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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019
or

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

For the transition period from ______ to ______

Commission File Number 1-34761

AutoWeb, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**33-0711569**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

400 North Ashley Drive, Suite 300
Tampa, Florida 33602
(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	AUTO	The Nasdaq Capital Market

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

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

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

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

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

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

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

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

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

Based on the closing sale price of $3.55 for our common stock on The Nasdaq Capital Market on June 30, 2019, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately $31 million.

As of March 24, 2020, there were 13,146,831 shares of our common stock outstanding.

Documents Incorporated by Reference

Portions of our Definitive Proxy Statement for the 2020 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.

AutoWeb, Inc.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. *Business*

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

Available Information

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

Overview

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

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

Products and Services

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

Lead Programs

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

New Vehicle Leads Program. Our Leads program for new vehicles allows consumers to submit requests for pricing and availability of specific makes and models. A new vehicle Lead provides a Dealer with information regarding the make and model of a vehicle in which the consumer is interested and the consumer's name, email address and/or phone number, and may also include the consumer's postal address.

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

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

Dealers participate in our retail new vehicle Lead program by entering into contracts directly with us or through major Dealer groups. Generally, our Dealer contracts may be terminated by either party on 30 days' notice and are non-exclusive. The majority of our retail new vehicle Lead revenues consists of either a monthly subscription or a per-Lead generation paid by Dealers in our network. We reserve the right to adjust our fees to Dealers upon 30 days' prior notice at any time during the term of the contract. Manufacturers (directly or through their marketing agencies) and other third parties participate in our wholesale new vehicle Lead programs generally by entering into agreements where either party has the right to terminate upon prior notice, with the length of time for the notice varying by contract. Revenues from retail new vehicle Leads accounted for approximately 17%, 18% and 19% of total revenues in 2019, 2018 and 2017, respectively. Revenues from wholesale Leads accounted for approximately 57%, 52% and 46% of total revenues in 2019, 2018 and 2017, respectively.

Used Vehicle Leads Program. Our used vehicle Lead program allows consumers to search for used vehicles according to specific search parameters, such as the price, make, model, mileage, year and location of the vehicle. The consumer is able to locate and display the description, price and, if available, digital images of vehicles that satisfy the consumer's search parameters. The consumer can then submit a Lead for additional information regarding a vehicle that we then deliver to the Dealer offering the vehicle. In addition to sending Leads directly to Dealers through our Lead delivery system, consumers may choose to contact the Dealer using a toll-free number posted next to the vehicle search results. We charge each Dealer that participates in the used vehicle Leads program a monthly subscription or per Lead fee. Revenues from used vehicle Leads accounted for 5%, 7% and 9% of total revenues in 2019, 2018 and 2017, respectively.

Other Dealer Products and Services

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

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

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

Advertising Programs

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

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

Advertising revenues, including direct marketing, accounted for 20%, 22% and 24% of total revenues in 2019, 2018 and 2017, respectively.

Strategy

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

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

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

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

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

- ***Increasing the conversion rate of visitors to Leads on our Company Websites***. Through increased SEO and SEM activities and significant content, tools and user interface enhancements to our websites, we believe we will be able to increase the number of website visits and improve website "engagement," and thereby increase the conversion of page views into Leads. We believe that an increased conversion rate of page views into Leads could result in higher revenue per visitor.

- ***Relationships with Suppliers of High-Quality, Non-Internally-Generated Leads***. We plan to continue to develop and maintain strong relationships with suppliers of Non-Internally-Generated Leads that consistently provide high-quality Leads.

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

- ***Increasing Lead Sales to Dealers***. Sales of Leads to our Dealer network constitute a significant source of our revenues. During 2019, we continued to focus our Dealer acquisition and retention strategies on dealerships to which we could deliver a higher percentage of our Internally-Generated Leads. We believe this will result in increased vehicle sales for our Dealers and ultimately stronger relationships with us because, based on our evaluation of the performance data and information discussed above, we believe our Internally-Generated Leads are of high quality. Our goal is to increase the number of Leads sold to our retail Dealer customers by:

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

- ***Increasing Lead Sales to Wholesale Customers.*** We currently have agreements to sell Leads to most Manufacturer Lead programs. We intend to continue to demonstrate the value of third-party leads to Manufacturers by utilizing close rate and cross sell data that demonstrate that third-party leads result in incremental sales for the Manufacturers. Our intention is to increase revenue by having Manufacturers enhance business rules, program capacity, pricing and coverage so that each Manufacturer can purchase more of our Internally-Generated Leads.

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

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

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

Display Advertising Revenues. As traffic to, and time spent on, our Company Websites by consumers increases, we will seek to increase our advertising revenues. Through our agreement with a third-party, we benefit from the third-party's relationships with major automotive Manufacturers and/or the third-party's advertising agencies by increasing revenues for our traditional display advertising.

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

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

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

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

Seasonality

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

Intellectual Property

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

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

Competition

In the automotive-related digital marketing services marketplace we compete for Dealer and Manufacturer customers. Competition with respect to our core Lead referral programs continued to be impacted by changing industry conditions in 2019. We continue to compete with several companies that maintain business models similar to ours, some with greater resources. In addition, competition has increased from larger competitors that traditionally have competed only in the used vehicle market. Dealers continue to invest in their proprietary websites and traffic acquisition activities, and we expect this trend to continue as Dealers strive to own and control more Lead generating assets under their captive brands. Additionally, all major Manufacturers that market their vehicles in the U.S. have their own websites that market their vehicles direct to consumers and generate Leads for delivery direct to the Manufacturers' Dealers. We compete based on quality of our Leads and pricing.

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

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

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

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

Customers

We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), Carat Detroit. During 2019, approximately 25% of our total revenues were derived from these two customers, and approximately 33% or $8.4 million of gross accounts receivable related to these two customers at December 31, 2019. Urban Science Applications accounted for 15% and 13% of total revenues and accounts receivable, respectively, as of December 31, 2019. Carat Detroit accounted for 9% and 21% of total revenues and accounts receivable, respectively, as of December 31, 2019.

Operations and Technology

We believe that our future success is significantly dependent upon our ability to provide high-performance, reliable and comprehensive websites, advertising systems; enhance consumer and Dealer product and service offerings; maintain the highest levels of information privacy; and ensure transactional security. Our Company Websites and advertising systems are hosted at secure third-party data center facilities and public cloud providers. These data centers and public cloud systems utilize redundant power infrastructure, redundant network connectivity, multiple locations, distributed services, fire detection and suppression systems and security systems to prevent unauthorized access and to provide high availability of their services, upon which our technology is built, deployed and operated. Our network and computer systems are built on industry standard technology. However, our websites and information technology systems are susceptible to outages and interruptions, such as occurred as a result of a malware attack in January 2020. For additional information regarding risks related to our information technology, see Part I, Item 1A “Risk Factors” of this Annual Report on Form 10-K.

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

Government Regulation

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

Employees

As of March 24, 2020, we had 171 employees.

Item 1A. Risk Factors

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

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

We derive more than 99% of our Lead revenues from Lead generation paid by Dealers and Manufacturers participating in our Lead programs. Our Lead generation decreased $6.2 million, or 6%, in 2019 compared to 2018. Our ability to increase revenues from sales of Leads is dependent on a mix of interrelated factors that include increasing Lead revenues by attracting and retaining Dealers and Manufacturers and increasing the number of high-quality Leads we sell to Dealers and Manufacturers. We are also focused on higher revenue Dealers that are more cost-effective to support. Our sales strategy is intended to result in more profitable relationships with our Dealers both in terms of cost to supply Leads and to support the Dealers. Dealer churn impacts our revenues, and if our sales strategy does not mitigate the loss in revenues by maintaining the overall number of Leads sold by increasing sales to other Dealers or Manufacturers while maintaining the overall margins we receive from the Leads sold, our revenues will decrease. We cannot provide any assurances that we will be able to increase Lead generation revenues, prevent Dealer attrition or offset the revenues lost due to Dealer attrition by other means, and our failure to do so could materially and adversely affect our financial performance.

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

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

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

We use Google to generate a significant portion of the traffic to our websites, and, to a lesser extent, we use other search engines and meta-search websites to generate traffic to our websites, principally through pay-per-click advertising campaigns. The pricing and operating dynamics on these search engines can experience rapid change commercially, technically and competitively. For example, Google frequently updates and changes the logic that determines the placement and display of results of a consumer's search, such that the placement of links to our websites can be negatively affected and our costs to improve or maintain our placement in search results can increase. Our ability to continue to use Google could be impacted as a result of the Company's credit position. Our financial performance would be materially and adversely impacted if we were no longer able to use Google for generation of traffic to our websites.

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

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

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

In early 2020 and continuing as of the date of this Annual Report on Form 10-K, the outbreak of a novel coronavirus (COVID-19) has led to quarantines and stay-at-home/work-from-home orders in a number of countries, states, cities and regions and the closure or limited access to public and private offices and facilities, worldwide, causing widespread disruptions to travel, economic activity and financial markets. The outbreak has led our Manufacturer and Dealer customers to experience disruptions in the (i) supply of vehicle and parts inventories, (ii) ability and willingness of consumers to visit automotive dealerships to purchase or lease vehicles and (iii) overall health and availability of their labor force. Recent volatility in the financial markets, concerns about exposure to the virus and governmental quarantines and stay-at-home/work-from-home orders have also impacted consumer confidence and willingness to visit dealerships and to purchase or lease vehicles, notwithstanding financing and leasing incentives being offered by Manufacturers. These disruptions have impacted the willingness or desire of our customers to acquire vehicle Leads or other digital marketing services from us. We are also experiencing direct disruptions to our operations due to the overall health of, and concerns for, our labor force and as a result of governmental "social distancing" programs, quarantines, travel restrictions and stay-at-home/work-from-home orders, leading to office closures, operating from employee homes and restrictions on our employees traveling to our various offices. If automotive manufacturing and parts supply chains are impacted for an extended period of time, vehicle production may fall, and new vehicle inventories on Dealer lots could diminish. This may put pressure on the new vehicle market as Dealers may likely shift to selling used cars, assuming that Dealers are able to obtain used vehicle inventories from trade-ins and used vehicle auctions. Although some Manufacturers are implementing new marketing and incentive programs, continued disruption from the impact of the virus could cause Manufacturers to pull back on marketing and incentives, which could materially and adversely affect our financial performance. Concerns about the outbreak may continue to cause volatility in the financial markets and result in further economic downturn. At this time, the eventual extent and magnitude of the disruptions caused by the outbreak on the automotive industry in general and on us specifically are not known, but vehicle sales have declined significantly in recent weeks, and we are experiencing cancellations or suspensions of purchases of Leads and other digital marketing services by our customers, which could materially and adversely affect our financial performance.

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

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are primarily maintained with one financial institution in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. Generally, these deposits may be redeemed upon demand. Accounts receivable are primarily derived from fees billed to Dealers and Manufacturers. We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), Carat Detroit. During 2019, approximately 25% of our total revenues were derived from these two customers, and approximately 33% or $8.4 million of gross accounts receivable related to these two customers at December 31, 2019. No collateral is required to support our accounts receivables, and we maintain an allowance for bad debts for potential credit losses. If there is a decline in the general economic environment that negatively affects the financial condition of our customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required, and the adverse impact on our financial performance could be material.

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

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

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

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

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

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

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

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

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

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

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

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

The Company is subject to taxation in the United States. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("**TCJA**"). The legislation implements many new U.S. domestic and international tax provisions. It is possible that the TCJA, as well as existing tax laws, statutes, rules, regulations or ordinances could be changed, modified or applied adversely to us, and such effect could be material to our financial performance.

Liquidity Risks

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

As of December 31, 2019, we had cash and cash equivalents of $0.9 million and restricted cash of $5.1 million, a net loss of $15.2 million and used $9.4 million net cash in operations. As of December 31, 2019, we had an accumulated deficit of $342.9 million and stockholders' equity of $21.1 million.

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

The Notice advised AutoWeb that PNC (i) specifically reserves all rights and remedies available to it under the PNC Credit Agreement and (ii) does not waive the event of default or any other event of default that may exist on the date of the Notice or which may occur thereafter. The Notice further advised that any loans, advances, and extensions of credit made to AutoWeb from time to time, will be at the sole discretion of PNC and will not constitute a waiver of the event of default, or a waiver by PNC of any of its rights under the PNC Credit Agreement or any collateral agreement.

On March 26, 2020, the Company entered into a $20.0 million Loan, Security and Guarantee Agreement ("**CNC Credit Agreement**") with CIT Northbridge Credit LLC, as agent, and the Company's U.S. subsidiaries Car.com, Inc. Autobytel, Inc. and AW GUA USA, Inc., as Guarantor, and the PNC Credit Agreement was terminated. (See Note 13 of the "Notes to Consolidated Financial Statements" in Part II, Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K for a description of the terms of the CNC Credit Agreement).

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

If we continue to experience losses and cannot comply with covenants in the CNC Credit Agreement or if our borrowing base limits are diminished, we may be unable to borrow sufficient funds under the CNC Credit Agreement to satisfy our future cash needs. Although we have developed a strategic plan with the objective to generate sustainable profitability throughout 2020, if our plans are unsuccessful, we will need to seek to satisfy our future cash needs through private or public sales of securities, debt financings or partnering/licensing transactions. However, there is no assurance that we will be successful in satisfying our future cash needs such that we will be able to continue operations.

If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to implement new strategic plans, modernize and upgrade our technology and systems, pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our financial performance could be materially and adversely affected.

Our future capital requirements will depend on many factors, including but not limited to, implementing new strategic plans, modernizing and upgrading our technology and systems, pursuing business objectives and responding to business opportunities, challenges or unforeseen circumstances, developing new or improving existing products or services, enhancing our operating infrastructure and acquiring complementary businesses and technologies. To the extent that our existing sources of liquidity are insufficient to fund our future activities, we may need to engage in equity or additional or alternative debt financings to secure additional funds.

We may require additional capital to implement new strategic plans, modernize and upgrade our technology and systems, pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to develop new products or services, improve existing products and services, enhance our operating infrastructure and acquire complementary businesses and technologies. As a result, we may need to engage in equity or debt financings to secure additional funds. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us.

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

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

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

Data Security and Privacy Risks

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

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

Data handling and privacy laws, rules and regulations. Various laws, rules and regulations govern the collection, use, retention, sale, disclosure, sharing and security of data that we receive from consumers, customers, advertisers and Lead referral and advertising affiliates. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use, retention, sale, disclosure, sharing and security of user data and personal information. Any failure, or perceived failure, by us to comply with our posted privacy policies, Federal Trade Commission requirements or orders or other federal or state privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others. Further, failure or perceived failure by us to comply with our policies, applicable requirements or industry self-regulatory principles related to the collection, use, sharing or security of personal information or other privacy-related matters could result in a loss of user confidence in us, damage to our brands, and ultimately in a loss of consumers, customers, advertisers or Lead referral and advertising affiliates. We cannot predict whether new legislation or regulations concerning data privacy and retention issues related to our business will be adopted, or if adopted, whether they could impose requirements that may result in a decrease in our Lead referrals and materially and adversely affect our financial performance. Proposals that have or are currently being considered include restrictions relating to the collection and use of data and information obtained through the tracking of internet use, including the possible implementation of a "Do Not Track" list, that would allow internet users to opt-out of such tracking. Other proposals include enhanced rights for consumers to obtain information regarding the sharing or sale of their personal information and rights to opt-out or prevent the sharing or sale of their personal information to third parties, similar to the European Union's General Data Protection Regulation. The State of California enacted the California Consumer Privacy Act of 2018, which includes significant new personal information privacy rights for consumers, including rights to know about the personal information collected and sold by a business, have a consumer's personal information deleted, and to opt-out of any sales of the consumer's personal information. The law became effective on January 1, 2020, and final regulations under the act are in the process of being drafted. Although it is too soon to evaluate the impact this legislation may Other states have enacted data privacy legislation and other states may do so in the future. Compliance with these laws, could have a material and adverse effect on our financial performance.

Security risks associated with online Leads collection and referral, advertising and e-commerce risks associated with other online fraud and scams. A significant issue for online businesses like ours is the secure transmission of confidential and personal information over public networks. Concerns over the security of transactions conducted on the internet, consumer identity theft and user privacy issues have been significant barriers to growth in consumer use of the internet, online advertising and e-commerce. Despite our implementation of security detection, prevention and monitoring measures, our computer systems or those of our vendors are susceptible to electronic or physical computer break-ins, viruses and other disruptive harms and security breaches. For example, on January 9, 2020 the Company discovered that its network was impacted by malware that encrypted servers on most systems and disrupted consumer and customer access to many of the Company's services, although the Company has not discovered evidence that caused it to conclude that there has been any unauthorized access to or acquisition of any consumer personal information or customer confidential information. In addition, consumers may experience losses of personally identifiable information as a result of corporate identity theft. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may specifically compromise our security measures. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures on a timely basis. Any perceived or actual unauthorized disclosure of personally identifiable information that we collect or store, whether through breach of our network by an unauthorized party, employee theft or misuse, or otherwise, could harm our reputation and brands, substantially impair our ability to attract and retain our audiences, or subject us to claims or litigation arising from damages suffered by consumers or Lead or traffic suppliers. If consumers experience identity theft related to personally identifiable information we collect or store, we may be exposed to liability, adverse publicity and damage to our reputation. To the extent that unauthorized disclosure of personally identifiable information or corporate identity theft gives rise to reluctance to use our websites or to supply us leads or traffic, or a decline in consumer confidence in financial transactions over the internet, our business could be adversely affected. Alleged or actual breaches of the network of one of our business partners or competitors whom consumers associate with us could also harm our reputation and brands. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. For example, California law requires companies to inform individuals of any security breaches that result in their personal information being stolen. Because our success depends on the acceptance of online services and e-commerce, we may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by those breaches. Internet fraud has been increasing over the past few years, and the Company has experienced fraudulent use of our name and trademarks on websites in connection with the purported sale of vehicles offered on third-party websites, with payments to be handled through an online escrow service purported to be owned and operated by the Company. These fraudulent online transactions and scams, should they continue to increase in prevalence, could affect our reputation with consumers and give rise to claims by consumers for funds transferred to the fraudulent accounts, which could materially and adversely affect our financial performance.

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

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

Technology Risks

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

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

On January 9, 2020, the Company discovered that its network was impacted by malware that encrypted servers on most systems and disrupted consumer and customer access to many of our services. In connection with this incident, third-party consultants and forensic experts have been engaged to assist with the restoration and remediation of systems and to investigate the incident. While most impacted systems are once again operational, work is ongoing to restore full system functionality as quickly as possible. As of the filing of this Annual Report on Form 10-K, the Company has not discovered evidence that causes the Company to conclude that there has been any unauthorized access to or acquisition of any consumer personal information or customer confidential information.

The Company carries insurance, including cyber and business interruption insurance. The full scope of the costs and related impacts of this incident, including the availability of insurance to offset some of these costs and related impacts of this incident, have not been fully determined. There can be no assurances that similar network security incidents can be prevented in the future.

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

We are exposed to risks associated with overseas operations.

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

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

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

We may acquire other companies, and there are many risks associated with acquisitions.

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

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

- Integrations of acquisitions are often complex, time-consuming and expensive, and if acquisitions are not successfully integrated they could materially and adversely affect our financial performance. The challenges involved with integration of acquisitions include:

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

Securities Market Risks

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

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

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

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

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

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

Risks Associated with Litigation

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

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

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

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

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

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

Our certificate of incorporation allows us to issue preferred stock with rights senior to those of the common stock without any further vote or action by the stockholders. Our certificate of incorporation also provides that the Board of Directors is divided into three classes, which may have the effect of delaying or preventing changes in control or change in our management because less than a majority of the Board of Directors are up for election at each annual meeting, and as a result of the classified board the Delaware General Corporation Law ("**DGCL**") provides that directors may only be removed for cause. In addition, provisions in our restated certificate of incorporation and bylaws:

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

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

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

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

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

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

Our internal controls may not prevent all potential errors or fraud. Any control system, no matter how well designed and implemented, can only provide reasonable and not absolute assurance that the objectives of the control system will be achieved. We, or our independent registered public accountants, may identify material weaknesses in our internal controls which could adversely affect our ability to ensure proper financial reporting and could affect investor confidence in us and the price of our common shares.

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

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

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

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our principal executive office is located at our Tampa, Florida office, which consists of approximately 13,000 square feet under a lease that expires in May 2024. Our Irvine, California office consists of 33,000 square feet of leased office space under a lease that expires in July 2020; and we have already entered into a new lease for office space in Irvine, California that consists of approximately 12,000 square feet of leased office space under a lease that expires in July 2025. Our website development operations located in Guatemala City, Guatemala occupy approximately 10,000 square feet of leased office space under leases that expire in March 2022. We believe that our existing facilities are adequate to meet our needs and that existing needs and future growth can be accommodated by leasing alternative or additional space.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

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

As of March 24, 2020, there were 161 holders of record of our common stock. We have never declared or paid any cash dividends on our common stock and we do not expect to pay any cash dividends in the foreseeable future. Payment of any future dividends will depend on our earnings, cash flows and financial condition and will be subject to legal and contractual restrictions.

Item 6. *Selected Financial Data*

The tables below set forth our selected consolidated financial data. We prepared this information using the consolidated financial statements of AutoWeb for the five years ended December 31, 2019. Certain amounts in the selected consolidated financial data have been reclassified to conform to the current year presentation. You should read these selected consolidated financial data together with the Consolidated Financial Statements and related Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K and also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Years ended December 31,				
	2019	2018 (1)	2017 (2)	2016	2015
	(Amounts in thousands, except per-share data)				
RESULTS OF OPERATIONS:					
Total revenues	$ 113,981	$ 125,589	$ 142,125	$ 156,684	$ 133,226
Net income (loss)	$ (15,229)	$ (38,816)	$ (64,964)	$ 3,871	$ 4,646
Basic earnings (loss) per common share	$ (1.17)	$ (3.04)	$ (5.48)	$ 0.36	$ 0.47
Diluted earnings (loss) per common share	$ (1.17)	$ (3.04)	$ (5.48)	$ 0.29	$ 0.37
Weighted average diluted shares	13,071	12,756	11,853	13,303	12,662

(1) Net loss in 2018 included DealerX License Agreement intangible asset impairment of $9.0 million, goodwill impairment of $5.1 million and customer relationship intangible asset impairment of $1.6 million.

(2) Net loss in 2017 included goodwill impairment of $37.7 million and $16.7 million recording of an income tax valuation allowance.

	Years ended December 31,				
	2019	2018	2017	2016	2015
	(Amounts in thousands)				
FINANCIAL POSITION:					
Cash and cash equivalents and restricted cash	$ 5,946	$ 13,600	$ 24,993	$ 38,512	$ 23,993
Total assets	$ 44,904	$ 57,416	$ 92,913	$ 165,281	$ 153,588
Non-current liabilities	$ 1,497	$ —	$ 9,000	$ 16,500	$ 21,750
Accumulated deficit	$ (342,945)	$ (327,716)	$ (288,900)	$ (230,424)	$ (234,295)
Stockholders' equity	$ 21,096	$ 33,515	$ 67,167	$ 119,609	$ 108,201

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

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

Overview

As reflected under the section "Results of Operations" in this Item 7, the decline in total revenues for 2019 compared to 2018 was the result of a strategic shift made in the first quarter of 2019 to prioritize internal traffic acquisition processes on obtaining higher quality impressions that would yield increased gross profit margins, as opposed to a prior focus on raw lead volume. This caused a reduction in gross impressions and flat volume that then contributed to decreased click revenue, as there were fewer page views to present our click product. Digital advertising revenue was also impacted by lower revenue per click, and a decrease in display advertising revenue. Cost of revenues decreased compared to 2018 primarily due to decreased search engine marketing costs as well as traffic acquisition costs associated with both lead and click volume.

On October 5, 2017, the Company and DealerX Partners, LLC, a Florida limited liability company ("**DealerX**"), entered into a Master License and Services Agreement ("**DealerX License Agreement**"). Pursuant to the terms of the DealerX License Agreement, AutoWeb was granted a perpetual license to access and use DealerX's proprietary platform and technology for targeted, online marketing. DealerX was to operate the platform for AutoWeb and provide enhancements to and support for the DealerX platform for at least an initial five-year period ("**Platform Support Obligations**"), however the Company terminated the Platform Support Obligations effective November 2, 2018, and as a result, recorded an impairment charge to cost of revenues. As a percentage of total revenues, gross profit increased for 2019 compared to 2018, driven primarily by this impairment charge.

We continue to work with our traffic suppliers to optimize our SEM methodologies and further grow our high-quality traffic streams. We are also investing in and testing new traffic acquisition strategies and enhanced mobile consumer experiences. Further, we continue to invest in our pay-per-click approach, to improve the consumer, revenue customer and financial performance of that product. We do not expect desktop and mobile display advertising to be a major area of focus for us in the future, as it represents a secondary, not primary, stream of revenues. With a more efficient traffic acquisition model emerging, our plan for 2020 is to grow impressions, improve conversion, expand distribution, and increase capacity. We believe that this focus, along with plans to develop new, innovative products, will create opportunities for improved quality of delivery and strengthen our position for revenue growth.

Starting in 2018, we began to mobile enable our core new car lead generation websites. This was a considerable area of focus for us in 2019 as we evolved our sites to deliver a better experience for consumers to drive conversion. We also recently developed an approach to mobile enable our click traffic product, which is a critical step in our mobile enablement plan. The click product allows us to monetize visits more effectively to our websites. Further, it provides our clients with a unique opportunity to engage consumers with relevant messaging in a unique format. We began testing of the mobile enablement of our click traffic product in the first quarter of 2019. Ultimately, mobile optimization of our websites and products is the goal, and we still have significant work to do in this area throughout 2020.

Our lead generation business has historically operated with limited visibility due to short sales cycles and a high rate of customer churn as clients are able to join and leave our platform with limited notice. Our advertising business is also subject to seasonal trends, with the first quarter of the calendar year typically showing sequential decline versus the fourth quarter. These factors have historically contributed to volatility in our revenues, cost of revenues, gross profit and gross profit margin. We anticipate these trends will continue throughout 2020. As a result, we expect incremental cash usage in the first half of 2020 to then be followed by growth in revenue, profitability and overall cash generation in the second half of the calendar year. We continue to evaluate options to improve our ongoing liquidity and balance sheet through non-dilutive measures and continue to have availability under the revolving credit facility.

On January 9, 2020, the Company discovered that its network was impacted by malware that encrypted servers on most systems and disrupted consumer and customer access to many of our services. The full scope of the costs and related impacts of this incident, including the availability of insurance to offset some of these costs and related impacts of this incident, have not been fully determined as of the filing of this Annual Report on Form 10-K.

In early 2020 and continuing as of the date of this Annual Report on Form 10-K, the outbreak of a novel coronavirus (COVID-19) has led to quarantines and stay-at-home/work-from-home orders in a number of countries, states, cities and regions and the closure or limited access to public and private offices and facilities, worldwide, causing widespread disruptions to travel, economic activity and financial markets. At this time, the eventual extent and magnitude of the disruptions caused by the outbreak on the automotive industry in general and on the Company specifically are not known, but vehicle sales have declined significantly in recent weeks, and the Company is experiencing cancellations or suspensions of purchases of Leads and other digital marketing services by the Company's customers, which could materially and adversely affect our financial performance. See Note 13 of the "Notes to Consolidated Financial Statements" in Part II, Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Operating Metrics

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

Lead Traffic, Volume and Sourcing. Lead traffic is the number of consumers who visited our entire portfolio of owned lead websites during the applicable review period. Lead volume means the total new and used vehicle leads invoiced to retail and wholesale customers for the applicable review period. Lead sourcing reflects the source of our Leads, whether Internally-Generated Leads or Non-Internally-Generated Leads acquired from third parties. Although we are not able at this time to disclose any guidance as to 2020 Lead traffic or Lead volume with any detail or accuracy, we do anticipate some typical level of volatility in our Lead traffic and Lead volume, and we anticipate that our Lead sourcing mix between Internally-Generated Leads and Non-Internally Generated Leads will vary as we balance quality and quantity of our core Lead product.

Retail Dealer Count and Capacity. Retail dealer count means the number of franchised dealers contracted for delivery of retail new vehicle Leads plus the number of vehicle dealers (franchised or independent) contracted for delivery of retail used vehicle Leads. Retail lead capacity means the sum of the number of new and used vehicle Leads contracted for by new or used retail vehicle Dealers that the Dealers wish to receive each month (i.e., "targets") during the applicable review period. For 2020, we do not anticipate a straight-line trajectory for our distribution metrics that include Dealer count and Retail lead capacity as we continue to refine our strategy. We believe we have work to do to refine our distribution channel effectiveness and do a better job at increasing our relationships with the top 150 dealer groups in the United States. We expect some volatility for both dealer count and lead capacity during 2020 as we continue to evolve our engagement model for both retail dealers and the top 150 dealer groups.

Click Traffic and Volume and Revenue per Click. Click traffic means the total visits to Company-owned click referral websites during the applicable review period. Click volume means the number of times during the applicable review period that consumers clicked on advertisements on the Company's click referral websites during the applicable review period. Revenue per click means the total click revenue divided by click volume for the applicable review period. We anticipate that click volume and revenue per click for the first quarter of 2020 will be down sequentially compared to the fourth quarter of 2019, as the customer mix is too weighted in terms of non-endemic (i.e., non-automotive) advertisers. We intend to continue to focus on shifting this mix back towards endemic (i.e., automotive) advertisers, and we are taking steps in this direction. However, this is an area that we will focus on to get performance back to a level that is representative of what we believe is its true potential.

Lead Quality. Our business, results of operations and financial condition are impacted by the volume and quality of our Leads. We measure Lead quality by the conversion of Leads to actual vehicle sales, which we refer to as the "buy rate." Buy rate is the percentage of the consumers submitting Leads that we delivered to our customers represented by the number of these consumers who purchased vehicles within ninety days of the date of the Lead submission. We rely on detailed feedback from Manufacturers and wholesale customers to confirm the performance of our Leads. Our Manufacturer and other wholesale customers each match the Leads we deliver to our customers against vehicle sales to provide us with information about vehicle purchases by the consumers who submitted Leads that we delivered to these customers. We also obtain vehicle registration data from a third-party provider.

Results of Operations

The comparison of 2018 to 2017 is located in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 ("**2018 Form 10-K**") at Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations-*2018 Compared to 2017.*

The following table sets forth our results of operations as a percentage of total revenues for the years ended December 31, 2019 and 2018 (certain percentages below may not sum due to rounding):

	Years Ended December 31,	
	2019	2018
Revenues:		
Lead generation	79.6%	77.2%
Digital advertising	20.3	22.4
Other revenues	0.1	0.4
Total revenues	100.0	100.0
Cost of revenues	80.2	80.7
Cost of revenues - impairment	—	7.2
Gross profit	19.8	12.2
Operating expenses:		
Sales and marketing	9.5	9.9
Technology support	7.8	11.0
General and administrative	12.2	12.8
Depreciation and amortization	3.8	3.9
Goodwill impairment	—	4.1
Long-lived asset impairment	—	1.6
Total operating expenses	33.3	43.3
Operating loss	(13.5)	(31.1)
Interest and other income, net	0.1	0.2
Loss before income tax provision	(13.4)	(30.9)
Income tax provision (benefit)	—	—
Net loss and comprehensive income loss	(13.4)%	(30.9)%

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

	Years Ended December 31,			2019 vs. 2018 Change	
	2019	2018	$	%	$
Revenues:					
Lead generation	$ 90,728	$ 96,936	$ (6,208)	(6)%	$ (10,109)
Digital advertising	23,173	28,169	(4,996)	(18)	(5,973)
Other revenues	80	484	(404)	(83)	(454)
Total revenues	113,981	125,589	(11,608)	(9)	(16,536)
Cost of revenues	91,412	101,315	(9,903)	(10)	1,963
Cost of revenues - impairment	—	9,014	(9,014)	(100)	9,014
Gross profit	$ 22,569	$ 15,260	$ 7,309	48%	$ (27,513)

2019 Compared to 2018

Lead Generation. Lead generation decreased $6.2 million or 6% in 2019 compared to 2018. The decrease in Lead generation was a result of the elimination of poor-quality traffic, decreased Lead sales to Dealers coupled with increased Dealer churn. Further contributing to this decrease was the strategic shift we made in the first quarter of 2019 to prioritize internal traffic acquisition processes on obtaining higher quality impressions, as opposed to a prior focus on raw Lead volume.

Digital advertising. The $5.0 million or 18% decrease in advertising revenues in 2019 compared to 2018 was primarily due to a decrease in click revenue as a result of both decreased click volume and pricing coupled with a decrease in display advertising traffic.

Other revenues. Other revenues decreased $0.4 million or 83% in 2019 compared to 2018. The decrease in other revenues was primarily due to SaleMove product which was written off in 2018.

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

The $9.9 million or 10% decrease in cost of revenues in 2019 compared to 2018 was primarily due to the decreased costs in SEM and traffic acquisition activity. Further contributing to the decrease was costs related to headcount. These costs were shifted to operational roles at the beginning of 2019, as we determined these roles were no longer directly tied to revenue generation.

Cost of Revenues – Impairment. The Company did not have any impairment charge in 2019 compared to the impairment charge taken in 2018 with respect to the DealerX License Agreement.

Gross Profit. Gross profit increased $7.3 million, or 48%, compared to 2018 primarily due to the one-time cost of revenue impairment charge related to the DealerX License Agreement in the prior year. As a percentage of total revenue, gross profit was 20% and 12% for the years ended December 31, 2019 and 2018, respectively.

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

	Years Ended December 31,		2019 vs. 2018 Change	
	2019	2018	$	%
Operating expenses:				
Sales and marketing	$ 10,805	$ 12,419	$ (1,614)	(13)
Technology support	8,849	13,838	(4,989)	(36)
General and administrative	13,882	16,077	(2,195)	(14)
Depreciation and amortization	4,371	4,897	(526)	(11)
Goodwill impairment	—	5,133	(5,133)	(100)
Long-lived asset impairment	—	1,968	(1,968)	(100)
Total operating expenses	$ 37,907	$ 54,332	$ (16,425)	(30)
Interest and other income, net	$ 119	$ 250	$ (131)	(52)
Income tax provision (benefit)	$ 10	$ (6)	$ 16	(267)%

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

Sales and marketing expense for the year ended December 31, 2019 decreased $1.6 million, or 13%, compared to the 2018 period, due primarily to a decrease in compensation and related benefits and the elimination of certain discretionary compensation that was not incurred in 2019. Further contributing to this decrease was severance expense incurred during the 2018 period.

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

Technology support expense for the year ended December 31, 2019 decreased $5.0 million, or 36%, compared to the year ended December 31, 2018. The change was due primarily to lower headcount related costs coupled with the elimination of certain discretionary compensation that was not incurred in 2019.

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

General and administrative expense for the year ended December 31, 2019 decreased $2.2 million, or 14%, compared to the 2018 period due primarily to lower consulting and recruiting costs coupled with a reduction in compensation and benefit-related expenses and certain discretionary compensation that was not incurred in 2019.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2019 decreased $0.5 million to $4.4 million compared to $4.9 million in the 2018 period.

Goodwill impairment. The Company did not have a goodwill impairment charge in 2019 compared to the goodwill impairment charge taken in 2018. During the quarter ended March 31, 2018, the Company performed an evaluation of enterprise goodwill for impairment due to the decline in the Company's stock price. The carrying value of the Company was higher than its fair value based on market capitalization at that date and as a result, a non-cash impairment charge of $5.1 million was recorded.

Long-lived asset impairment. The Company records impairment losses on long-lived assets when events and circumstances indicate that the assets might be impaired. Events that may indicate that the assets might be impaired include, but are not limited to, a significant downturn in the economy, a loss of a major customer or group of customers or a significant decrease in the market value of an asset. The Company did not have a long-lived asset impairment charge in 2019 compared to the long-lived asset impairment charges taken in 2018. .During the third quarter of 2018, the Company recorded an impairment of approximately $0.4 million related to asset advances to SaleMove, Inc. ("**SaleMove**"), which were determined to be non-recoverable at September 30, 2018. In addition, approximately $1.6 million was recorded as an impairment to customer relationships related to a 2015 acquisition after an analysis determined a significant percentage of acquired customers were no longer part of the dealer base.

Interest and Other Income, net. Interest and other income was approximately $0.1 million for the year ended December 31, 2019 compared to interest and other income of approximately $0.3 million for the year ended December 31, 2018. During 2019, we borrowed $73.6 million on the revolving loan and made principal repayments totaling $70.2 million. Interest expense includes interest on outstanding borrowings and the amortization of debt issuance costs.

Income tax provision (benefit). Income tax expense was $10,000 for the year ended December 31, 2019 compared to income tax benefit of $6,000 for the year ended December 31, 2018. Operating losses during the year ended December 31, 2019 did not result in any tax benefit due as valuation allowances were recorded against the deferred tax assets. The increase in income tax expense was also driven by changes in certain state taxes.

For a discussion of our fiscal 2018 results compared to our fiscal 2017 results, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part II of our annual report on Form 10-K for the fiscal year ended December 31, 2018, which was filed with the Securities and Exchange Commission on March 7, 2019.

Segment Information

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

Liquidity and Capital Resources

The table below sets forth a summary of our cash flow for the years ended December 31, 2019 and 2018 (dollars in thousands):

	Years Ended December 31,	
	2019	**2018**
Net cash (used in) provided by operating activities	$ (9,417)	$ (2,920)
Net cash used in investing activities	(1,390)	(771)
Net cash used in financing activities	3,153	(7,702)

Our principal sources of liquidity are our cash and cash equivalent balances and borrowings under (i) the PNC Credit Agreement prior to March 26, 2020, and (ii) the CNC Credit Agreement on or after March 26, 2020. Our cash and cash equivalents and restricted cash totaled $5.9 million as of December 31, 2019, compared to $13.6 million as of December 31, 2018. For the year ended December 31, 2019, we had a net loss of $15.2 million. The net loss is primarily attributable to operating expenses of $37.9 million for the year ended December 31, 2019. We used net cash in operations of $9.8 million for the year ended December 31, 2019. As of December 31, 2019, we had an accumulated deficit of $342.9 million and stockholders' equity of $21.1 million.

We have developed a strategic plan focused on improving operating performance in the future that includes modernizing and upgrading our technology and systems, pursuing business objectives and responding to business opportunities, developing new or improving existing products and services and enhancing operating infrastructure. The plan's objective is for the Company to generate sustainable profitability throughout 2020. However, there is no assurance that we will be able to achieve this objective.

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

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

Net cash used in operating activities totaled $2.9 million for the year ended December 31, 2018. Net cash used in 2018 was due primarily to a net loss of $38.8 million, offset by a $16.1 million non-cash charge related to the impairment of goodwill and intangible assets, $14.5 million in other non-cash expenses including depreciation and share-based compensation, and a net change in assets and liabilities of $5.3 million. Refer to the 2018 Form 10-K for comparison of 2018 to 2017.

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

Net cash used in investing activities of $0.8 million in 2018 primarily related to purchase of property and equipment and expenditures related to capitalized internal use software of $0.9 million, offset by $0.1 million in proceeds from the sale of the SaleMove investment. Refer to the 2018 Form 10-K for comparison of 2018 to 2017.

Net Cash Used in Financing Activities. Net cash used in financing activities of $3.2 million in 2019 primarily consisted of $3.7 million of net borrowings on the credit facility, coupled with $0.4 million proceeds from the exercise of stock options, offset by a $1.0 million repayment of the convertible subordinated promissory note for $1.0 million issued to AutoNationDirect.com, Inc.in connection with the acquisition of AutoUSA, LLC on January 13, 2014.

Net cash used in financing activities of $7.7 million in 2018 primarily consisted of payments of $8.0 million to pay down a prior revolving credit facility with MUFG Union Bank, N.A. in March 2018, offset by proceeds of $0.3 million from the issuance of common stock. Refer to the 2018 Form 10-K for comparison of 2018 to 2017.

Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations as of December 31, 2019 (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility Obligations (a)	$ 3,745	$ 3,745	$ —	$ —	$ —
Operating Lease Obligations (b)	2,922	1,279	1,444	199	—
Total	$ 6,667	$ 5,024	$ 1,444	$ 199	$ —

(a) Credit Facility obligations as defined by ASC 470, “Debt,” and disclosed in Note 7 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(b) Operating lease obligations as defined by ASC 842, “Leases,” and disclosed in Note 8 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

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

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

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

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

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

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

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

Recent Accounting Pronouncements

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable

Item 8. Financial Statements and Supplementary Data

Our Consolidated Balance Sheets as of December 31, 2019 and 2018 and our Consolidated Statements of Operations and Comprehensive Income (Loss), Stockholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 2019, together with the report of our independent registered public accounting firm, begin on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Based on this evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2019.

Management's Report on Internal Control Over Financial Reporting

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

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

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

Under the supervision and with the participation of management, including the Company's chief executive officer and chief financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the framework established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2019. Management reviewed the results of its assessment with the Audit Committee of the Board of Directors.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fourth fiscal quarter of the Company's year ended December 31, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Information called for by the Items included under this Part III is incorporated by reference to the sections listed below of our definitive Proxy Statement for our 2019 Annual Meeting of Stockholders that will be filed not later than 120 days after December 31, 2019 (“**2020 Proxy Statement**”).

Item 10 ***Directors, Executive Officers and Corporate Governance***

The information called for by this Item 10 is incorporated by reference to the following sections of the 2020 Proxy Statement: “Proposal 1-Nomination and Election of Directors;” “Board of Directors;” “Executive Officers;” “Delinquent Section 16(a) Reports;” and the following paragraphs under the section “Corporate Governance Matters,” “--Committees of the Board of Directors—Audit Committee,” and “—Code of Conduct and Ethics.”

Item 11 ***Executive Compensation***

The information called for in this Item 11 is incorporated by reference to the following sections of the 2020 Proxy Statement: “Executive Compensation” and “Corporate Governance Matters--Compensation Committee Interlocks and Insider Participation” and “--Board’s Role in Oversight of Risk.”

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

The information called for in this Item 12 is incorporated by reference to the following sections of the 2020 Proxy Statement: “Security Ownership of Certain Beneficial Owners and Management” and “Executive Compensation--Equity Compensation Plans.”

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

The information called for in this Item 13 is incorporated by reference to the following sections of the 2020 Proxy Statement: “Corporate Governance Matters--Certain Relationships and Related-Party Transactions” and “--Director Independence.”

Item 14 ***Principal Accounting Fees and Services***

The information called for in this Item 14 is incorporated by reference to the following sections of the 2020 Proxy Statement: “Independent Registered Public Accounting Firm and Audit Committee Report--Principal Accountant Fees and Services,” “--Audit Fees,” “--Audit Related Fees,” and “--Pre-Approval Policy for Services.”

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

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

(1) *Financial Statements:*

(2) *Financial Statement Schedules:*

All other schedules have been omitted since the required information is presented in the financial statements and the related notes or is not applicable.

(3) *Exhibits:*

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

EXHIBIT INDEX

Number	Description
2.1	Asset Purchase and Sale Agreement dated as of December 19, 2016 by and among Company, Car.com, Inc., a Delaware corporation, and Internet Brands, Inc., a Delaware corporation, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on December 21, 2016 (SEC File No. 001-34761).
3.1	Sixth Restated Certificate of Incorporation of AutoWeb, Inc. (filed with the Secretary of the State of Delaware on October 9, 2017), incorporated by reference to Exhibit 3.4 to the Current Report on Form 8-K filed with the SEC on October 10, 2017 (SEC File No. 001-34761).
3.2	Seventh Amended and Restated Bylaws of AutoWeb dated October 9, 2017, incorporated by reference to Exhibit 3.5 to the Current Report on Form 8-K filed with the SEC on October 10, 2017 (SEC File No. 001-34761).
4.1*	Description of AutoWeb, Inc. Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.2	Tax Benefit Preservation Plan dated as of May 26, 2010 between Company and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; and Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239); Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 16, 2014 (SEC File No. 001-34761); Amendment No. 2 to Tax Benefit Preservation Plan dated as of April 13, 2017, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 14, 2017 (SEC File No. 001-34761); Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan, incorporated by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2012 filed with the SEC on November 8, 2012 (SEC File No. 001-34761)
10.1■	Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, incorporated by reference to Exhibit 4.7 to the Post-Effective Amendment to Registration Statement on Form S-8 filed with the SEC on July 31, 2003 (SEC File No. 333-67692); as amended by Amendment No. 1 to the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan dated May 1, 2009, incorporated by reference to Exhibit 10.88 to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239); and Form of Restricted Stock Award Agreement under the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239); Form of Employee Stock Option Agreement under the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K for the Year Ended December 31, 2014 filed with the SEC on February 26, 2015 (SEC File No. 001-34761).
10.2■	Autobytel Inc. 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on June 25, 2010 (SEC File No. 001-34761); Form of Employee Stock Option Award Agreement, Form of 2012 Performance-Based Stock Option Award Agreement, Form of Non-Employee Director Stock Option Award Agreement and Form of (Management) Employee Stock Option Award Agreement under the Autobytel Inc. 2010 Equity Incentive Plan, incorporated by reference to Exhibits 10.58, 10.59, 10.60 and 10.61, respectively, to the Annual Report on Form 10-K for the Year Ended December 31, 2011 filed with the SEC on March 1, 2012 (SEC File No. 001-34761); and Form of 2013 Performance-Based Stock Option Award Agreement under the Autobytel Inc. 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10.79 to the Annual Report on Form 10-K for the Year Ended December 31, 2012 filed with the SEC on February 28, 2013 (SEC File No. 001-34761).

10.3■	AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 23, 2014 (SEC File No. 001-34761); Amended and Restated AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan (supersedes and replaces the AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan filed under Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 23, 2014 (SEC File No. 001-34761), incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Non-Employee Director Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan, incorporated by reference to Exhibit 10.12 on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Executive Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan, incorporated by reference to Exhibit 10.13 on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Non-Executive Employee Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan, incorporated by reference to Exhibit 10.14 on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); Form of Subsidiary Employee Stock Option Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan, incorporated by reference to Exhibit 10.15 on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761); and Form of Restricted Stock Award Agreement under the Amended and Restated AutoWeb, Inc. (formerly Autobytel Inc.) 2014 Equity Incentive Plan, incorporated by reference to Exhibit 10.16 on the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761).
10.4■	AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 on the Current Report on Form 8-K filed with the SEC on June 27, 2018 (SEC File No. 001-34761); Form of Non-Employee Director Stock Option Award Agreement (Non-Qualified Stock Option) under the AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761); Form of Employee Stock Option Award Agreement (Non-Qualified Stock Option) (Executive) under the AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.9 on the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761); Form of Employee Stock Option Award Agreement (Non-Qualified Stock Option) (Non-Executive) under the AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.10 on the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761); and Form of Restricted Stock Award Agreement under the AutoWeb, Inc. 2018 Equity Incentive Plan, incorporated by reference to Exhibit 10.11 on the Quarterly Period ended June 30, 2018 filed with the SEC on August 2, 2018 (SEC File No. 001-34761).
10.9■	Form of Amended and Restated Indemnification Agreement between Company and its directors and officers, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on July 22, 2010 (SEC File No. 001-34761).
10.10■	Form of Indemnification Agreement between the Company and its directors and officers, incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K for the Year Ended December 31, 2017 filed with the SEC on March 15, 2018 (SEC File No. 001-34761).
10.11■	Employment Agreement between Jared Rowe and AutoWeb, Inc. dated April 12, 2018, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 18, 2018 (SEC File No. 001-34761); and as amended by Amendment No. 1 dated August 26, 2019, incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the SEC on November 7, 2019 (SEC File No. 001-34761).

10.12■	Inducement Stock Option Award Agreement between Jared Rowe and AutoWeb, Inc. dated April 12, 2018, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on April 18, 2018 (SEC File No. 001-34761).
10.13■	Letter Agreement dated October 10, 2006, between Company and Glenn Fuller, as amended by Memorandum dated April 18, 2008, Memorandum dated as of December 8, 2008, and Memorandum dated as of March 1, 2009, incorporated by reference to Exhibit 10.77 to the Annual Report on Form 10-K for the Year Ended December 31, 2008 filed with the SEC on March 13, 2009 (SEC File No. 000-22239); as amended by Memorandum dated January 31, 2017, incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K for the Year Ended December 31, 2016 filed with the SEC on March 9, 2017 (SEC File No. 001-34761); and as amended by Memorandum dated April 18, 2018, incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the Year Ended December 31, 2018 filed with the SEC on March 7, 2019 (SEC File No. 001-34761).
10.14■	Second Amended and Restated Severance Benefits Agreement dated as of April 12, 2018, between Company and Glenn Fuller, incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed with the SEC on May 10, 2018 (SEC File No. 001-34761).
10.15■	Offer of Employment between Joseph Hannan and Company dated November 21, 2018, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 17, 2018 (SEC File No. 001-34761).
10.16■	Inducement Stock Option Award Agreement between Joseph Hannan and Company dated December 17, 2018, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on December 17, 2018 (SEC File No. 001-34761).
10.17■	Severance Benefits Agreement between Joseph Hannan and Company dated December 17, 2018, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on December 17, 2018 (SEC File No. 001-34761).
10.18■	Offer of Employment between Daniel Ingle and Company dated November 26, 2018, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 16, 2019 (SEC File No. 001-34761).
10.19■	Inducement Stock Option Award Agreement dated as of January 16, 2019, between Daniel Ingle and Company incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 7, 2019 (SEC File No. 001-34761).
10.20■	Severance Benefits Agreement dated January 16, 2019, between Daniel Ingle and Company incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 7, 2019 (SEC File No. 001-34761).
10.21■	Offer of Employment dated as of October 2, 2018, between Company and Sara Partin, incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2018 filed with the SEC on November 8, 2018 (SEC File No. 001-34761).
10.22■	Inducement Stock Option Award Agreement dated as of October 22, 2018, between Company and Sara Partin, incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2018 filed with the SEC on November 8, 2018 (SEC File No. 001-34761).
10.23■	Severance Benefits Agreement dated October 22, 2018, between Company and Sara Partin, incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2018 filed with the SEC on November 8, 2018 (SEC File No. 001-34761).
10.24■	Offer of Employment dated as of November 28, 2018, between Company and Timothy Branham incorporated by reference to Exhibit 10.30 to the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 7, 2019 (SEC File No. 001-34761).

10.25■	Inducement Stock Option Award Agreement dated as of December 17, 2018, between Company and Timothy Branham incorporated by reference to Exhibit 10.31 to the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 7, 2019 (SEC File No. 001-34761).
10.26	Fourth Amended and Restated Stockholder Agreement dated as of March 1, 2017, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 2, 2017 (SEC File No. 001-34761).
10.27	Revolving Credit and Security Agreement by and among PNC Bank, National Association, as Agent, the Lenders Party thereto, and AutoWeb, Inc., as Borrower, and Car.com, Inc., Autobytel, Inc., and AW GUA USA, Inc., as guarantors, dated April 30, 2019, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 1, 2019 (SEC File No. 001-34761); and as amended by First Amendment dated October 29, 2019, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 30, 2019 (SEC File No. 001-34761).
10.28	Lease Agreement dated April 3, 1997 between The Provider Fund Partners, The Colton Company (n/k/a: GFE MacArthur Investments, LLC, as successor-in-interest to The Provider Fund Partners, The Colton Company) and the Company (“**Irvine Lease**”), as amended by Amendment No. 12 dated February 6, 2009 to Irvine Lease, Amendment No. 13 dated February 6, 2009 to Irvine Lease, and Amendment No. 14 to Irvine Lease dated November 9, 2010, incorporated by reference to Exhibit 10.79 to the Annual Report on Form 10-K for the Year Ended December 31, 2011 filed with the SEC on March 1, 2012 (SEC File No. 001-34761); as amended by Amendment No. 15 dated October 31, 2012 to Irvine Lease, incorporated by reference to Exhibit 10.69 to the Annual Report on Form 10-K for the Year Ended December 31, 2012 filed with the SEC on February 28, 2013 (SEC File No. 001-34761); as amended by Amendment No. 16 to Irvine Lease dated August 7, 2015, incorporated by reference to Exhibit 10.32 to the Annual Report on Form 10-K filed with the SEC on March 10, 2016 (SEC File No. 001-34761); and as amended by Amendment No. 17 dated April 14, 2017 to the Irvine Lease dated April 3, 1997 between GFE MacArthur Investments, LLC, successor-in-interest to TFP Partners, and the Company, incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed with the SEC on May 4, 2017 (SEC File No. 001-34761).
10.29	Lease Agreement dated December 9, 2015 between Rivergate Tower Owner, LLC and the Company, as amended by Amendment No. 1 dated November 21, 2016, incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K filed with the SEC on March 9, 2017 (SEC File No. 001-34761).
10.30	Contract for Lease and Deposit dated June 1, 2016 between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1101, incorporated by reference to Exhibit 10.33 to Annual Report on Form 10-K filed with the SEC on March 9, 2017 (SEC File No. 001-34761).
10.31	Contract for Lease and Deposit dated June 1, 2016 between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1102, incorporated by reference to Exhibit 10.34 to Annual Report on Form 10-K filed with the SEC on March 9, 2017 (SEC File No. 001-34761).
10.32*	Letter Agreements for Lease Extension dated December 18, 2019 and January 6, 2020, between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1101.
10.33*	Letter Agreements for Lease Extension dated December 18, 2019 and January 6, 2020, between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1102.
10.34	Master License and Services Agreement as of October 5, 2017 by and between AutoWeb and DealerX Partners, LLC, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 11, 2017 (SEC File No. 001-34761).
10.35	Tax Benefit Preservation Plan Exemption Agreement and Irrevocable Proxy dated November 15, 2017, by and between AutoWeb, Piton Capital Partners LLC, a Delaware limited liability company (“**Piton Capital**”), and Piton Capital’s managing members, incorporated by reference to Exhibits 10.1 and 10.2, respectively, to the Current Report on Form 8-K filed with the SEC on November 17, 2017 (SEC File No. 001-34761).

10.36	Tax Benefit Preservation Plan Exemption Agreement and Irrevocable Proxies, effective as of November 30, 2018, by and between AutoWeb, Inc. and Daniel M. Negari, The 1 8 999 Trust, a trust organized under the laws of Nevada, Michael R. Ambrose, and The Insight Trust, a trust organized under the laws of Nevada, incorporated by reference to Exhibits 10.1, 10.2, 10.3, 10.4 and 10.5, respectively, to the Current Report on Form 8-K filed with the SEC on November 30, 2018 (SEC File No. 001-34761).
10.37	Transitional License and Linking Agreement, made as of January 1, 2017, by and among Internet Brands, Inc., a Delaware corporation, Car.com, Inc., a Delaware corporation, and the Company, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 6, 2017 (SEC File No. 001-34761).
10.38	Form of Warrant to Purchase Common Stock (on an as-converted basis following the conversion of Series B Junior Preferred Stock) dated as of October 1, 2015 issued by the Company to the persons listed on Schedule A thereto, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 6, 2015 (SEC File No. 001-34761).
10.39	Loan, Security and Guarantee Agreement by and among CIT Northbridge Credit LLC, as Agent, the Lenders Party thereto, and AutoWeb, Inc., as Borrower, and Car.com, Inc., Autobytel, Inc., and AW GUA USA, Inc., as Guarantors, dated March 26, 2020 incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 26, 2020 (SEC File No. 001-34761).
10.40	Lease Agreement dated March 11, 2020, by and among The Irvine Company LLC and the Company incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 16, 2020 (SEC File No. 001-34761).
21.1*	Subsidiaries of AutoWeb, Inc.
23.1*	Consent of Independent Registered Public Accounting Firm, Moss Adams LLP.
24.1*	Power of Attorney (included in the signature page hereto).
31.1*	Chief Executive Officer Section 302 Certification of Periodic Report dated March 27, 2020.
31.2*	Chief Financial Officer Section 302 Certification of Periodic Report dated March 27, 2020.
32.1*	Chief Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated March 27, 2020.
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.

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

Item 16. ***Form 10-K Summary***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of March 2020.

AUTOWEB, INC.

By: /s/ JARED R. ROWE
Jared R. Rowe
President, Chief Executive Officer and Director

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ MICHAEL J. FUCHS **Michael J. Fuchs**	Chairman of the Board and Director	March 27, 2020
/s/ JARED R. ROWE **Jared R. Rowe**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 27, 2020
/s/ JOSEPH P. HANNAN **Joseph P. Hannan**	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Accounting Officer)	March 27, 2020
/s/ MICHAEL A. CARPENTER **Michael A. Carpenter**	Director	March 27, 2020
/s/ MATIAS DE TEZANOS **Matias de Tezanos**	Director	March 27, 2020
/s/ CHAN GALBATO **Chan Galbato**	Director	March 27, 2020
/s/ MARK N. KAPLAN **Mark N. Kaplan**	Director	March 27, 2020
/s/ JANET M. THOMPSON **Janet M. Thompson**	Director	March 27, 2020
/s/ JOSE VARGAS **Jose Vargas**	Director	March 27, 2020

AUTOWEB, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AutoWeb, Inc. (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedule (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 and as discussed in Note 3, its method of accounting for revenue recognition in 2018.

Basis for Opinion

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

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

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

/s/ Moss Adams LLP

San Diego, California
March 27, 2020

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

AUTOWEB, INC.

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

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 892	$ 13,600
Restricted cash	5,054	—
Accounts receivable, net of allowances for bad debts and customer credits of $740 and $566 at December 31, 2019 and 2018, respectively	24,051	26,898
Prepaid expenses and other current assets	1,265	1,245
Total current assets	31,262	41,743
Property and equipment, net	3,349	3,181
Right-of-use assets	2,528	—
Intangible assets, net	7,104	11,976
Other assets	661	516
Total assets	$ 44,904	$ 57,416
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 14,080	$ 17,572
Borrowings under revolving credit facility	3,745	—
Accrued employee-related benefits	1,004	3,125
Other accrued expenses and other current liabilities	2,315	2,204
Current portion of lease liabilities	1,167	—
Convertible note payable	—	1,000
Total current liabilities	22,311	23,901
Lease liabilities, net of current portion	1,497	—
Total liabilities	23,808	23,901
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 11,445,187 shares authorized		
Series A Preferred stock, none issued and outstanding	—	—
Common stock, $0.001 par value; 55,000,000 shares authorized; 13,146,831 and 12,960,450 shares issued and outstanding at December 31, 2019 and 2018, respectively	13	13
Additional paid-in capital	364,028	361,218
Accumulated deficit	(342,945)	(327,716)
Total stockholders' equity	21,096	33,515
Total liabilities and stockholders' equity	$ 44,904	$ 57,416

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

AUTOWEB, INC.

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

	Years Ended December 31,		
	2019	**2018**	**2017**
Revenues:			
Lead generation	$ 90,728	$ 96,936	$ 107,045
Digital advertising	23,173	28,169	34,142
Other revenues	80	484	938
Total revenues	113,981	125,589	142,125
Cost of revenues	91,412	101,315	99,352
Cost of revenues – impairment	—	9,014	—
Gross profit	22,569	15,260	42,773
Operating expenses:			
Sales and marketing	10,805	12,419	14,315
Technology support	8,849	13,838	12,567
General and administrative	13,882	16,077	12,001
Depreciation and amortization	4,371	4,897	4,781
Goodwill impairment	—	5,133	37,688
Long-lived asset impairment	—	1,968	—
Total operating expenses	37,907	54,332	81,352
Operating loss	(15,338)	(39,072)	(38,579)
Interest and other income (expense), net	119	250	(946)
Loss before income tax provision	(15,219)	(38,822)	(39,525)
Income tax provision (benefit)	10	(6)	25,439
Net loss and comprehensive loss	$ (15,229)	$ (38,816)	$ (64,964)
Basic loss per common share	$ (1.17)	$ (3.04)	$ (5.48)
Diluted loss per common share	$ (1.17)	$ (3.04)	$ (5.48)

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

AUTOWEB, INC.

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

	Common Stock		Preferred Stock				
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In-Capital	Accumulated Deficit	Total
Balance at December 31, 2016	11,012,625	$ 11	168,007	$ —	$ 350,022	$ (230,424)	$ 119,609
Share-based compensation	—	—	—	—	4,106	—	4,106
Issuance of common stock upon exercise of stock options	248,344	—	—	—	1,355	—	1,355
Issuance of restricted stock	345,000	—	—	—	—	—	—
Conversion of preferred shares	1,680,070	2	(168,007)	—	(2)	—	—
DealerX contingent consideration	—	—	—	—	2,470	—	2,470
Repurchase of common stock	(226,698)	—	—	—	(1,897)	—	(1,897)
Cumulative effect adjustment	—	—	—	—	—	6,488	6,488
Net loss	—	—	—	—	—	(64,964)	(64,964)
Balance at December 31, 2017	13,059,341	13	—	—	356,054	(288,900)	67,167
Share-based compensation	—	—	—	—	4,866	—	4,866
Issuance of common stock upon exercise of stock options	28,467	—	—	—	98	—	98
Cancellation of restricted stock	(188,333)	—	—	—	—	—	—
Issuance of common stock	60,975	—	—	—	200	—	200
Net loss	—	—	—	—	—	(38,816)	(38,816)
Balance at December 31, 2018	12,960,450	13	—	—	361,218	$ (327,716)	$ 33,515
Share-based compensation	—	—	—	—	2,402	—	2,402
Issuance of common stock upon exercise of stock options	213,048	—	—	—	408	—	408
Cancellation of restricted stock	(26,667)	—	—	—	—	—	—
Issuance of common stock							
Net loss	—	—	—	—	—	(15,229)	(15,229)
Balance at December 31, 2019	13,146,831	$ 13	—	$ —	$ 364,028	$ (342,945)	$ 21,096

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

AUTOWEB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities:			
Net loss and comprehensive loss	$ (15,229)	$ (38,816)	$ (64,964)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,454	8,544	7,653
Goodwill impairment	—	5,133	37,688
Intangible asset impairment	—	9,014	—
Provision for bad debt	293	241	346
Provision for customer credits	250	217	247
Share-based compensation	2,402	4,866	4,103
Right-of-use-assets	1,697	—	—
Lease Liabilities	(1,706)	—	—
Write-down of assets	59	—	8
Long-lived asset impairment	—	1,968	—
(Gain)/loss on investment	(250)	(25)	580
Change in deferred tax assets	—	692	25,264
Changes in assets and liabilities:			
Accounts receivable	2,304	(1,445)	7,130
Prepaid expenses and other current assets	(20)	814	(904)
Other non-current assets	(145)	(278)	200
Accounts payable	(3,492)	4,873	(2,954)
Accrued expenses and other current liabilities	(2,034)	1,282	(2,909)
Net cash provided by (used in) operating activities	(9,417)	(2,920)	11,488
Cash flows from investing activities:			
Purchases of property and equipment	(1,640)	(896)	(1,799)
Purchase of intangible assets	—	—	(8,600)
Proceeds from sale of investment	250	125	—
Change in short-term investment	—	—	—
Net cash used in investing activities	(1,390)	(771)	(10,402)
Cash flows from financing activities:			
Borrowings under revolving credit facility	73,968	—	—
Principal payments on revolving credit facility	(70,223)	(8,000)	—
Repurchase of common stock	—	—	(1,897)
Proceeds from issuance of common stock	—	200	—
Payments on term loan borrowings	(1,000)	—	(14,063)
Net proceeds from stock option exercises	408	98	1,355
Net cash provided by (used in) financing activities	3,153	(7,702)	(14,605)
Net decrease in cash and cash equivalents	(7,654)	(11,393)	(13,519)
Cash and cash equivalents, beginning of period	13,600	24,993	38,512
Cash and cash equivalents and restricted cash, end of period	$ 5,946	$ 13,600	$ 24,993
Reconciliation of cash and cash equivalents and restricted cash			
Cash and cash equivalents at beginning of period	$ 13,600	$ 24,993	$ 38,512
Restricted cash at beginning of period		—	—
Cash and cash equivalents at beginning of period	$ 13,600	$ 24,993	$ 38,512
Cash and cash equivalents at end of period	$ 892	$ 13,600	$ 38,512
Restricted cash at end of period	5,054	—	—
Cash and cash equivalents and restricted cash at end of period	$ 5,946	$ 13,600	$ 38,512
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 12	$ 4	$ 650
Cash refunds for income taxes	$ 128	$ 223	$ —
Cash paid for interest	$ 176	$ 118	$ 948
Supplemental schedule of non-cash investing and financing activities:			
DealerX License Agreement contingent consideration	$ —	$ —	$ 2,470

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

AUTOWEB, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Operations of AutoWeb

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

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

The Company was incorporated in Delaware on May 17, 1996. The Company's common stock is listed on The NASDAQ Capital Market under the symbol AUTO.

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs) and Carat Detroit. During 2019, approximately 25% of our total revenues were derived from these two customers, and approximately 33% or $8.4 million of gross accounts receivable related to these two customers at December 31, 2019. Urban Science Applications accounted for 15% and 13% of total revenues and accounts receivable, respectively, as of December 31, 2019. Carat Detroit accounted for 9% and 21% of total revenues and accounts receivable, respectively, as of December 31, 2019.

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

During 2017, approximately 34% of the Company's total revenues were derived from these same three customers in 2018, and approximately 43% or $11.6 million of gross accounts receivable related to these three customers at December 31, 2017. Urban Science Applications accounted for 15% and 20% of total revenues and total accounts receivable as of December 31, 2017, respectively. Media.net Advertising accounted for 11% of both total revenues and accounts receivable as of December 31, 2017, respectively.

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

Operating Leases. The Company leases office space and certain office equipment under operating lease agreements which expire on various dates through 2024, with options to renew on expiration of the original lease terms. These operating lease agreements include one material related party agreement, whereby the Company incurred $0.2 million of operating lease payments during 2019.

The lease term begins on the date of initial possession of the leased property for purposes of recognizing rent expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term.

Capitalized Internal Use Software and Website Development Costs. The Company capitalizes costs to develop internal use software in accordance with Accounting Standards Codification ("**ASC**") 350-40, "*Internal-Use Software*", and ASC 350-50, "*Website Development Costs*", which require the capitalization of external and internal computer software costs and website development costs, respectively, incurred during the application development stage. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training and maintenance costs are expensed as incurred while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized internal use software development costs are amortized using the straight-line method over an estimated useful life of three to five years. Capitalized website development costs, once placed in service, are amortized using the straight-line method over the estimated useful life of the related websites. The Company capitalized $0.4 million, $0.5 million and $0.5 million of such costs for the years ended December 31, 2019, 2018 and 2017, respectively.

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

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

Impairment of Long-Lived Assets and Intangible Assets. The Company periodically reviews long-lived amortizing assets to determine if there is any impairment of these assets. The Company assesses the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of the long-lived assets and other intangibles. Future events could cause the Company to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. The Company assesses the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, the Company would write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on the Company's financial condition and results of operations. The Company recorded impairment of $0.6 million related to its investment in SaleMove in 2017. In 2018, the Company recorded impairments totaling $11.0 million, primarily attributable to a $9.0 million charge due to our decision to terminate the support provisions of the DealerX License Agreement, which significantly impacted the usability of the asset. The remaining $2.0 million is comprised of a $1.6 million customer relationships impairment related to a 2015 acquisition after determining that a significant percentage of acquired customers were no longer part of the dealer base, and the write-off of $0.4 million in cash advances to SaleMove. The Company did not record any impairment of long-lived assets and intangible assets in 2019.

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

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

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

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

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

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

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

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

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

	2019	2018	2017
Basic Shares:			
Weighted average common shares outstanding	13,070,898	12,756,191	11,910,906
Weighted average common shares repurchased	—	—	(58,367)
Basic Shares	13,070,898	12,756,191	11,852,539
Diluted Shares:			
Basic Shares	13,070,898	12,756,191	11,852,539
Weighted average dilutive securities	—	—	—
Dilutive Shares	13,070,898	12,756,191	11,852,539

For the years ended December 31, 2019, 2018 and 2017, basic and diluted weighted average shares are the same as the Company generated a net loss for the period and potentially dilutive securities are excluded because they have an anti-dilutive impact.

Potentially dilutive securities representing approximately 4.4 million, 3.5 million, and 3.7 million shares of common stock for the years ended December 31, 2019, 2018, and 2017, respectively, were excluded from the computation of diluted income per share for these periods because their effect would have been anti-dilutive.

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

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

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

Advertising Expense. Advertising costs are expensed in the period incurred and the majority of advertising expense is recorded in sales and marketing expense. Advertising expense in the years ended December 31, 2019, 2018 and 2017 was $0.6 million, $1.4 million and $1.7 million, respectively.

Recent Accounting Pronouncements

Recently Adopted by the Company

ASC 220 "Comprehensive Income." In February 2018, the FASB issued Accounting Standard Update ("ASU") No. 2018-02, "*Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*." The new guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. On January 1, 2019, the Company adopted ASU No. 2018-02 and it did not have a material effect on the consolidated financial statements and related disclosures.

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

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

The adoption of ASC 842 had a material impact on the consolidated balance sheet due to the recognition of ROU assets and lease liabilities. The adoption of this ASU did not have a material impact on the consolidated statement of operations or the consolidated statement of cash flows. The Company did not recognize a material cumulative effect adjustment to the opening balance sheet retained earnings on January 1, 2019. Because the modified retrospective approach was elected, the ASU was not applied to periods prior to adoption and did not have an impact on previously reported results. At adoption, the Company recognized operating lease ROU assets and lease liabilities that reflect the present value of the future payments. As the rate implicit in the lease could not be determined for any of the Company's leases, an estimated incremental borrowing rate of 5.5% was used to determine the present value of lease payments. Based on the impact of ASC 842 on the lease population, the Company recorded $4.4 million in lease liabilities and $4.2 million for ROU assets based upon the lease liabilities adjusted for deferred rent. See Note 8 for additional information on leases.

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

3. Revenue Recognition

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

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

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

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

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

- Lead generation – paid by Dealers and Manufacturers participating in the Company's Lead programs and are comprised of Lead transaction and/or monthly subscription fees. Lead generation are recognized in the period when service is provided.

- Digital advertising – fees paid by Dealers and Manufacturers for (i) display advertising on the Company's websites and (ii) fees from the Company's click traffic program. Revenue is recognized in the period advertisements are displayed on the Company's websites or the period in which clicks have been delivered, as applicable. The Company recognizes gross revenue from the delivery of action-based advertisements in the period in which a user takes the action for which the marketer contracted for with the Company. For advertising revenue arrangements where the Company is not the principal, the Company recognizes revenue on a net basis.

- Other revenues – consists primarily of revenues from the Company's mobile products and revenues from the Company's Reseller Agreement with SaleMove, Inc. Revenue is recognized in the period in which products or services are sold.

Variable Consideration

The Company's products, namely Leads, are generally sold with a right-of-return for services that do not meet customer requirements as specified by the relevant contract. Rights-of-return are estimable, and provisions for estimated returns are recorded as a reduction in revenue by the Company in the period revenue is recognized, and thereby accounted for as variable consideration. The Company includes the allowance for customer credits in its net accounts receivable balances on the Company's balance sheet at period end. Allowance for customer credits totaled $194,000 and $121,000 as of December 31, 2019 and 2018, respectively.

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

Contract Assets and Contract Liabilities Unbilled Revenue

Timing of revenue recognition may differ from the timing of invoicing to customers. The Company records a receivable when revenue is recognized prior to invoicing. From time to time, the Company may have balances on its balance sheet representing revenue that has been recognized by the Company upon satisfaction of performance obligations and earning a right to receive payment. These not-yet invoiced receivable balances are driven by the timing of administrative transaction processing, and are not indicative of partially complete performance obligations, or unbilled revenue. Unbilled revenue represents revenue that is partially earned, whereby control of promised services has not yet transferred to the customer, and for which the Company has not earned the complete right to payment. The Company had zero unbilled revenue included in its consolidated balance sheets as of December 31, 2019 and 2018.

Deferred Revenue

The Company defers the recognition of revenue when cash payments are received or due in advance of satisfying its performance obligations, including amounts which are refundable. Such activity is not a common practice of operation for the Company. The Company had zero deferred revenue included in its consolidated balance sheets as of December 31, 2019 and 2018. Payment terms and conditions can vary by contract type. Generally, payment terms within the Company's customer contracts include a requirement of payment within 30 to 60 days from date of invoice. Typically, customers make payments after receipt of invoice for billed services, and less typically, in advance of rendered services.

Practical Expedients and Exemptions

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

Significant Judgments

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

- *Arrangements with Multiple Performance Obligations*

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

- *Variable Consideration and Customer Credits*

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

As specific customer credits are identified, they are charged against this allowance with no impact on revenues. Returns and credits are measured at contract inception, with respective obligations reviewed each reporting period or as further information becomes available, whichever is earlier, and only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. The allowance for customer credits is included in the net accounts receivable balances of the Company's balance sheets as of December 31, 2019 and 2018.

Disaggregation of Revenue

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

	Years Ended December 31,		
	2019	**2018**	**2017**
		(in thousands)	
Lead generation	$ 90,728	$ 96,936	$ 107,045
Digital advertising			
Clicks	19,599	23,387	28,262
Display and other advertising	3,574	4,782	5,880
Other revenues	80	484	938
Total revenues	$ 113,981	$ 125,589	$ 142,125

4. Disposals

Disposal of Specialty Finance Leads Product

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

Under the Transition Agreement, Car.com and AutoWeb provide Internet Brands certain transition services and arrangements (i) Internet Brands will pay AutoWeb $1.6 million in fees over the five-year term of the Transition Agreement; and (ii) Car.com (1) granted Internet Brands a limited, non-exclusive, non-transferable license to use the Car.com logo and name solely for sales and marketing purposes in Internet Brand's automotive specialty finance leads business; and (2) provided certain redirect linking of consumer traffic from the Company's specialty finance leads application forms to a landing page designated by Internet Brands. The Company received $0.3 million, $0.4 million and $0.4 million during the years ended December 31, 2019, 2018 and 2017, respectively, related to the Transition Agreement.

5. Investments

SaleMove

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

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

GoMoto

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

On January 29, 2019, the GoMoto Notes were converted into 1,781,047 shares of GoMoto's Series A-2 Preferred Stock, $0.001 par value per share. The outstanding principal plus accrued interest under the GoMoto Notes was converted in accordance with the terms of the notes upon the closing of a new preferred stock financing and based on a discount to the price paid by the new investor for the investor's preferred shares. On July 30, 2019, the Company entered into a Repurchase Agreement with GoMoto, pursuant to which GoMoto repurchased these 317,460 shares of Series Seed Preferred Stock and 1,781,047 shares of Series A-2 Preferred Stock from the Company for an aggregate purchase price of $250,000.

6. Selected Balance Sheet Accounts

Property and equipment consist of the following:

	As of December 31,	
	2019	**2018**
	(in thousands)	
Computer software and hardware	$ 12,804	$ 11,393
Capitalized internal use software	5,878	6,228
Furniture and equipment	1,743	1,743
Leasehold improvements	1,613	1,613
	22,038	20,977
Less—Accumulated depreciation and amortization	(18,689)	(17,796)
Property and equipment, net	$ 3,349	$ 3,181

As of December 31, 2019, and 2018, capitalized internal use software, net of amortization, was $0.6 million and $1.2 million, respectively. Depreciation and amortization expense related to property and equipment was $1.6 million for the year ended December 31, 2019. Of this amount, $0.9 million was recorded in cost of revenues and $0.7 million was recorded in operating expenses for the year ended December 31, 2019.

Depreciation and amortization expense related to property and equipment was $2.0 million for the year ended December 31, 2018. Of this amount, $1.2 million was recorded in cost of revenues and $0.8 million was recorded in operating expenses for the year ended December 31, 2018. Depreciation and amortization expense related to property and equipment was $1.9 million for the year ended December 31, 2017. Of this amount, $1.1 million was recorded in cost of revenues and $0.8 million was recorded in operating expenses for the year ended December 31, 2017.

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

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

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

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

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

A quantitative analysis was performed by the Company in 2018 on its customer relationship intangible assets, whereby it examined available data, namely historical activity and cashflows resulting from the customer relationships of previous acquisitions, in concert with projected future use of acquired customer relationships within the parameters of the Company's future strategic plans. As a result of this analysis, the Company determined there to be impairment of $1.6 million related to customer relationship intangible assets acquired in a 2015 acquisition for which projected cashflows did not support the carrying values. Additionally, the Company determined that the estimated useful life of these customer relationship intangible assets had changed from 10 years to 5 years. This change in estimate will impact amortization expense in future periods as amortization will be accelerated over the remaining estimated useful life of this asset due to the change in estimate.

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

Intangible Asset	Estimated Useful Life	December 31, 2019 Gross	December 31, 2019 Accumulated Amortization	December 31, 2019 Net	December 31, 2018 Gross	December 31, 2018 Accumulated Amortization	December 31, 2018 Net
Trademarks/trade names/licenses/ domains	3 – 7 years	$ 16,589	$ (15,442)	$ 1,147	$ 16,589	$ (14,914)	$ 1,675
Customer relationships	2 - 5 years	19,563	(18,800)	763	19,563	(15,544)	4,019
Developed technology	5-7 years	8,955	(5,961)	2,994	8,955	(4,873)	4,082
		$ 45,107	$ (40,203)	$ 4,904	$ 45,107	$ (35,331)	$ 9,776

Indefinite-lived Intangible Asset	Estimated Useful Life	December 31, 2019 Gross	December 31, 2019 Accumulated Amortization	December 31, 2019 Net	December 31, 2018 Gross	December 31, 2018 Accumulated Amortization	December 31, 2018 Net
Domain	Indefinite	$ 2,200	$ —	$ 2,200	$ 2,200	$ —	$ 2,200

Amortization expense is included in "Cost of revenues" and "Depreciation and amortization" in the Statements of Operations and Comprehensive Income (Loss). Amortization expense was $4.9 million, $8.1 million and $5.7 million in 2019, 2018 and 2017, respectively. Amortization expense for 2018 includes $1.6 million related to the above-mentioned customer relationship impairment. The $9.0 million impairment related to DealerX was recorded to Cost of revenues - impairment. Amortization expense for intangible assets for the next five years is as follows:

Year	Amortization Expense *(in thousands)*
2020	$ 2,371
2021	1,499
2022	902
2023	86
2024	46
	$ 4,904

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

As of December 31, 2019, and 2018, accrued expenses and other current liabilities consisted of the following:

	As of December 31, 2019	**As of December 31, 2018**
	(in thousands)	
Accrued employee related benefits	$ 1,004	$ 3,125
Other accrued expenses and other current liabilities:		
Other accrued expenses	1,264	1,346
Amounts due to customers	355	424
Other current liabilities	1,239	434
Total other accrued expenses and other current liabilities	2,858	2,204
Total accrued expenses and other current liabilities	$ 3,862	$ 5,329

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

7. Credit Facility

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

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

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

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

On April 30, 2019, the Company entered into a $25.0 million Revolving Credit and Security Agreement ("**PNC Credit Agreement**" or "**Revolving Loan**") with PNC Bank, N.A. ("**PNC**") as agent, and the Company's U.S. subsidiaries Car.com, Inc., Autobytel, Inc., and AW GUA USA, Inc., as Guarantors ("**Company Subsidiaries**"). The obligations under the PNC Credit Agreement are guaranteed by the Company Subsidiaries and secured by a first priority lien on all of the Company's and the Company Subsidiaries' tangible and intangible assets. The PNC Credit Agreement provides a subfacility of up to $5.0 million for letters of credit. The PNC Credit Agreement expires on April 30, 2022. As of December 31, 2019, the Company had $3.7 million outstanding under its credit facility. Financing costs related to the credit facility, net of accumulated amortization, of approximately $0.3 million, have been deferred over the initial term of the loan and are included in other assets as of December 31, 2019.

The interest rates per annum applicable to borrowings under the PNC Credit Agreement will be, at the Company's option (subject to certain conditions), equal to either a domestic rate ("**Domestic Rate Loans**") or a LIBOR rate for one, two, or three-month interest periods chosen by the Company ("**LIBOR Rate Loans**"), plus the applicable margin percentage of 2% for Domestic Rate Loans and 3% for LIBOR Rate Loans. The domestic rate for Domestic Rate Loans will be the highest of (i) the base commercial lending rate of Lender, (ii) the overnight bank funding rate plus 0.50%, or (iii) the LIBOR rate plus 1.00% so long as the daily LIBOR rate is offered, ascertainable and not unlawful. The PNC Credit Agreement also provides for commitment fees ranging from 0.5% to 1.5% applied to unused funds (with the applicable fee based on quarterly average borrowings), but with the fees fixed at 1.5% until September 30, 2019. Fees for Letters of Credit are equal to 3% for LIBOR Rate Loans, with a fronting fee for each Letter of Credit in an amount equal to 0.5% of the daily average aggregate undrawn amount of all Letters of Credit outstanding.

The PNC Credit Agreement contains customary representations and warranties and covenants that restrict the Company and the Company Subsidiaries from engaging in or taking various actions, including, among other things (but except as otherwise permitted by the PNC Credit Agreement): (i) incurring or guaranteeing additional indebtedness; (ii) making any loans, investments or acquisitions; (iii) selling or otherwise transferring or disposing of assets other than in the ordinary course of business; (iv) engaging in transactions with affiliates; and (v) declaring or making distributions on their stock or other equity interests. The Company is also required to maintain a $5.0 million pledged interest-bearing deposit account with Lender until the Company's consolidated EBITDA is greater than $10.0 million. As of December 31, 2019, the Company had restricted cash related to the credit facility of approximately $5.1 million. The restricted cash accrues interest at a variable rate currently averaging 1.64% per annum.

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

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

The Notice advised AutoWeb that PNC (i) specifically reserves all rights and remedies available to it under the PNC Credit Agreement and (ii) does not waive the event of default or any other event of default that may exist on the date of the Notice or which may occur thereafter. The Notice further advised that any loans, advances, and extensions of credit made to AutoWeb from time to time, will be at the sole discretion of PNC and will not constitute a waiver of the event of default, or a waiver by PNC of any of its rights under the PNC Credit Agreement or any collateral agreement.

On March 26, 2020, the Company entered into a $20.0 million Loan, Security and Guarantee Agreement ("the **CNC Credit Agreement**") with CIT Northbridge Credit LLC, as agent, and the Company's U.S. subsidiaries Car.com, Inc. Autobytel, Inc. and AW GUA USA, Inc., as Guarantors. The obligations under the CNC Credit Agreement are guaranteed by the Company Subsidiaries and secured by a lien on all the Company's and the Company Subsidiaries' assets. The CNC Credit Agreement expires on March 26, 2023.

The interest rate per annum applicable to borrowings under the CNC Credit Agreement will be the LIBO Rate plus 5.5%. The LIBO Rate will be equal to the greater of (i) 1.75% and (ii) the rate determined by the Agent to be equal to the quotient obtained by dividing (1) the LIBO Base Rate (i.e., the rate per annum determined by Agent to be the offered rate that appears on the applicable Bloomberg page) for the applicable LIBOR Loan for the applicable interest period by (2) one minus the Eurodollar Reserve Percentage (i.e., the reserve percentage in effect under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement with respect to Eurocurrency funding for the applicable LIBOR Loan for the applicable interest period). Upon commencement, the interest rate will be 7.25%.

8. Commitments and Contingencies

Operating Leases

The Company determines if an arrangement is a lease at inception. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date of the lease based on the present value of lease payments over the lease term. When readily determinable, the Company uses the implicit rate in determining the present value of lease payments. The ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company had a weighted average remaining lease term of 1.6 years and a weighted average discount rate of 5.5% as of December 31, 2019.

Lease Liabilities

Lease liabilities as of December 31, 2019, consist of the following:

Current portion of lease liabilities	$ 1,167
Long-term lease liabilities, net of current portion	1,497
Total lease liabilities	$ 2,664

The Company leases its facilities and certain office equipment under operating leases which expire on various dates through 2025. The Company's future minimum lease payments on leases with non-cancelable terms in excess of one year were as follows (in thousands):

Years Ending December 31,		
2020	$	1,430
2021		924
2022		791
2023		786
2024		528
Thereafter		197
	$	4,656

On March 11, 2020, the Company entered into a Lease Agreement ("**Lease**") with The Irvine Company LLC, a Delaware limited liability company, pursuant to which the Company will lease approximately 12,000 square feet of office space located in Irvine, California. The term of the Lease will commence on August 1, 2020, upon completion of tenant improvements to the Premises and shall continue for a period of approximately five years, unless earlier terminated in accordance with the terms of the Lease. The company has the option to extend the Lease Term for one additional period of five years. The new office space will replace the Company's current approximately 39,361 square feet of office space in Irvine, California, the lease for which expires July 31, 2020. The Company included this lease within the future minimum lease payment table above.

Operating lease cost included in operating expenses was $2.0 million, $1.7 million and $2.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. In June 2017, the Company subleased one of its buildings to a third-party for the remainder of the lease term which expired in February 2019. Rent expense for the years ended December 31, 2019, 2018 and 2017 is net of sublease income of $26,000, $0.2 million, $0.1 million, respectively.

Employment Agreements

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

Litigation

From time to time, the Company may be involved in litigation matters arising from the normal course of its business activities. Such litigation, even if not meritorious, could result in substantial costs and diversion of resources and management attention, and an adverse outcome in litigation could materially adversely affect its business, results of operations, financial condition and cash flows. The Company assesses the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. The Company records a loss contingency when an unfavorable outcome is probable, and the amount of the loss can be reasonably estimated. The amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter. Gain contingencies are not recorded until all elements necessary to realize the revenue are present. Any legal fees incurred in connection with a contingency are expensed as incurred.

9. Retirement Savings Plan

The Company has a retirement savings plan which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended ("**IRC**") (the "**401(k) Plan**"). The 401(k) Plan covers all employees of the Company who are over 21 years of age and is effective on the first day of the month following date of hire. Under the 401(k) Plan, participating employees are allowed to defer up to 100% of their pretax salaries not to exceed the maximum IRC deferral amount. The Company contributions to the 401(k) Plan are discretionary. The Company contribution in the years ended December 31, 2019, 2018 and 2017 was $0.3 million.

10. Stockholders' Equity

Stock-Based Incentive Plans

The Company has established plans that provide for stock-based awards ("**Awards**"), primarily in the form of stock options and restricted stock awards ("**RSAs**"), to employees, directors, and consultants. As of June 21, 2018, new Awards may only be granted under the 2018 Equity Incentive Plan, and as of December 31, 2019, an aggregate of approximately 2.0 million shares of Company common stock were available for granting of new Awards under the 2018 Equity Incentive Plan.

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

	Years Ended December 31,		
	2019	2018	2017
		(in thousands)	
Share-based compensation expense:			
Cost of revenues	$ —	$ 23	$ 78
Sales and marketing	304	982	1,703
Technology support	197	1,247	586
General and administrative	1,901	2,615	1,739
Share-based compensation expense	2,402	4,867	4,106
Amount capitalized to internal use software	—	1	3
Total share-based compensation expense	$ 2,402	$ 4,866	$ 4,103

During the year ended December 31, 2019, and 2018, certain Awards were modified or accelerated in connection with the termination of employment of certain former officers of the Company. In accordance with guidance provided under ASC 718 and related ASU No. 2017-09 and ASU No. 2018-07, the Company recognized Award modification and acceleration expenses related to these events in the period incurred. Modification expense was determined by using the Black-Scholes option pricing model to estimate the fair value of the modified awards as of the new measurement date and respective fair value assumptions. The Company recognized acceleration expense of $0.2 million and $2.1 million in the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, 2018 and 2017, there was approximately $3.0 million, $2.6 million and $3.9 million, respectively, of unrecognized compensation expense related to unvested stock options. This expense is expected to be recognized over a weighted average period of approximately 1.9 years.

Stock Options

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

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

Awards granted under the Company's stock option plans were estimated to have a weighted average grant date fair value per share of $1.77, $1.75 and $6.23 for the years ended December 31, 2019, 2018 and 2017, respectively, based on the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

	Years Ended December 31,		
	2019	2018	2017
Expected volatility	65%	68%	62%
Expected risk-free interest rate	2.2%	2.6%	1.8%
Expected life (years)	4.4	4.5	4.4

A summary of the Company's outstanding stock options as of December 31, 2019, and changes during the year then ended is presented below:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
			(years)	*(thousands)*
Outstanding at December 31, 2018	3,346,066	$ 7.10	4.3	$ 450
Granted	1,697,883	3.32		
Exercised	(213,048)	1.92		476
Forfeited or expired	(469,295)	7.86		
Outstanding at December 31, 2019	4,361,606	$ 5.80	4.8	$ 37
Vested and expected to vest at December 31, 2019	4,101,178	$ 5.97	4.7	$ 35
Exercisable at December 31, 2019	2,014,021	$ 8.78	3.3	$ 12

Service-Based Options. During the years ended December 31, 2019, 2018 and 2017, the Company granted 1,697,883, 2,056,700, and 466,600 service-based stock options, which had weighted average grant date fair values of $1.77, $1.75 and $6.23, respectively.

Stock option exercises. During 2019, there were 213,048 options exercised, with an aggregate weighted average exercise price of $1.92. During 2018, there were 28,467 options were exercised, with an aggregate weighted average exercise price of $3.39. During 2017, there were 248,344 options were exercised, with an aggregate weighted average exercise price of $5.46. The total intrinsic value of options exercised during 2019, 2018 and 2017 was $0.5 million, $0.1 million and $1.6 million, respectively.

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

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

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

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

The Company granted an aggregate of 345,000 RSAs on September 27, 2017 to senior officers of the Company. These RSAs are service-based and the forfeiture restrictions lapse with respect to one-third of the restricted stock on each of the first, second, and third anniversaries of the date of the award. During the year ended December 31, 2018, 80,000 shares of RSAs were forfeited upon the resignation of two executive officers, the forfeiture restrictions on 175,000 shares of RSA lapsed upon the termination of employment of the Former CEO and three officers of the Company, and the forfeiture restrictions on 40,000 shares of RSAs were modified upon the entry into a consulting agreement with a former executive officer (with 26,666 of these 40,000 shares being forfeited in 2019). The Company recognized expense of $0.8 million related to the acceleration of vesting and modification of these RSAs during the year ended December 31, 2018. During the year ended December 31, 2019, the forfeiture restrictions on 3,333 shares of RSA lapsed upon the termination of employment of a former officer of the Company, and the Company recognized a de minims amount of expense related to the acceleration of vesting of these RSAs during the year ended December 31, 2019. As of December 31, 2019, 13,333 shares of RSAs remain unvested.

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

As of December 31, 2019, the Company had outstanding the following options and warrants to purchase shares of common stock and shares available for new Awards under stockholder-approved plans:

	Number of Shares
Stock options outstanding	4,361,606
Authorized for future Award grants under stockholder-approved stock-based incentive plans	1,974,833
Warrants outstanding	1,482,400
Total	7,818,839

Tax Benefit Preservation Plan

The Company's Tax Benefit Preservation Plan dated as of May 26, 2010 between AutoWeb and Computershare Trust Company, N.A., as rights agent, as amended by Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, Amendment No. 2 to Tax Benefit Preservation Plan dated as of April 13, 2017, and Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan dated July 12, 2012 (collectively, the "**Tax Benefit Preservation Plan**") was adopted by the Company's Board of Directors to protect stockholder value by preserving the Company's net operating loss carryovers and other tax attributes that the Tax Benefit Preservation Plan is intended to preserve ("**Tax Benefits**"). Under the Tax Benefit Preservation Plan, rights to purchase capital stock of the Company ("**Rights**") have been distributed as a dividend at the rate of five Rights for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $73.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.9% or more of the Company's outstanding common stock or future acquisitions by any existing holder of 4.9% or more of the Company's outstanding common stock. If a person or group acquires 4.9% or more of the Company's common stock, all rights holders, except the acquirer, will be entitled to acquire, at the then exercise price of a Right, that number of shares of the Company common stock which, at the time, has a market value of two times the exercise price of the Right. The Rights will expire upon the earliest of: (i) the close of business on May 26, 2020 unless that date is advanced or extended, (ii) the time at which the Rights are redeemed or exchanged under the Tax Benefit Preservation Plan, (iii) the repeal of Section 382 or any successor statute if the Board determines that the Tax Benefit Preservation Plan is no longer necessary for the preservation of the Company's Tax Benefits, (iv) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, or (v) such time as the Board determines that a limitation on the use of the Tax Benefits under Section 382 would no longer be material to the Company. The Tax Benefit Preservation Plan was reapproved by the Company's stockholders at the Company's 2017 Annual Meeting of Stockholders and will expire on May 26, 2020 unless that date is advanced or extended by the Company's Board of Directors.

Warrant

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

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

Stock Repurchase

On June 7, 2012, September 17, 2014 and September 6, 2017, the Company announced that its Board of Directors had authorized the Company to repurchase up to $2.0 million, $1.0 million and $3.0 million of the Company's common stock, respectively. Under these repurchase programs, the Company may repurchase common stock from time to time on the open market or in private transactions. These authorizations do not require the Company to purchase a specific number of shares, and the Board of Directors may suspend, modify or terminate the programs at any time. The Company will fund future repurchases through the use of available cash. During 2017, the Company repurchased 226,698 shares for an aggregate price of $1.9 million. The average price paid for all shares repurchased during 2017 was $8.37. The shares repurchased during 2017 were cancelled and returned to authorized and unissued shares. No shares were repurchased in 2019 or 2018. As of December 31, 2019, $2.3 million remains available for stock repurchases under the program.

11. Income Taxes

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

	2019	2018	2017
		(in thousands)	
United States	$ (15,647)	$ (39,334)	$ (40,090)
International	428	512	565
Total loss before income tax provision	$ (15,219)	$ (38,822)	$ (39,525)

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

	2019	2018	2017
		(in thousands)	
Current:			
Federal	$ —	$ 32	$ —
State	10	(6)	36
Foreign	—	—	139
	10	26	175
Deferred:			
Federal	(2,065)	(6,213)	(2,916)
State	(417)	(1,188)	(175)
Foreign	—	—	—
	(2,482)	(7,401)	(3,091)
Change in federal tax rate	—	—	11,693
Valuation allowance	2,482	7,369	16,662
Total income tax expense (benefit)	$ 10	$ (6)	$ 25,439

The reconciliations of the U.S. federal statutory rate to the effective income tax rate for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Tax provision at U.S. federal statutory rates	21.0%	21.0%	34.0%
State income taxes net of federal benefit	3.0	3.2	2.7
Deferred tax asset adjustments – NOL related	(0.4)	(0.2)	(12.1)
Non-deductible permanent items	(0.3)	(0.2)	(0.1)
Stock options	(3.2)	(3.4)	(0.1)
Goodwill impairment	—	(1.5)	(17.5)
Other	(3.9)	(0.2)	0.3
Transition tax adjustment	—	—	0.2
Change in rate	—	—	(29.6)
Change in valuation allowance	(16.3)	(18.7)	(42.2)
Effective income tax rate	(0.1)%	0.0%	(64.4)%

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes as of December 31, 2019 and 2018 are as follows:

	2019	2018
	(in thousands)	
Deferred tax assets:		
Allowance for doubtful accounts	$ 187	$ 143
Accrued liabilities	826	781
Net operating loss carryforwards	23,933	20,686
Intangible assets	4,334	4,473
Share-based compensation expense	2,120	2,250
Other	406	363
Total gross deferred tax assets	31,806	28,696
Valuation allowance	(31,168)	(28,687)
Total deferred tax assets	638	9
Deferred tax liabilities:		
Right of use assets	(638)	—
Fixed assets	—	(9)
Total gross deferred tax liabilities	(638)	(9)
Net deferred tax assets	$ —	$ —

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

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

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

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

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

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

During 2019 and 2018, the Company continued to experience losses and is not projecting taxable income in the near future. Based on this evaluation, the Company recorded an additional valuation allowance of $2.5 million and $7.4 million against its deferred tax assets during the years ended 2019 and 2018, respectively. Based on the weight of available evidence, the Company believes that it is more likely than not that these deferred tax assets will not be realized

At December 31, 2019, the Company had federal and state NOLs of approximately $100.5 million and $46.2 million, respectively. $26.4 million of the federal NOLs have an indefinite life and do not expire. The remaining $74.1 million of the federal and all of the state NOLs expire through 2038 as follows (in millions):

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

2025	$ 4.2
2026	25.5
2027	15.5
2028	5.2
2029	7.7
2030	10.6
2031	1.3
2032	—
2033	0.1
2034	2.5
2035	1.5
Do not expire	26.4
	$ 100.5

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

2028	$	2.6
2029		5.8
2030		11.0
2034		1.4
2035		0.8
2038		2.3
2039		2.4
California NOLs		26.3
Other State NOLs		19.9
Total State NOLs	$	46.2

Utilization of the NOLs and tax credit carry-forwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the IRC, as well as similar state provisions. These ownership changes may limit the amount of NOLs and research and development credit carry-forwards that can be utilized annually to offset future taxable income and tax, respectively. A Section 382 ownership change occurred in 2006 and any changes have been reflected in the NOLs presented above as of December 31, 2019. As a result of an acquisition in 2001, approximately $9.9 million of the NOLs are subject to an annual limitation of approximately $0.5 million per year.

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

At December 31, 2019, the Company has federal and state research and development tax credit carryforwards of $0.3 million and $0.2 million, respectively. The federal credits begin to expire in 2021. The state credits do not expire.

As of December 31, 2019, and 2018, the Company had unrecognized tax benefits of approximately $0.5 million and $0.5 million, respectively, all of which, if subsequently recognized, would have affected the Company's tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2019		2018	
	(in thousands)			
Balance at January 1,	$	464	$	464
Reductions based on tax positions related to prior years and settlements		—		—
Balance at December 31,	$	464	$	464

The Company is subject to taxation in the United States and various foreign and state jurisdictions. In general, the Company is no longer subject to U.S. federal and state income tax examinations for years prior to 2015 (except for the use of tax losses generated prior to 2015 that may be used to offset taxable income in subsequent years). The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company has not accrued any interest associated with its unrecognized tax benefits in the years ended December 31, 2019 and 2018.

12. Selected Quarterly Financial Data (Unaudited)

The following table presents quarterly unaudited consolidated financial information for the eight quarters preceding December 31, 2019. Such information is presented on the same basis as the annual information presented in the accompanying consolidated financial statements. In management's opinion, this information reflects all normal recurring adjustments that are necessary for a fair statement of the results for these periods.

	Quarter Ended							
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018 (1)	Jun 30, 2018	Mar 31, 2018 (2)
	(in thousands, except per-share amounts)							
Total net revenues	$ 26,687	$ 28,552	$ 27,142	$ 31,604	$ 32,253	$ 31,695	$ 29,292	$ 32,349
Gross profit (loss)	$ 5,522	$ 5,907	$ 5,384	$ 5,757	$ 5,640	$ (3,597)	$ 5,527	$ 7,690
Net income (loss)	$ (3,177)	$ (1,739)	$ (4,953)	$ (5,360)	$ (5,285)	$ (18,036)	$ (5,217)	$ (10,279)
Basic earnings (loss) per share	$ (0.24)	$ (0.13)	$ (0.38)	$ (0.41)	$ (0.41)	$ (1.41)	$ (0.41)	$ (0.81)
Diluted earnings (loss) per share	$ (0.24)	$ (0.13)	$ (0.38)	$ (0.41)	$ (0.41)	$ (1.41)	$ (0.41)	$ (0.81)

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

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

13. Subsequent Events

New Credit Facility

On March 26, 2020, the Company entered into a Loan, Security and Guarantee Agreement ("**CNC Credit Agreement**") by and among CIT Northbridge Credit LLC, as Agent ("**Lender**"), the Company, as Borrower, and the Company's U.S. subsidiaries Car.com, Inc., Autobytel, Inc., and AW GUA USA, Inc., as Guarantors ("**Company Subsidiaries**").

The CNC Credit Agreement provides for a $20,000,000 revolving credit facility ("**Credit Facility**") with borrowings subject to availability based primarily on limits of 85% of eligible billed accounts receivable and 75% against eligible unbilled accounts receivable. The obligations under the CNC Credit Agreement are guaranteed by the Company Subsidiaries and secured by a first priority lien on all of the Company's and the Company Subsidiaries' tangible and intangible assets. The CNC Credit Agreement has a minimum borrowing usage requirement of $8,000,000, which will increase to $10,000,000 on June 30, 2020, and the Company is required to maintain a minimum of $3,000,000 of availability under the CNC Credit Agreement.

The interest rate per annum applicable to borrowings under the CNC Credit Agreement will be the LIBO Rate plus 5.5%. The LIBO Rate will be equal to the greater of (i) 1.75% and (ii) the rate determined by the Lender to be equal to the quotient obtained by dividing (1) the LIBO Base Rate (i.e., the rate per annum determined by Lender to be the offered rate that appears on the applicable Bloomberg page) for the applicable LIBOR Loan for the applicable interest period by (2) one minus the Eurodollar Reserve Percentage (i.e., the reserve percentage in effect under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement with respect to Eurocurrency funding for the applicable LIBOR Loan for the applicable interest period). In the event LIBOR-based rates or loans are no longer available or quoted, then Lender and the Company may replace LIBOR with an alternate benchmark rate (any such proposed rate, a "**LIBOR Successor Rate**"); provided that if no LIBOR Successor Rate has been determined or agreed upon, (i) the obligation of lenders to make or maintain LIBOR loans shall be suspended, and (ii) the LIBO Base Rate component shall no longer be utilized in determining the Base Rate. In such an event, the Company may revoke any pending request for a borrowing based on LIBOR loans or, failing that, will be deemed to have converted the borrowing request into a request for a borrowing bearing interest at the Base Rate (i.e., for any day a fluctuating rate per annum equal to the highest of (i) the Federal Funds Rate plus 1/2 of 1%; (ii) the rate of interest in effect for such day as publicly announced from time to time by JPMorgan Chase Bank, N.A. as its "prime rate" in effect for such day; and (iii) the most recently available LIBO Base Rate (as adjusted by any minimum LIBO Rate floor) plus 1%) plus 5.5%. Upon commencement, the interest rate will be 7.25%.

There is a one-time origination fee of $300,000. In addition, the Company will pay annual fees of (i) 0.5% on any unused portion of the Credit Facility and (ii) 0.15% of the aggregate revolver amount as an administration fee.

Subject to customary provisions regarding earlier termination, the CNC Credit Agreement expires on March 26, 2023.

The CNC Credit Agreement contains customary representations and warranties and certain covenants that limit the ability of the Company and the Company Subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) create or suffer to exist any liens on Company assets; (iii) make investments or acquisitions; (iv) dissolve, liquidate, consolidate, merge or wind-up its affairs; (v) sell or otherwise transfer or dispose of assets; (vi) engage in transactions with affiliates; (vii) make loans; or (viii) declare or make distributions on its equity interest.

The CNC Credit Agreement also contains customary events of default including, without limitation: a breach of the representations and warranties made in the loan documents entered into in connection with the CNC Credit Agreement; failure to make required payments; failure to comply with certain agreements or covenants; cross-defaults to certain other indebtedness in excess of specified amounts; certain events of bankruptcy and insolvency; failure to pay certain judgments; a change in control; or any event that or conditions exists that has a material adverse effect on the Company or impairs the ability of the Company to perform its obligations under the CNC Credit Agreement or the ability of the Lender or lenders to enforce their rights under the CNC Credit Agreement. If such an event of default occurs, the Lender would be entitled to take various actions set forth in the CNC Credit Agreement, including the acceleration of amounts due thereunder and all actions permitted to be taken by a creditor.

Concurrently with entering into the CNC Credit Agreement, the Company terminated its Revolving Credit and Security Agreement dated April 30, 2019 by and among PNC Bank, National Association, as Agent, the Company and the Company Subsidiaries.

Network Security Incident

On January 9, 2020, the Company discovered that its network was impacted by malware that encrypted servers on most systems and disrupted consumer and customer access to many of our services. In connection with this incident, third-party consultants and forensic experts have been engaged to assist with the restoration and remediation of systems and to investigate the incident. All impacted systems are now operational, and the Company has not discovered evidence that causes the Company to conclude that there was any unauthorized access to or acquisition of any consumer personal information or customer confidential information.

Coronavirus

In early 2020 and continuing as of the date of this Annual Report on Form 10-K, the outbreak of a novel coronavirus (COVID-19) has led to quarantines and stay-at-home/work-from-home orders in a number of countries, states, cities and regions and the closure or limited access to public and private offices and facilities, worldwide, causing widespread disruptions to travel, economic activity and financial markets. The outbreak has led the Company's Manufacturer and Dealer customers to experience disruptions in the (i) supply of vehicle and parts inventories, (ii) ability and willingness of consumers to visit automotive dealerships to purchase or lease vehicles and (iii) overall health and availability of their labor force. Recent volatility in the financial markets, concerns about exposure to the virus and governmental quarantines and stay-at-home/work-from-home orders have also impacted consumer confidence and willingness to visit dealerships and to purchase or lease vehicles. These disruptions have impacted the willingness or desire of the Company's customers to acquire vehicle Leads or other digital marketing services from the Company. The Company is also experiencing direct disruptions in its operations due to the overall health of, and concerns for, our labor force and as a result of governmental "social distancing" programs, quarantines, travel restrictions and stay-at-home/work-from-home orders, leading to office closures, operating from employee homes and restrictions on our employees traveling to our various offices. At this time, the eventual extent and magnitude of the disruptions caused by the outbreak on the automotive industry in general and on the Company specifically are not known, but vehicle sales have declined significantly in recent weeks, and the Company is experiencing cancellations or suspensions of purchases of Leads and other digital marketing services by its customers, which could materially and adversely affect the Company's business, results of operations, financial condition, earnings per share, cash flow or the trading price of the Company's stock.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	Years Ended December 31,		
	2019	2018	2017
		(in thousands)	
Allowance for bad debts:			
Beginning balance	$ 445	$ 679	$ 643
Additions	330	241	347
Write-offs	(229)	(475)	(311)
Ending balance	$ 546	$ 445	$ 679
Allowance for customer credits:			
Beginning balance	$ 121	$ 213	$ 371
Additions	250	198	247
Write-offs	(177)	(290)	(405)
Ending balance	$ 194	$ 121	$ 213
Tax valuation allowance:			
Beginning balance	$ 28,687	$ 21,318	$ 4,656
Charged (credited) to tax expense	2,481	7,369	21,247
Charged (credited) to retained earnings	—	—	(4,585)
Ending balance	$ 31,168	$ 28,687	$ 21,318

Exhibit 4.1

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

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

Authorized Capital Stock

The Company’s authorized capital stock consists of 55,000,000 shares of Common Stock, $0.001 par value per share (“**Common Stock**”), and 11,445,187 shares of Preferred Stock, $0.001 par value per share (“**Preferred Stock**”). Of the 11,445,187 shares of Preferred Stock authorized, the Company’s Board of Directors (“**Board**”) has designated 2,000,000 shares as Series A Junior Participating Preferred Stock. $0.001 par value per share (“**Series A Preferred Stock**”). As of March 3, 2020, there were no shares of Preferred Stock issued or outstanding.

Securities Registered Under the Exchange Act

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

Description of Authorized Capital Stock

Description of Common Stock

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

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

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

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

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

Description of Preferred Stock

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

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

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

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

<u>Dividend and Distribution Rights of Series A Preferred Stock</u>.

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

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

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

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

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

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

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

Provisions of our Certificate of Incorporation and Bylaws relating to our corporate governance and provisions in our Tax Benefit Preservation Plan could make it difficult for a third party to acquire AutoWeb and could discourage a third party from attempting to acquire control of AutoWeb. The issuance of Preferred Stock could decrease the amount of earnings and assets available for distribution to the holders of Common Stock or could adversely affect the rights and powers, including voting rights, of the holders of the Common Stock. These provisions could limit the price that some investors might be willing to pay in the future for shares of Common Stock and may have the effect of delaying or preventing corporate actions such as a merger, asset sale or other change in control of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under the Tax Benefit Preservation Plan, rights to purchase capital stock of the Company ("**Rights**") have been distributed as a dividend at the rate of five Rights for each share of Common Stock issued and outstanding. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock at a price of $73.00 (as this price may be adjusted under the Tax Benefit Preservation Plan) ("**Purchase Price**") or, in certain circumstances, to instead acquire shares of Common Stock. The Rights will convert into a right to acquire Common Stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The shares of Series A Preferred Stock purchasable upon exercise of the Rights have been previously authorized by the Board, and the rights, powers, preferences and privileges of the Series A Preferred Stock are as set forth in the Series A Preferred Stock Certificate of Designation.

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

The Tax Benefit Preservation Plan authorizes the Board to exercise discretionary authority to deem a person acquiring Common Stock in excess of 4.90% not to be an Acquiring Person under the Tax Benefit Preservation Plan, and thereby not trigger the Rights, if the Board finds that the beneficial ownership of the shares by the person acquiring the shares (i) will not be likely to directly or indirectly limit the availability to the Company of the net operating loss carryovers and other tax attributes that the plan is intended to preserve or (ii) is otherwise in the best interests of the Company.

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

The Rights are not exercisable until the Distribution Date. The Rights will expire upon the earliest of (i) the close of business on May 26, 2020 unless that date is advanced or extended, (ii) the time at which the Rights are redeemed or exchanged under the Tax Benefit Preservation Plan, (iii) if the Board elects to extend the Tax Benefit Preservation Plan beyond May 26, 2020, the end of the calendar month in which the Company's 2020 annual meeting of stockholders is held if stockholder approval of the Tax Benefit Preservation Plan has not been received before such time, (iv) the repeal of Section 382 or any successor statute if the Board determines that the Tax Benefit Preservation Plan is no longer necessary for the preservation of the Company's Tax Benefits, (v) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, or (vi) such time as the Board determines that a limitation on the use of the Tax Benefits under Section 382 would no longer be material to the Company.

The number of outstanding Rights is subject to adjustment in the event of a stock dividend on the Common Stock payable in shares of Common Stock or subdivisions, consolidations or combinations of the Common Stock occurring, in any such case, before the Distribution Date. The Purchase Price payable, and the number of shares of Series A Preferred Stock or other securities or property issuable, upon exercise of the Rights is subject to adjustment from time to time to prevent dilution: (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Preferred Stock, (ii) upon the grant to holders of the Series A Preferred Stock of certain rights or warrants to subscribe for or purchase Series A Preferred Stock at a price, or securities convertible into Series A Preferred Stock with a conversion price, less than the then-current market price of the Series A Preferred Stock or (iii) upon the distribution to holders of the Series A Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Series A Preferred Stock) or of subscription rights or warrants (other than those referred to above). With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional shares of Common Stock or Series A Preferred Stock will be issued (other than fractions of Series Preferred Stock which are integral multiples of one one-hundredth of a share of Series A Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), and in lieu thereof an adjustment in cash will be made based on the current market price of the Series A Preferred Stock or the Common Stock.

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

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

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

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

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

Exhibit 10.32

December 18, 2019

Mr. Alejandro Coronado Castro
MERTECH, SOCIEDAD ANÓNIMA
Address: 16 calle 9-23, zona 14
Ciudad de Guatemala

Reference: Renewal of the Lease Agreement, Unit 1101-T2

Dear Mr. Coronado,

On behalf of AW GUA, Limitada, we are contacting you as representative of MERTECH, Sociedad Anónima, in reference to the Lease Agreement executed under indenture number 8, authorized on June 1, 2016 by Manuel Humberto Juárez Oliva, Notary, whereby AW GUA, Limitada leased the property owned by MERTECH, Sociedad Anónima, as indicated in such Agreement. We refer to clause "THIRD" paragraph "A", regarding the term of the lease, which literally states: *"the fixed term of the lease shall be three years, nine months and thirty days, compulsory for both parties, and will begin June 1, 2016 and will expire March 31, 2020. This term may be renewed, provided, however, the parties decide to renew it ninety days before its expiration, which shall be confirmed by an exchange of letters."*

By virtue of the foregoing, AW GUA, Limitada, would like to renew the Lease Agreement for a fixed term of two years, compulsory for both parties, beginning on April 1, 2020, and ending March 31, 2022. Based on the above, AW GUA, Limitada, requests the renewal of the term of the Lease Agreement and expresses its intention that the Lease will continue to be governed on the same terms and conditions agreed upon in such Agreement.

We do hereby request the acceptance by MERTECH, Sociedad Anónima, regarding the suggested renewal, in the terms and conditions indicated above.

Very truly yours,

/s/ Juan Humberto Arrivillaga Morales
AW GUA, Limitada

AW GUA, Limitada
Diagonal 6, 12-42 zona 10, Edificio Design Center, Nivel 11, Oficina 1102, Guatemala, Guatemala

January 6, 2020

Mr. Juan Humberto Arrivillaga Morales
AW GUA, LIMITADA
Address: Edificio Design Center, Torre 2, Oficina 1102-T2,
Diagonal 6, 12-42, zona 10,
Ciudad de Guatemala.

Reference: Letter requesting renewal of the Lease Agreement, Unit 1101-T2, dated December 18, 2019.

Dear Sirs
AW GUA, Limitada:

In the name and stead of MERTECH, Sociedad Anónima, this is to inform you that in connection with a letter of December 18, 2019 in which AW GUA, Limitada requested the renewal of the Lease Agreement included in indenture number 8, authorized June 1, 2016 by Manuel Humberto Juárez Oliva, Notary, in which AW GUA, Limitada, leased a real property owned by MERTECH, Sociedad Anónima.

In this letter, MERTECH, Sociedad Anónima, expressly confirms its acceptance to the request to renew the lease agreement, in the terms established in the letter of December 18, 2019, and pursuant to Section "THREE", paragraph A of the Lease such renewal is for two compulsory years for both parties. The renewal begins April 1, 2020 and ends March 31, 2022.

Based on the above and as requested by AW GUA, Limitada, we state that the Lease Agreement will be renewed on the same terms and conditions agreed upon in such Agreement.

Very Truly Yours,

s/ Alejandro Coronado Castro
MERETECH, Sociedad Anónima

16 Calle 9 - 23 Zona 14 Tel (502) 2484-7001 Guatemala, Guatemala, C.A.

Exhibit 10.33

December 18, 2019

Mr. Alejandro Coronado Castro
MERTECH, SOCIEDAD ANÓNIMA
Address: 16 calle 9-23, zona 14
Ciudad de Guatemala

Reference: Renewal of the Lease Agreement, Unit 1102-T2

Dear Mr. Coronado,

On behalf of AW GUA, Limitada, we are contacting you as representative of MERTECH, Sociedad Anónima, in reference to the Lease Agreement executed under indenture number 10, authorized on June 1, 2016 by Manuel Humberto Juárez Oliva, Notary, whereby AW GUA, Limitada leased the property owned by MERTECH, Sociedad Anónima, as indicated in such Agreement. We refer to clause "THIRD" paragraph "A", regarding the term of the lease, which literally states: *"the fixed term of the lease shall be three years, nine months and thirty days, compulsory for both parties, and will begin June 1, 2016 and will expire March 31, 2020. This term may be renewed, provided, however, the parties decide to renew it ninety days before its expiration, which shall be confirmed by an exchange of letters."*

By virtue of the foregoing, AW GUA, Limitada, would like to renew the Lease Agreement for a fixed term of two years, compulsory for both parties, beginning on April 1, 2020, and ending March 31, 2022. Based on the above, AW GUA, Limitada, requests the renewal of the term of the Lease Agreement and expresses its intention that the Lease will continue to be governed on the same terms and conditions agreed upon in such Agreement.

We do hereby request the acceptance by MERTECH, Sociedad Anónima, regarding the suggested renewal, in the terms and conditions indicated above.

Very truly yours,

/s/ Juan Humberto Arrivillaga Morales
AW GUA, Limitada

January 6, 2020

Mr. Juan Humberto Arrivillaga Morales
AW GUA, LIMITADA
Address: Edificio Design Center, Torre 2, Oficina 1102-T2,
Diagonal 6, 12-42, zona 10,
Ciudad de Guatemala.

Reference: Letter requesting renewal of the Lease Agreement, Unit 1102-T2, dated December 18, 2019.

Dear Sirs
AW GUA, Limitada:

In the name and stead of MERTECH, Sociedad Anónima, this is to inform you that in connection with a letter of December 18, 2019 in which AW GUA, Limitada requested the renewal of the Lease Agreement included in indenture number 10, authorized June 1, 2016 by Manuel Humberto Juárez Oliva, Notary, in which AW GUA, Limitada, leased real property owned by MERTECH, Sociedad Anónima.

In this letter, MERTECH, Sociedad Anónima, expressly confirms its acceptance to the request to renew the lease agreement, in the terms established in the letter of December 18, 2019, and pursuant to Section "THREE", paragraph A of the Lease, such renewal is for two compulsory years for both parties. The renewal begins April 1, 2020 and ends March 31, 2022.

Based on the above and as requested by AW GUA, Limitada, we state that the Lease Agreement will be renewed on the same terms and conditions agreed upon in such Agreement.

Very Truly Yours,

s/ Alejandro Coronado Castro
MERETECH, Sociedad Anónima

Exhibit 21.1

SUBSIDIARIES OF AUTOWEB, INC.

Subsidiary Name	Jurisdiction of Incorporation
Autobytel, Inc.	Delaware
AW GUA USA, Inc.	Delaware
Car.com, Inc.	Delaware
AW GUA, Sociedad de Responsabilidad Limitada	Guatemala

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements Form S-8 Nos. 333-67692, 333-168834, 333-197325, 333-212910, 333-226519, and 333-226520 of our report dated March 27, 2020 (which expresses an unqualified opinion and includes an explanatory paragraph relating to a change in the method of accounting for leases in 2019 and revenue recognition in 2018), relating to the consolidated financial statements and schedule of AutoWeb, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2019.

/s/ Moss Adams LLP

San Diego, California
March 27, 2020

Exhibit 31.1

**Certification of Principal Executive Officer Required by
Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jared R. Rowe, certify that:

1. I have reviewed this annual report on Form 10-K of AutoWeb, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2020

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

Exhibit 31.2

**Certification of Principal Financial Officer Required by
Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Joseph P. Hannan, certify that:

1. I have reviewed this annual report on Form 10-K of AutoWeb, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2020

By: /s/ Joseph P. Hannan
Joseph P. Hannan
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AutoWeb, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019 (the “Report”), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 27, 2020

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

Date: March 27, 2020

By: /s/ Joseph P. Hannan
Joseph P. Hannan
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.