebuild our high-quality traffic streams. In addition, in order to mitigate the impact to profitability, we realigned our headcount in February 2018 and expect it to reduce operating expenses. We cannot provide an exact timeframe for resolution of these issues, and these trends have continued into the second quarter of 2018 and may continue beyond the second quarter.

For the three months ended March 31, 2018 our business, results of operations and financial condition were affected, and may continue to be affected in the future, by general economic, employment and market factors, conditions in the automotive industry, the markets for Leads and online advertising services, including, but not limited to, the following:

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

**Results of Operations**

**Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017**

The following table sets forth certain statement of operations data for the three-month periods ended March 31, 2018 and 2017 (certain amounts may not calculate due to rounding):

	<u>2018</u>	<u>% of total revenues</u>	<u>2017</u>	<u>% of total revenues</u>	<u>\$ Change</u>	<u>% Change</u>
	<i>(Dollar amounts in thousands)</i>					
<b>Revenues:</b>						
Lead fees	\$ 24,080	74%	\$ 29,092	78%	\$ (5,012)	(17%)
Advertising	8,087	25	7,969	21	118	1
Other revenues	182	1	280	1	(98)	(35)
<b>Total revenues</b>	<b>32,349</b>	<b>100</b>	<b>37,341</b>	<b>100</b>	<b>(4,992)</b>	<b>(13)</b>
Cost of revenues	24,659	76	24,430	66	229	1
<b>Gross profit</b>	<b>7,690</b>	<b>24</b>	<b>12,911</b>	<b>34</b>	<b>(5,221)</b>	<b>(40)</b>
<b>Operating expenses:</b>						
Sales and marketing	3,712	12	3,763	10	(51)	(1)
Technology support	3,385	10	3,253	9	132	4
General and administrative	4,575	14	3,457	9	1,118	32
Depreciation and amortization	1,160	4	1,229	3	(69)	(6)
Goodwill impairment	5,133	16	—	—	5,133	100
<b>Total operating expenses</b>	<b>17,965</b>	<b>56</b>	<b>11,702</b>	<b>31</b>	<b>6,263</b>	<b>54</b>
<b>Operating income (loss)</b>	<b>(10,275)</b>	<b>(32)</b>	<b>1,209</b>	<b>3</b>	<b>(11,484)</b>	<b>(950)</b>
Interest and other income (expense), net	—	—	(100)	—	100	(100)
<b>Income (loss) before income tax provision</b>	<b>(10,275)</b>	<b>(32)</b>	<b>1,109</b>	<b>3</b>	<b>(11,384)</b>	<b>(1,027)</b>
Income tax provision	4	—	625	2	(621)	(99)
<b>Net income (loss)</b>	<b>\$ (10,279)</b>	<b>(32%)</b>	<b>\$ 484</b>	<b>1%</b>	<b>\$ (10,763)</b>	<b>(2,224%)</b>

*Leads.* Lead fees revenues decreased \$5.0 million, or 17%, in the first quarter of 2018 compared to the first quarter of 2017 primarily as a result of a decrease in revenue from Manufacturers coupled with decreased retail lead fee revenues.

*Advertising.* Advertising revenues increased \$0.1 million, or 1%, in the first quarter of 2018 compared to the first quarter of 2017 as a result of an increase in click revenue associated with increased click volume and pricing.

*Other Revenues.* Other revenues consist primarily of revenues from our mobile products and revenues from our Reseller Agreement with SaleMove. Other revenues decreased to \$0.2 million in the first quarter of 2018 from \$0.3 million in the first quarter of 2017 primarily due to lower customer utilization of the mobile product and SaleMove product.

*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 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, compensation related expense and technology license fees, server equipment depreciation and technology amortization directly related to the Company Websites. SEM, sometimes referred to as paid search marketing, is the practice of bidding on keywords on search engines to drive traffic to a website.

Cost of revenues increased \$0.2 million, or 1%, in the first quarter of 2018 compared to the first quarter of 2017 primarily due to increased traffic acquisition costs.

*Sales and Marketing.* Sales and marketing expense includes costs for developing our brand equity, personnel costs and other costs associated with Dealer sales, website advertising, Dealer support and bad debt expense. Sales and marketing expense in the first quarter of 2018 decreased \$51,000, or 1%, compared to the first quarter of 2017 due primarily to lower headcount related costs.

*Technology Support.* Technology support expense includes compensation, benefits, software licenses and other direct costs incurred by the Company to enhance, manage, maintain, support, monitor and operate the Company's websites and related technologies, and to operate the Company's internal technology infrastructure. Technology support expense in the first quarter of 2018 increased by \$0.1 million, or 4%, compared to the first quarter of 2017 due primarily to increased headcount related costs partially offset by lower facilities costs.

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*General and Administrative.* General and administrative expense consists of executive, financial and legal personnel expenses and costs related to being a public company. General and administrative expense in the first quarter of 2018 increased by \$1.1 million, or 32%, from the first quarter of 2017 due primarily to accrued severance expenses of \$1.4 million related to the termination of the Company's chief operating officer.

*Depreciation and Amortization.* Depreciation and amortization expense in the first quarter of 2018 decreased \$69,000 to \$1.2 million compared to \$1.2 million in the first quarter of 2017 primarily due to normal amortization.

*Goodwill impairment.* The Company evaluated enterprise goodwill for impairment as of March 31, 2018 due to the Company's decreased stock price since its annual goodwill impairment analysis on October 1, 2017. As of March 31, 2018, the carrying value of AutoWeb was higher than its fair value based on market capitalization at that date. As a result, a non-cash impairment charge of \$5.1 million was recording during the three months ended March 31, 2018.

*Interest and Other Income (Expense), Net.* Interest and other income (expense), net was \$0 for the first quarter of 2018 compared to \$0.1 million in the first quarter of 2017. Interest expense decreased to \$88,000 in the first quarter of 2018 from \$0.2 million in the first quarter of 2017 primarily due to paying off our term loans and revolving loan. We also recorded \$0.1 million in other income during the first quarter of 2018 related to a Transitional License and Linking Agreement with Internet Brands, Inc.

*Income Taxes.* Income tax expense was \$4,000 in the first quarter of 2018 compared to income tax expense of \$0.6 million in the first quarter of 2017. Income tax expense for the first quarter of 2018 differed from the federal statutory rate primarily due to operating losses that receive no tax benefit as a result of valuation allowance recorded for such losses.

## Liquidity and Capital Resources

The table below sets forth a summary of our cash flows for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
	<i>(in thousands)</i>	
Net cash (used in) provided by operating activities	\$ (1,657)	\$ 3,462
Net cash used in investing activities	(250)	(163)
Net cash used in financing activities	(7,927)	(2,168)

Our principal sources of liquidity are our cash and cash equivalents balances. Our cash and cash equivalents totaled \$15.2 million as of March 31, 2018 compared to \$25.0 million as of December 31, 2017.

For information concerning the Company's previously announced share repurchase authorization, see Note 5, Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

*Credit Facility and Term Loan.* For information concerning our term and revolving bank loans, see Note 9, Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

*Net Cash Provided by (Used in) Operating Activities.* Net cash used in operating activities in the three months ended March 31, 2018 of \$1.7 million resulted primarily from net loss of \$10.3 million, as adjusted for non-cash charges. We also had net decreases in working capital, driven by a decrease in our accounts receivable balance related to the timing of payments received offset by a decrease in accounts payable of \$1.1 million and cash used to reduce accrued liabilities of \$0.3 million primarily related to the payment of annual incentive compensation amounts accrued in 2017 and paid in the first three months of 2018.

Net cash provided by operating activities in the three months ended March 31, 2017 of \$3.5 million resulted primarily from net income of \$0.5 million, as adjusted for non-cash charges. We also had net decreases in working capital, driven by a decrease in accounts payable of \$2.5 million and cash used to reduce accrued liabilities of \$2.9 million primarily related to the payment of annual incentive compensation amounts accrued in 2016 and paid in the first three months of 2017 offset by a decrease in our accounts receivable balance related to the timing of payments received.

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*Net Cash Used in Investing Activities.* Net cash used in investing activities was \$0.3 million in the three months ended March 31, 2018 which primarily related to purchases of property and equipment and expenditures related to capitalized internal use software.

Net cash used in investing activities was \$0.2 million in the three months ended March 31, 2017 which primarily related to purchases of property and equipment and expenditures related to capitalized internal use software.

*Net Cash Used In Financing Activities.* Net cash used in financing activities of \$7.9 million in the three months ended March 31, 2018 primarily related to payments of \$8.0 million to pay down the revolving credit facility. In addition, stock options for 15,217 shares of the Company's common stock were exercised in the first three months of 2018 resulting in \$0.1 million cash inflow.

Net cash used in financing activities of \$2.2 million in the three months ended March 31, 2017 primarily related to payments of \$2.6 million made against the term loan borrowings in the first three months of 2017. In addition, stock options for 58,959 shares of the Company's common stock were exercised in the first three months of 2017 resulting in \$0.5 million cash inflow.

### **Off-Balance Sheet Arrangements**

At March 31, 2018, we had no off-balance sheet arrangements as defined in Regulation S-K, Item 303(a)(4)(D)(ii).

### **Item 3. *Quantitative and Qualitative Disclosures about Market Risk***

In the ordinary course of business, we are exposed to various market risk factors, including fluctuations in interest rates and changes in general economic conditions. For the three months ended March 31, 2018 there were no material changes in the information required to be provided under Item 305 of Regulation S-K from the information disclosed in Item 7A of the 2017 Form 10-K.

### **Item 4. *Controls and Procedures***

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended ("**Exchange Act**"). Disclosure controls and procedures ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act are (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure. Based on this evaluation, our Chief Executive Officer and our Interim Chief Financial Officer believe that, due to the material weakness in internal control over financial reporting previously reported in our 2017 Form 10-K, our disclosure controls and procedures were not effective as of March 31, 2018.

As previously reported in our 2017 Form 10-K, in connection with their attestation report on our internal control over financial reporting as of December 31, 2017, Moss Adams LLP identified what they believed was a material weakness in our evaluation and measurement of goodwill for impairment and valuation of deferred tax assets.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations 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.

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With respect to the material weakness identified by Moss Adams LLP, we are continuing to take steps to remediate this material weakness in our internal control over financial reporting, including identifying and documenting controls for increased management review of goodwill and valuation of deferred tax assets. We have also dedicated additional external resources to assist in improving internal controls so that they are designed to operate at a sufficient level of precision.

Effective January 1, 2018, we adopted the new revenue guidance under ASC Topic 606, Revenue from Contracts with Customers. The adoption of this guidance requires the implementation of new accounting policies and processes, which changed the Company's internal controls over financial reporting for revenue recognition and related disclosures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, other than the items mentioned in the above paragraph, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Chief Executive Officer and our Interim Chief Financial Officer, does not expect that our disclosure controls and internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.



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**Item 6. Exhibits**

<a href="#">2.1</a> ‡	Asset Purchase and Sale Agreement dated as of December 19, 2016 by and among AutoWeb, Inc. (formerly Autobytel Inc.), Carcom, Inc., a Delaware corporation, and Internet Brands, Inc., a Delaware corporation, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on December 21, 2016 (SEC File No. 001-34761)
<a href="#">3.1</a>	Sixth Restated Certificate of Incorporation of AutoWeb, Inc. (filed with the Secretary of the State of Delaware on October 9, 2017), incorporated by reference to Exhibit 3.4 to the Current Report on Form 8-K filed with the SEC on October 10, 2017 (SEC File No. 001-34761) (“ <b>October 2017 Form 8-K</b> ”)
<a href="#">3.2</a>	Seventh Amended and Restated Bylaws of AutoWeb dated October 9, 2017, incorporated by reference to Exhibit 3.5 to the October 2017 Form 8-K
<a href="#">4.1</a>	Tax Benefit Preservation Plan dated as of May 26, 2010 between Company and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; and Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Company, incorporated by reference to <a href="#">Exhibit 4.1</a> 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 <a href="#">Exhibit 4.1</a> 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 <a href="#">Exhibit 4.1</a> to the Current Report on Form 8-K filed with the SEC on April 14, 2017 (SEC File No. 001-34761)
<a href="#">4.2</a>	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)
<a href="#">10.1</a> ■	Employment Agreement dated as of April 12, 2018 between Company and Jared R. 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) (“ <b>April 2018 Form 8-K</b> ”)
<a href="#">10.2</a> ■	Inducement Stock Option Award Agreement dated as of April 12, 2018 between Company and Jared R. Rowe, incorporated by reference to Exhibit 10.2 to the April 2018 Form 8-K
<a href="#">10.3</a> ■	Consulting Services Agreement dated as of April 12, 2018 between Company and Jeffrey H. Coats, incorporated by reference to Exhibit 10.3 to the April 2018 Form 8-K
<a href="#">10.4</a> ■*	Second Amended and Restated Severance Benefits Agreement dated as of April 12, 2018 between Company and Glenn E. Fuller
<a href="#">31.1</a> *	Rule 13a-14(a)/15d-14(a) Certification by Principal Executive Officer
<a href="#">31.2</a> *	Rule 13a-14(a)/15d-14(a) Certification by Principal Financial Officer
<a href="#">32.1</a> *	Section 1350 Certification by Principal Executive Officer and Principal Financial Officer
101.INS††	XBRL Instance Document
101.SCH††	XBRL Taxonomy Extension Schema Document
101.CAL††	XBRL Taxonomy Calculation Linkbase Document
101.DEF††	XBRL Taxonomy Extension Definition Document
101.LAB††	XBRL Taxonomy Label Linkbase Document
101.PRE††	XBRL Taxonomy Presentation Linkbase Document

\* Filed herewith.

■ Management Contract or Compensatory Plan or Arrangement.

‡ Certain schedules in this Exhibit have been omitted in accordance with Item 601(b)(2) of Regulation S-K. AutoWeb, Inc. will furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request; provided, however, that AutoWeb, Inc. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

†† Furnished with this report. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.



**SIGNATURES**

Pursuant to the requirements 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.

Date: May 10, 2018

AutoWeb, Inc.

By: /s/ Wesley Ozima  
**Wesley Ozima**  
*Senior Vice President and Controller, and Interim Chief Financial Officer*  
**(Principal Accounting Officer)**

## AUTOWEB, INC.

## SECOND AMENDED AND RESTATED SEVERANCE BENEFITS AGREEMENT

This Second Amended and Restated Severance Benefits Agreement (“**Agreement**”) is entered into effective as of April 12, 2018 (“**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 provide Employee with certain severance benefits to encourage Employee’s continued employment with, and dedication to the business of, the Company, and as a result thereof, AutoWeb and Employee have previously entered into an Amended and Restated Severance Agreement dated as of September 29, 2008, as amended by Amendment No. 1 to Amended and Restated Severance Agreement dated as of December 14, 2012 (collectively, the “**Prior Severance Agreement**”). In light of the changed circumstances at the Company since the last amendment of Employee’s severance benefits agreement, the Company has determined that it is in the Company’s best interests to amend and restate the Prior Severance Agreement to provide for additional incentive to encourage Employee’s continued employment with AutoWeb and dedication to the Company’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 of October 16, 2006 by and between AutoWeb and Employee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) “Employee’s Primary Work Location” means AutoWeb’s headquarters located at 18872 MacArthur Boulevard, Irvine, California, 92612-1400.

(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 of Control.

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

## **2. Severance Benefits and Conditions.**

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

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

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

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

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

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

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

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

(h) Other than the payments and benefits provided for in this Section 2, Employee shall not be entitled to any additional payments or benefits from the Company resulting from a termination of Employee's employment with the Company; provided, however, that the terms and conditions of any stock, stock options or other equity-based compensation awards, including any terms and conditions providing for the acceleration of the vesting of any stock, stock options or other equity-based compensation awards resulting from a termination of Employee's employment with the Company, shall continue to be governed by the terms and conditions of the applicable plans and awards agreements pursuant to which such stock, stock options or other equity-based compensation awards were granted, shall not be affected by this Agreement.



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

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

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

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

If to the Company:

AutoWeb, Inc.  
18872 MacArthur Boulevard, Suite 200  
Irvine, California, 92612-1400  
Facsimile: (949) 862-1323  
Attn: Chief 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.** Except as set forth below, and 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. In the event the Company shall publicly disclose the existence or terms of this Agreement, or file this Agreement with any public filings, the provisions of this Section 9 shall terminate and shall no longer restrict Employee from disclosing the existence or terms of this Agreement.

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.]*

first shown above.

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

**AUTOWEB, INC.**

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

**EMPLOYEE**

/s/ Glenn E. Fuller  
Glenn E. Fuller

## EXHIBIT A

### SEPARATION AND RELEASE AGREEMENT

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

**1. Separation of Employment.** You acknowledge that your employment with the Company ended effective [\_\_\_\_], 201[\_\_\_] (“**Employment Termination Date**”), and that You will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date. You have resigned or hereby resign from all officer and director positions You held with the Company or any of its subsidiaries effective as of the Employment Termination Date. This Separation and Release Agreement (“**Release**”) is entered into in connection with that certain Second Amended and Restated Severance Benefits Agreement dated effective as of April 12, 2018 by and between the Company and Employee (“**Severance Benefits Agreement**”).

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

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

**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; provided, however, that nothing in this Release or elsewhere shall prevent You from retaining and utilizing copies of documents relating to Your employment or personal benefits, entitlements and obligations (including employment agreements, confidentiality agreements, stock options award agreements and severance agreements); documents relating to Your personal tax obligations; the data and entries from Your contacts and calendar; Your personal emails; documents constituting your work product resulting from your services as attorney for the Company; and such other records and documents as may reasonably be approved by the Company.

#### **4. Confidentiality and Non-Solicitation/Interference.**

(a) You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in any confidentiality or non-disclosure agreement between You and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of October 16, 2006, which shall remain binding on You after the Employment Termination Date.

(b) Unless required by applicable law, rule, regulation or order to enforce this Agreement, Employee shall not disclose the existence of the Severance Benefits Agreement or this Release or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee's immediate family who have a need to know such matters or to Employee's tax or legal advisors who have a need to know such matters. If Employee does disclose this Release, the Severance Benefits Agreement or any of their respective terms to any of Employee's immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Release, the Severance Benefits Agreement and their respective terms confidential. The Company may disclose the existence or terms of this Release, the Severance Benefits Agreement and their respective terms and may file this Release and the Severance Benefits Agreement as exhibits to its public filings if it is required to do so under applicable law, rule, regulation or order. In the event the Company shall publicly disclose the existence or terms of this Agreement, or file this Agreement with any public filings, the provisions of this Section 5(b) shall terminate and shall no longer restrict Employee from disclosing the existence or terms of Severance Benefits Agreement or this Release.

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

**5. 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.

**6. Unconditional General Release of Claims.**

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

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



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

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

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

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

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

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

**8. 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.

**9. 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.

**10. 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.

**11. 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.

**12. 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.

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

**14. 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.

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

**16. 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).

**17. Protected Rights.**

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

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

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

**[Alternative 1 for Section 18 if Employee is age 40 or over at time of separation from employment, separation from employment is NOT in connection with a group separation, and ADEA Claims are being released]**

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

**[Alternative 2 for Section 18 if Employee is age 40 or over at time of separation from employment, separation from employment IS in connection with a group termination, and ADEA Claims are being released]**

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

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

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

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

Dated: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Glenn E. Fuller

Dated: \_\_\_\_\_, 20\_\_

**AUTOWEB INC.**

By: \_\_\_\_\_  
(Officer Name)  
(Title)

## CERTIFICATION

I, Jared R. Rowe, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 10, 2018

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/s/ Jared R. Rowe  
Jared R. Rowe  
*President and Chief Executive Officer*

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## CERTIFICATION

I, Wesley Ozima, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 10, 2018

/s/ Wesley Ozima

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Wesley Ozima  
*Senior Vice President and Controller, and Interim  
Chief Financial Officer*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AutoWeb, Inc. (the “*Company*”) on Form 10-Q for the period ended March 31, 2018 (the “*Report*”), we, Jared R. Rowe, President and Chief Executive Officer of the Company, and Wesley Ozima, Senior Vice President and Controller and Interim Chief Financial Officer of the Company, certify, 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.

/s/ Jared R. Rowe

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Jared R. Rowe  
*President and Chief Executive Officer*  
May 10, 2018

/s/ Wesley Ozima

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Wesley Ozima  
*Senior Vice President and Controller, and  
Interim Chief Financial Officer*  
May 10, 2018

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 AutoWeb, Inc. and will be retained by AutoWeb, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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