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

Form 10-Q

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from _____ to _____

Commission file number 1-34761



AutoWeb, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0711569

(I.R.S. Employer Identification Number)

18872 MacArthur Boulevard, Suite 200, Irvine, California

(Address of principal executive offices)

92612

(Zip Code)

(949) 225-4500

(Registrant's telephone number, including area code)

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of November 5, 2018, there were 12,948,950 shares of the Registrant's Common Stock, \$0.001 par value, outstanding.

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

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

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,824	\$ 24,993
Short-term investment	257	254
Accounts receivable, net of allowances for bad debts and customer credits of \$615 and \$892 at September 30, 2018 and December 31, 2017, respectively	25,267	25,911
Prepaid expenses and other current assets	1,268	1,805
Total current assets	42,616	52,963
Property and equipment, net	3,614	4,311
Investments	—	100
Intangible assets, net	13,487	29,113
Goodwill	—	5,133
Long-term deferred tax asset	—	692
Other assets	853	601
Total assets	\$ 60,570	\$ 92,913
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,386	\$ 7,083
Accrued employee-related benefits	2,921	2,411
Other accrued expenses and other current liabilities	7,983	7,252
Current convertible note payable	1,000	—
Total current liabilities	22,290	16,746
Convertible note payable	—	1,000
Borrowings under revolving credit facility	—	8,000
Total liabilities	22,290	25,746
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 11,445,187 shares authorized	—	—
Series A Preferred stock, none issued and outstanding	—	—
Common stock, \$0.001 par value; 55,000,000 shares authorized, and 12,948,950 and 13,059,341 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	13	13
Additional paid-in capital	360,698	356,054
Accumulated deficit	(322,431)	(288,900)
Total stockholders' equity	38,280	67,167
Total liabilities and stockholders' equity	\$ 60,570	\$ 92,913

See accompanying notes to unaudited consolidated condensed financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenues:				
Lead fees	\$ 24,986	\$ 27,711	\$ 71,277	\$ 83,149
Advertising	6,606	8,946	21,643	24,914
Other revenues	103	215	416	741
Total revenues	31,695	36,872	93,336	108,804
Cost of revenues	26,278	25,786	74,702	74,171
Cost of revenues – impairment	9,014	—	9,014	—
Gross (loss) profit	(3,597)	11,086	9,620	34,633
Operating expenses:				
Sales and marketing	3,333	3,692	10,096	10,684
Technology support	4,303	3,141	10,653	9,582
General and administrative	3,639	2,818	11,980	9,040
Depreciation and amortization	1,172	1,192	3,495	3,623
Goodwill impairment	—	—	5,133	—
Long-lived asset impairment	1,968	—	1,968	—
Total operating expenses	14,415	10,843	43,325	32,929
Operating (loss) income	(18,012)	243	(33,705)	1,704
Interest and other income (expense), net	(24)	(93)	178	(289)
(Loss) Income before income tax provision	(18,036)	150	(33,527)	1,415
Income tax provision	—	81	4	539
Net (loss) income and comprehensive (loss) income	<u>\$ (18,036)</u>	<u>\$ 69</u>	<u>\$ (33,531)</u>	<u>\$ 876</u>
Basic (loss) earnings per common share	<u>\$ (1.41)</u>	<u>\$ 0.01</u>	<u>\$ (2.64)</u>	<u>\$ 0.08</u>
Diluted (loss) earnings per common share	<u>\$ (1.41)</u>	<u>\$ 0.01</u>	<u>\$ (2.64)</u>	<u>\$ 0.07</u>

See accompanying notes to unaudited consolidated condensed financial statements.

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

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net (loss) income and comprehensive (loss) income	\$ (33,531)	\$ 876
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,534	5,499
Goodwill impairment	5,133	—
Intangible asset impairment	9,014	—
Provision for bad debts	216	294
Provision for customer credits	177	29
Share-based compensation	4,365	2,918
Gain on investment	(25)	—
Loss on disposal of assets	—	7
Long-lived asset impairment	1,968	—
Change in deferred tax asset	692	119
Changes in assets and liabilities:		
Accounts receivable	251	5,808
Prepaid expenses and other current assets	532	(392)
Other assets	(615)	132
Accounts payable	3,303	290
Accrued expenses and other current liabilities	1,243	(3,112)
Net cash (used in) provided by operating activities	(743)	12,468
Cash flows from investing activities:		
Purchases of property and equipment	(828)	(1,618)
Purchase of intangible asset	—	(600)
Proceeds from sale of investment	125	—
Net cash used in investing activities	(703)	(2,218)
Cash flows from financing activities:		
Payments on term loan borrowings	—	(3,938)
Payment on revolving credit facility	(8,000)	—
Repurchase of common stock	—	(1,196)
Proceeds from issuance of common stock	200	—
Proceeds from exercise of stock options	77	1,068
Net cash used in financing activities	(7,723)	(4,066)
Net (decrease) increase in cash and cash equivalents	(9,169)	6,184
Cash and cash equivalents, beginning of period	24,993	38,512
Cash and cash equivalents, end of period	\$ 15,824	\$ 44,696
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ —	\$ 445
Cash paid for interest	\$ 103	\$ 648

See accompanying notes to unaudited consolidated condensed financial statements.

AUTOWEB, INC.
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. Organization and Operations

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

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

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

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

2. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements are presented on the same basis as the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (“**2017 Form 10-K**”) filed with the Securities and Exchange Commission (“**SEC**”). AutoWeb has made its disclosures in accordance with U.S. generally accepted accounting principles (“**GAAP**”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. Certain amounts have been reclassified from the prior year presentation to conform to the current year presentation. The unaudited consolidated condensed statements of operations and comprehensive income (loss) and cash flows for the periods ended September 30, 2018 and 2017 are not necessarily indicative of the results of operations or cash flows expected for the year or any other period. The Company had no items of comprehensive income or loss for any of the periods presented. The unaudited consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the 2017 Form 10-K.

3. Recent Accounting Pronouncements

Issued but not yet adopted by the Company

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

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

Accounting Standards Codification 842 “Leases.” In February 2016, the FASB issued ASU No. 2016-02 (Topic 842), “Leases.” Topic 842 provides guidance on accounting for leases which requires lessees to recognize most leases on their balance sheets for the rights and obligations created by those leases. The guidance requires enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases that will be effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. The Company expects to adopt the requirements of the new standard effective January 1, 2019 and elect certain available transitional practical expedients.

In July 2018, the FASB issued updated guidance which allows an additional transition method to adopt the new leases standard at the adoption date, as compared to the beginning of the earliest period presented and recognize a cumulative-effect adjustment to the beginning balance of retained earnings in the period of adoption. The Company expects to elect this transition method at the adoption date of January 1, 2019. The Company continues to analyze its lease portfolio to determine the impact that the new standard will have on its consolidated financial statements. Further, the Company is in the process of reviewing and updating our business processes, as necessary, to assist in our ongoing lease data collection and analysis. Additionally, the Company is updating its accounting policies and internal controls that would be impacted by the new guidance, to ensure readiness for adoption in the first quarter of 2019.

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 is effective on November 5, 2018. The Company will adopt the requirements of the new standard for the interim reporting of the first quarter of 2019.

Recently adopted by the Company

Accounting Standards Codification 606 “Revenue from Contracts with Customers.” In May 2014, ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” was issued. The new standard sets forth a single comprehensive model for recognizing and reporting revenue and requires the use of a five-step methodology to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosure regarding revenue recognition. On January 1, 2018, the Company adopted ASC 606 using the modified retrospective transition method, which had no material impact on operations, and required no cumulative adjustment to be made to beginning retained earnings on January 1, 2018. Therefore, results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted. See Note 4 for further discussion.

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

Accounting Standards Codification 718 “Compensation – Stock Compensation.” In May 2017, ASU No. 2017-09, “Scope of Modification Accounting” was issued. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should apply ASU No. 2017-09 on a prospective basis for an award modified on or after the adoption date for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Additionally, in June 2018, FASB issued ASU No. 2018-07, “Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.” The update largely aligns the accounting for share-based payment awards issued to employees and nonemployees, particularly with regards to the measurement date and the impact of performance conditions. Under the new guidance, the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing). The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The Company adopted ASU No. 2017-09 and ASU No. 2018-07 in the current year and, therefore, results for reporting periods beginning after January 1, 2018 are presented under ASU No. 2017-09 and ASU No. 2018-07, while prior period amounts have not been adjusted. See Note 6 for further discussion.

4. Revenue Recognition

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

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

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

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

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

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

Variable Consideration

The Company's products, namely Leads, are generally sold with a right-of-return for services that do not meet customer requirements as specified by the relevant contract. Rights-of-return are estimable, and provisions for estimated returns are recorded as a reduction in revenue by the Company in the period revenue is recognized, and thereby accounted for as variable consideration. The Company includes the allowance for customer credits in its net accounts receivable balances on the Company's balance sheet at period end. Allowance for customer credits totaled \$133,000 and \$213,000 as of September 30, 2018 and December 31, 2017, respectively.

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

Contract Assets and Contract Liabilities Unbilled Revenue

Timing of revenue recognition may differ from the timing of invoicing to customers. 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 September 30, 2018 and December 31, 2017.

Deferred Revenue

The Company defers the recognition of revenue when cash payments are received or due in advance of satisfying its performance obligations, including amounts which are refundable. Such activity is not a common practice of operation for the Company. The Company had zero deferred revenue included in its consolidated balance sheets as of September 30, 2018 and December 31, 2017.

Payment terms and conditions can vary by contract type. Generally, payment terms within the Company's customer contracts include a requirement of payment within 30 to 60 days from date of invoice. Typically, customers make payments after receipt of invoice for billed services, and less typically, in advance of rendered services.

Practical Expedients and Exemptions

The Company excludes from the transaction price all sales taxes related to revenue producing transactions collected from the customer for a governmental authority.

The Company applies the new revenue standard requirements to a portfolio of contracts (or performance obligations) with similar characteristics for transactions where it is expected that the effects of applying the revenue recognition guidance to the portfolio would not differ materially on the financial statements from that of applying the same guidance to the individual contracts (or performance obligations) within that portfolio.

The Company generally expenses incremental costs of obtaining a contract when incurred because the amortization period would be less than one year. These costs primarily relate to sales commissions and are recorded in selling, marketing, and distribution expense.

Significant Judgments

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

- *Arrangements with Multiple Performance Obligations -*

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

- *Variable Consideration and Customer Credits -*

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

As specific customer credits are identified, they are charged against this allowance with no impact on revenues. Returns and credits are measured at contract inception, with respective obligations reviewed each reporting period or as further information becomes available, whichever is earlier, and only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. The allowance for customer credits is included in the net accounts receivable balances of the Company's balance sheets as of September 30, 2018 and December 31, 2017.

The Company has not made any significant changes to judgments in applying ASC 606 during the nine months ended September 30, 2018.

Disaggregation of Revenue

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

The following table summarizes revenue from contracts with customers, disaggregated by revenue source, for the three and nine months ended September 30, 2018 and 2017. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	<i>(in thousands)</i>			
Lead fees	\$ 24,986	\$ 27,711	\$ 71,277	\$ 83,149
Advertising				
Clicks	5,559	7,436	18,020	20,403
Display and other advertising	1,047	1,510	3,623	4,511
Other revenues	103	215	416	741
Total revenue	<u>\$ 31,695</u>	<u>\$ 36,872</u>	<u>\$ 93,336</u>	<u>\$ 108,804</u>

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

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

The Company used the following share amounts to compute the basic and diluted net (loss) earnings per share for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Basic Shares:				
Weighted average common shares outstanding	12,948,150	12,881,812	12,959,666	11,729,181
Weighted average unvested restricted stock	(161,413)	(119,584)	(249,084)	(115,574)
Weighted average common shares repurchased	—	(60,230)	—	(20,297)
Basic Shares	<u>12,786,737</u>	<u>12,701,998</u>	<u>12,710,582</u>	<u>11,593,310</u>
Diluted Shares:				
Basic shares	12,786,737	12,701,998	12,710,582	11,593,310
Weighted average dilutive securities	—	498,587	—	621,449
Incremental shares from convertible preferred stock	—	—	—	1,064,660
Diluted Shares	<u>12,786,737</u>	<u>13,200,585</u>	<u>12,710,582</u>	<u>13,279,419</u>

For the three and nine months ended September 30, 2018, the Company's basic and diluted net loss per share are the same since the Company generated a net loss for the period and potentially dilutive securities are excluded from diluted net loss per share because they have an anti-dilutive impact. For the three and nine months ended September 30, 2017, weighted average dilutive securities included dilutive options, restricted stock awards, and shares of common stock issued in June 2017 upon conversion of the Series B Junior Participating Convertible Preferred Stock, \$0.001 par value per share, ("Series B Preferred Stock") that was issued in connection with the acquisition of Autobytel, Inc. (formerly AutoWeb, Inc.) ("AWI").

For the three and nine months ended September 30, 2018, 4.0 and 4.3 million of potentially anti-dilutive securities related to common stock have been excluded from the calculation of diluted net earnings per share, respectively. For the three and nine months ended September 30, 2017, 3.9 and 3.1 million of potentially anti-dilutive securities related to common stock have been excluded from the calculation of diluted net earnings per share.

On September 6, 2017, the Company announced that its board of directors authorized the Company to repurchase up to \$3.0 million of the Company's common stock. Under the repurchase program, the Company may repurchase common stock from time to time on the open market or in private transactions. This authorization does not require the Company to purchase a specific number of shares, and the board of directors may suspend, modify or terminate the program at any time. The Company anticipates that it would fund future repurchases, if any, through the use of available cash. No shares were repurchased during the three and nine months ended September 30, 2018. As of September 30, 2018, \$2.3 million remains available for the Company to repurchase common stock.

On June 22, 2017, the Company obtained stockholder approval for the issuance of shares of the Company's common stock upon (i) the conversion of the Company's then outstanding Series B Preferred Stock; and (ii) the conversion of shares of Series B Preferred Stock that would be issued upon exercise of the warrant to purchase up to 148,240 shares of Series B Preferred Stock issued in connection with the acquisition of AWI ("**AWI Warrant**"). Upon obtaining stockholder approval for the conversion, each outstanding share of Series B Preferred Stock was automatically converted into 10 shares of the Company's common stock, which resulted in the outstanding shares of Series B Preferred Stock being converted into 1,680,070 shares of the Company's common stock, and the AWI Warrant converted into warrants to acquire up to 1,482,400 shares of the Company's common stock.

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

The 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 were as follows: risk-free interest 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 (1/3) of the warrant shares, if at any time after the issuance date of the AWI Warrant and prior to the expiration date of the AWI Warrant the weighted average closing price of the Company's common stock for the preceding 30 trading days (adjusted for any stock splits, stock dividends, reverse stock splits or combinations of the Company's common stock occurring after the issuance date) ("**Weighted Average Closing Price**") is at or above \$30.00; (ii) with respect to the second one-third (1/3) of the warrant shares, if at any time after the issuance date of the AWI Warrant and prior to the expiration date the Weighted Average Closing Price is at or above \$37.50; and (iii) with respect to the last one-third (1/3) of the warrant shares, if at any time after the issuance date of the AWI Warrant and prior to the expiration date the Weighted Average Closing Price is at or above \$45.00. The AWI Warrant expires on October 1, 2022

6. Share-Based Compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	<i>(in thousands)</i>			
Share-based compensation expense:				
Cost of revenues	\$ 2	\$ 20	\$ 21	\$ 59
Sales and marketing	520	409	904	1,222
Technology support	886	138	1,213	401
General and administrative	388	397	2,228	1,238
Share-based compensation costs	1,796	964	4,366	2,920
Less amount capitalized to internal use software:	—	1	1	2
Total share-based compensation costs	\$ 1,796	\$ 963	\$ 4,365	\$ 2,918

During the nine months ended September 30, 2018, certain awards were modified or accelerated in connection with the termination of employment of certain former officers of the Company. In accordance with guidance provided under ASC 718 and related ASU No. 2017-09 and ASU No. 2018-07, the Company recognized award modification and acceleration expenses related to these events in the period incurred. Modification expense was determined by using the Black-Scholes option pricing model to estimate the fair value of the modified awards as of the new measurement date and respective fair value assumptions. As reflected in the table above, the Company recognized award modification and acceleration expense of \$1.2 million and \$2.1 million in the three and nine months ended September 30, 2018, respectively. There were no modification or acceleration expenses recognized in 2017.

Service-Based Options. The Company granted the following service-based options for the three and nine months ended September 30, 2018 and 2017, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Number of service-based options granted	33,000	83,850	1,749,700	457,100
Weighted average grant date fair value	\$ 1.65	\$ 3.72	\$ 1.83	\$ 6.29
Weighted average exercise price	\$ 3.04	\$ 7.23	\$ 3.29	\$ 12.51

The Company recognizes compensation expense for stock option grants based on the fair value at the date of grant using the Black-Scholes option pricing model. The Company uses historical data, among other factors, to estimate the expected option life and has elected to estimate forfeiture rates. The risk-free rate is based on the United States Treasury Department yield curve in effect at the time of grant for the expected life of the option. The Company assumes an expected dividend yield of zero for all periods. Options generally vest one-third on the first anniversary of the grant date and ratably over twenty-four months thereafter. The vesting of these awards is contingent upon the employee's continued employment with the Company during the vesting period and vesting may be accelerated in the event of a change in control of the Company.

In April 2018, the Company entered into an Inducement Stock Option Award Agreement with the Company's CEO, 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 shall 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) 1/3rd of the total number of these options and (ii) the total number of unvested options will vest upon the date of termination.

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

Stock option exercises. The following stock options were exercised during the three and nine months ended September 30, 2018 and 2017, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Number of stock options exercised	1,000	15,000	16,967	191,074
Weighted average exercise price	\$ 1.75	\$ 4.20	\$ 4.51	\$ 5.58

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Dividend yield	—	—	—	—
Volatility	66%	63%	68%	62%
Risk-free interest rate	2.9%	1.8%	2.6%	1.8%
Expected life (years)	4.5	4.4	4.5	4.4

Restricted Stock Awards. The Company granted an aggregate of 125,000 restricted stock awards (“RSAs”) on April 23, 2015 in connection with the promotion of one of its executive officers. Of these 125,000 RSAs, 25,000 were service-based and 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 nine months ended September 30, 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 nine months ended September 30, 2018, 80,000 shares of RSAs were forfeited upon the resignation of two executive officers, the forfeiture restrictions on 175,000 shares of RSA lapsed upon the termination of employment of the former CEO and three officers of the Company, and the forfeiture restrictions of 40,000 shares of RSAs were modified upon the entry into a consulting agreement with a former executive officer. During the three months ended September 30, 2018, the forfeiture restrictions on 90,000 shares of RSAs lapsed in connection with the termination of employment of three officers of the Company. Accordingly, the Company recognized expenses of \$364,000 and \$787,000 related to the acceleration of vesting and modification of RSAs in the three and nine months ended September 30, 2018, respectively. As of September 30, 2018, 60,000 shares of RSAs remain unvested.

7. Investments

The Company’s investments at September 30, 2018 and December 31, 2017 consisted primarily of investments in SaleMove and GoMoto, Inc., a Delaware corporation (“GoMoto”).

In September 2013, the Company entered into a Convertible Note Purchase Agreement with SaleMove in which AutoWeb invested \$150,000 in SaleMove in the form of an interest bearing, convertible promissory note. In November 2014, the Company invested an additional \$400,000 in SaleMove in the form of an interest bearing, convertible promissory note. Upon closing of a preferred stock financing by SaleMove in July 2015, these two notes were converted in accordance with their terms into an aggregate of 190,997 Series A Preferred Stock, which shares were previously classified as a long-term investment on the consolidated balance sheet. The Company recorded an impairment charge of \$0.6 million in SaleMove in the three months ended December 31, 2017. 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 Unaudited Consolidated Condensed Statement of Operations and Comprehensive Income (Loss) for the nine months ended September 30, 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 share equally 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 Unaudited Consolidated Condensed Statement of Operations and Comprehensive (Loss) Income for the three and nine months ended September 30, 2018.

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

8. Selected Balance Sheet Accounts

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

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
	<i>(in thousands)</i>	
Computer software and hardware	\$ 11,585	\$ 11,065
Capitalized internal use software	5,977	5,774
Furniture and equipment	1,743	1,703
Leasehold improvements	1,605	1,539
	<u>20,910</u>	<u>20,081</u>
Less—Accumulated depreciation and amortization	<u>(17,296)</u>	<u>(15,770)</u>
Property and Equipment, net	<u>\$ 3,614</u>	<u>\$ 4,311</u>

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

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

The Company has a concentration of credit risk with its automotive industry-related accounts receivable balances, particularly with Urban Science Applications (which represents Acura, Audi, Honda, Nissan, Infiniti, Subaru, Toyota, Volkswagen, and Volvo), Trilogy, General Motors and Media.net Advertising. During the first nine months of 2018, approximately 42% of the Company’s total revenues was derived from these four customers, and approximately 51%, or \$13.2 million of gross accounts receivables related to these four customers at September 30, 2018. During the first nine months of 2017, approximately 33% of the Company’s total revenues was derived from Urban Science Applications, General Motors and Media.net, and approximately 43%, or \$12.2 million of gross accounts receivables, related to these three customers at September 30, 2017.

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

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
	<i>(in thousands)</i>	
Other accrued expenses	\$ 7,154	\$ 6,307
Amounts due to customers	392	438
Other current liabilities	437	507
Total other accrued expenses and other current liabilities	<u>\$ 7,983</u>	<u>\$ 7,252</u>

Convertible Notes Payable. In connection with the acquisition of AutoUSA, the Company issued a convertible subordinated promissory note for \$1.0 million (“**AutoUSA Note**”) to AutoNationDirect.com, Inc. The fair value of the AutoUSA Note as of the AutoUSA acquisition date was \$1.3 million. This valuation was estimated using a binomial option pricing method. Key assumptions used by the Company’s outside valuation consultants in valuing the AutoUSA Note included a market yield of 1.6% and stock price volatility of 65.0%. As the AutoUSA Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The entire outstanding balance of the AutoUSA Note is to be paid in full on January 31, 2019. The holder of the AutoUSA Note may at any time convert all or any part, but at least 30,600 shares, of the then outstanding and unpaid principal of the AutoUSA Note into fully paid shares of the Company’s common stock at a conversion price of \$16.34 per share (as adjusted for stock splits, stock dividends, combinations, and other similar events). In the event of default, the entire unpaid balance of the AutoUSA Note will become immediately due and payable and will bear interest at the lower of 8% per year or the highest legal rate permissible under applicable law.

9. Long-Lived Assets and Impairment

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

The Company’s intangible assets are amortized over the following estimated useful lives :

Definite-lived Intangible Asset	Estimated Useful Life	September 30, 2018 (in thousands)			December 31, 2017 (in thousands)		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trademarks/trade names/licenses/domains	3 -7 years	\$ 16,589	\$ (14,734)	\$ 1,855	\$ 16,589	\$ (4,037)	\$ 12,552
Software and publications	3 years	1,300	(1,300)	—	1,300	(1,300)	—
Customer relationships	2 - 10 years	19,563	(14,485)	5,078	19,563	(10,555)	9,008
Employment/non-compete agreements	1 - 5 years	1,510	(1,510)	—	1,510	(1,493)	17
Developed technology	5 - 7 years	8,955	(4,601)	4,354	8,955	(3,619)	5,336
		<u>\$ 47,917</u>	<u>\$ (36,630)</u>	<u>\$ 11,287</u>	<u>\$ 47,917</u>	<u>\$ (21,004)</u>	<u>\$ 26,913</u>

Indefinite-lived Intangible Asset	Estimated Useful Life	September 30, 2018			December 31, 2017		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Domain	Indefinite	\$ 2,200	\$ —	\$ 2,200	\$ 2,200	\$ —	\$ 2,200

Amortization expense on intangible assets with definite lives is included in both Cost of revenues and Depreciation and amortization in the Unaudited Consolidated Condensed Statements of Operations. Total amortization expense was \$1.6 million and \$5.0 million for the three and nine months ended September 30, 2018, respectively. Amortization expense was \$1.3 million and \$4.1 million for the three and nine months ended September 30, 2017, respectively.

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

Year	Amortization Expense (in thousands)
2018	\$ 1,511
2019	4,872
2020	2,371
2021	1,499
2022	902
Thereafter	132
	<u>\$ 11,287</u>

Goodwill. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or earlier, when events or circumstances indicate that the carrying value of such assets may not be recoverable. The Company impaired goodwill by \$5.1 million during the nine months ended September 30, 2018.

	<i>(in thousands)</i>
Goodwill as of December 31, 2017	\$ 5,133
Impairment charge	(5,133)
Goodwill as of September 30, 2018	\$ —

Impairment Testing of Intangible Assets

On October 5, 2017, the Company and DealerX Partners, LLC, a Florida limited liability company (“**DealerX**”), entered into a Master License and Services Agreement (“**DealerX License Agreement**”). Pursuant to the terms of the DealerX License Agreement, AutoWeb was granted a perpetual license to access and use DealerX’s proprietary platform and technology for targeted, online marketing.

The transaction consideration consisted of: (i) \$8.0 million in cash paid to DealerX upon execution of the DealerX License Agreement and (ii) the right to 710,856 shares of the Company’s common stock, par value \$0.001 per share, representing approximately five percent of the Company’s outstanding Common Stock as of the date the parties entered into the DealerX License Agreement (“**Market Capitalization Shares**”) if on or before October 5, 2022: (i) AutoWeb’s market capitalization averaged at least \$225.0 million over a consecutive 90 day period or (ii) there occurred a change in control of AutoWeb that reflected a market capitalization of at least \$225.0 million. If the Market Capitalization Shares were issued to DealerX, DealerX’s obligations to continue to support the platform (“**Platform Support Obligations**”) would continue in perpetuity. Alternatively, upon the occurrence of certain events prior to the issuance of the Market Capitalization Shares, AutoWeb could 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 was 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 7 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 cash flows 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.

A structured test was performed with the DealerX license intangible asset, whereby lead generation and acquisition cost, amongst other things, was compare 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 Unaudited Consolidated Condensed Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2018.

A quantitative analysis was performed by the Company on its customer relationship intangible assets, whereby it examined available data, namely historical activity and cash flows 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 cash flows did not support the carrying values. Additionally, the Company determined that the estimated useful life of these customer relationship intangible assets had changed from 10 years to 5 years. This change in estimate has no impact on the current period but will impact amortization expense in future periods as amortization will be accelerated over the remaining estimated useful life of this asset due to the change in estimate.

10. Credit Facility

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

11. Commitments and Contingencies

Employment Agreements

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

Litigation

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

12. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation known as the TCJA. The TCJA made a number of changes to the federal income tax law that took effect in 2018, including, but not limited to (1) reduction of the U.S. federal corporate tax rate from a maximum of 35% to 21%; (2) elimination of the corporate alternative minimum tax; (3) a new limitation on deductible interest expense; (4) the Transition Tax; (5) limitations on the deductibility of certain executive compensation; (6) changes to the bonus depreciation rules for fixed asset additions; and (7) limitations on net operating loss carryovers generated after December 31, 2017, to 80% of taxable income.

ASC 740 “*Income Taxes*”, requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. However, due to the complexity and significance of the TCJA’s provisions, the SEC staff issued Staff Accounting Bulletin 118 (“**SAB 118**”), which provides guidance on accounting for the tax effects of the TCJA. SAB 118 provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the TCJA for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the TCJA is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the TCJA.

At September 30, 2018 and December 31, 2017, the Company has not completed its accounting for the tax effects of enactment of the TCJA; however, the Company has made a reasonable estimate of the effects of the TCJA’s change in the federal rate and revalued its deferred tax assets based on the rates at which they are expected to reverse in the future, which is generally the new 21% federal corporate tax rate plus applicable state tax rate. For the year ended 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. In addition, in 2017, the Company recognized a deemed repatriation of \$0.6 million of deferred foreign income from its Guatemala subsidiary, which did not result in any incremental tax cost after application of foreign tax credits. The Company’s provisional estimates will be adjusted during the measurement period defined under SAB 118, based upon ongoing analysis of data and tax positions along with the new guidance from regulators and interpretations of the law. On an interim basis, the Company estimates an annual effective tax rate and records a quarterly income tax provision in accordance with the estimated annual rate, adjusted accordingly by the tax effect of certain discrete items that arise during the quarter. As the fiscal year progresses, the Company refines its estimated annual effective tax rate based on actual year-to-date results recognized for the year-to-date. This process can result in significant changes to the Company’s estimated effective tax rate. When such activity occurs, the income tax provision is adjusted during the quarter in which the estimates are refined and adjusted. As such, the Company’s year-to-date tax provision reflects the estimated annual effective tax rate. These changes, along with adjustments to the Company’s deferred taxes and related valuation allowance, may create fluctuation in the overall effective tax rate from period to period.

During 2017, management assessed available 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 the impairment of goodwill. The Company experienced increased costs of providing services to its customers, as well as decrease in market share resulting from increased competition. Additionally, the Company also projects 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 September 30, 2018 and December 31, 2017, the Company has recorded a valuation allowance of \$21.3 million against its deferred tax assets.

The Company's effective tax rate for the nine months ended September 30, 2018 differed from the U.S. federal statutory rate primarily due to operating losses that receive no tax benefit as a result of an existing valuation allowances recorded against the Company's existing tax assets.

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

Cautionary Note Concerning Forward-Looking Statements

The Securities and Exchange Commission ("SEC") encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "anticipates," "could," "may," "estimates," "expects," "projects," "intends," "plans," "believes," "will" and words of similar substance used in connection with any discussion of future operations or financial performance identify forward-looking statements. In particular, statements regarding expectations and opportunities, industry trends, new product expectations and capabilities, and our outlook regarding our performance and growth are forward-looking statements. This Quarterly Report on Form 10-Q also contains statements regarding plans, goals and objectives. There is no assurance that we will be able to carry out our plans or achieve our goals and objectives or that we will be able to do so successfully on a profitable basis. These forward-looking statements are just predictions and involve significant risks and uncertainties, many of which are beyond our control, and actual results may differ materially from these statements. Factors that could cause actual outcomes or results to differ materially from those reflected in forward-looking statements include, but are not limited to, those discussed in this Item 2 and under the heading "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2017 ("**2017 Form 10-K**"). Investors are urged not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date on which they were made. Except as may be required by law, we do not undertake any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements contained herein are qualified in their entirety by the foregoing cautionary statements.

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

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

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

Basis of Presentation and Critical Accounting Policies

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

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

Overview

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

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

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

Total revenues in the first nine months of 2018 were \$93.3 million compared to \$108.8 million in the first nine months of 2017. The decline in revenue was primarily due to less efficient traffic acquisition and lower retail dealer count and lead volumes. We believe that a large part of the inefficiency in traffic acquisition was the result of increased traffic acquisition costs as we invest in new traffic acquisition strategies, as well as the consumers shift to mobile and our ability to efficiently convert traffic to leads.

During the third quarter of 2018, we completed a comprehensive review of our products, traffic acquisition, pricing policies, distribution channels, technology infrastructure, strategic positioning and organizational capabilities. This review involved a significant change in key management and organizational structure.

We move into the fourth quarter of 2018 with a plan that will be executed strategically. We will continue to work with our traffic partners to optimize our search engine marketing (“**SEM**”) methodologies and rebuild our high-quality traffic streams. We also expect to invest in new product development and technology infrastructure, and to continue to restructure our organization to better align with our revised strategy, which will likely result in significant costs. We cannot provide an exact timeframe for resolution of these issues, as we are early in the implementation of our revised strategy. However, our plan is designed to enable us to grow impressions, improve conversion, expand distribution, and increase capacity. 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.

For the three and nine months ended September 30, 2018, our business, results of operations and financial condition were affected, and may continue to be affected in the future, by general economic, employment and market factors, conditions in the automotive industry, the markets for Leads, and online advertising services, including, but not limited to, the following:

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

Results of Operations

Three Months Ended September 30, 2018 Compared to the Three Months Ended September 30, 2017

The following table sets forth certain statement of operations data for the three-month periods ended September 30, 2018 and 2017 (certain balances and calculations have been rounded for presentation):

	<u>2018</u>	<u>% of total revenues</u>	<u>2017</u>	<u>% of total revenues</u>	<u>\$ Change</u>	<u>% Change</u>
	<i>(Dollar amounts in thousands)</i>					
Revenues:						
Lead fees	\$ 24,986	79%	\$ 27,711	75%	\$ (2,725)	(10)%
Advertising	6,606	21	8,946	24	(2,340)	(26)
Other revenues	103	—	215	1	(112)	(52)
Total revenues	31,695	100	36,872	100	(5,177)	(14)
Cost of revenues	26,278	83	25,786	70	492	2
Cost of revenues - impairment	9,014	28	—	—	9,014	N/A
Gross (loss) profit	(3,597)	(11)	11,086	30	(14,683)	N/A
Operating expenses:						
Sales and marketing	3,333	11	3,692	10	(359)	(10)
Technology support	4,303	14	3,141	9	1,161	37
General and administrative	3,639	11	2,818	7	821	29
Depreciation and amortization	1,172	4	1,192	3	(20)	(2)
Goodwill Impairment	—	—	—	—	—	—
Long-lived asset impairment	1,968	6	—	—	1,968	N/A
Total operating expenses	14,415	45	10,843	29	3,572	33
Operating (loss) income	(18,012)	(57)	243	1	(18,255)	N/A
Interest and other income (expense), net	(24)	—	(93)	—	69	(74)
(Loss) Income before income tax provision	(18,036)	(57)	150	—	(18,186)	N/A
Income tax provision	—	—	81	—	(81)	N/A
Net (loss) income	\$ (18,036)	(57)%	\$ 69	—%	\$ (18,105)	N/A

Lead fees. Lead fees revenues decreased \$2.7 million, or 10%, in the third quarter of 2018 compared to the third quarter of 2017 primarily due to less efficient traffic acquisition and lower retail dealer count and lead volumes.

Advertising. Advertising revenues decreased \$2.3 million, or 26%, in the third quarter of 2018 compared to the third quarter of 2017 as a result of a decrease in \$1.9 million decrease in click revenue associated with decreased pricing per click coupled with a \$0.4 million decrease in display advertising traffic on our website.

Other Revenues. Other revenues consist primarily of revenues from our mobile products and revenues from our Reseller Agreement with SaleMove. Other revenues decreased to \$0.1 million in the third quarter of 2018 from \$0.2 million in the third quarter of 2017 primarily due to lower customer utilization of the mobile product and SaleMove product. The SaleMove Reseller Agreement will expire November 30, 2018.

Cost of Revenues. Cost of revenues consists of purchase request and traffic acquisition costs and other cost of revenues. Purchase request and traffic acquisition costs consist of payments made to our purchase request providers, including internet portals and online automotive information providers. Other cost of revenues consists of SEM and fees paid to third parties for data and content, including search engine optimization activity, included on our websites, connectivity costs, development costs related to our websites, compensation related expense and technology license fees, server equipment depreciation, and technology amortization directly related to the Company Websites. SEM, sometimes referred to as paid search marketing, is the practice of bidding on keywords on search engines to drive traffic to a website. Cost of revenues increased \$0.5 million, or 2%, in the third quarter of 2018 compared to the third quarter of 2017 primarily due to increased traffic acquisition costs.

Cost of Revenues-Impairment. Cost of revenues-impairment consists of impairment charges on definite-lived intangible assets which are directly related to websites or technology that generate revenue for the Company. 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 cash flows the asset is expected to generate. In the third quarter of 2018, the Company made a decision to terminate the platform support provision of an existing perpetual license used to support the Company's websites, significantly impacting the usability of the asset by the Company. As a result, in the quarter ended September 30, 2018, the Company recorded charges of approximately \$9.0 million in connection with the impairment of this long-lived asset to cost of revenues-impairment. The Company did not have a comparable charge in the same period for 2017.

Gross Profit. Gross profit in the third quarter of 2018 decreased \$14.7 million from the third quarter of 2017 due to decreased revenue and increased cost of revenues as mentioned above. A major contributor to the increased cost of revenues was the one-time impairment charge related to the DealerX license of \$9.0 million that was charged to cost of revenues. As a percentage of net revenue, our gross profit was (11%) and 30% for the three months ended September 30, 2018 and 2017, respectively. The decrease was significantly impacted by the \$9.0 million impairment charge related to DealerX, which as a percentage of net revenue, was 28%.

Sales and Marketing. Sales and marketing expense includes costs for developing our brand equity, personnel costs, and other costs associated with Dealer sales, website advertising, and dealer support. Sales and marketing expense in the third quarter of 2018 decreased \$0.4 million, or 10%, compared to the third quarter of 2017 due primarily to lower media spend, offset by increased head-count costs.

Technology Support. Technology support expense includes compensation, benefits, software licenses and other direct costs incurred by the Company to enhance, manage, maintain, support, monitor and operate the Company's websites and related technologies, and to operate the Company's internal technology infrastructure. Technology support expense in the third quarter of 2018 increased by \$1.2 million, or 37%, compared to the third quarter of 2017 due primarily to severance and other headcount-related costs coupled with consulting costs associated with the management realignment of the information technology function in September 2018.

General and Administrative. General and administrative expense consists of executive, financial and legal personnel expenses and costs related to being a public company. General and administrative expense in the third quarter of 2018 increased by \$0.8 million, or 29%, from the third quarter of 2017 due primarily to increased compensation-related costs and increased professional fees.

Depreciation and Amortization. Depreciation and amortization expense in the third quarter of 2018 decreased \$20,000 from the third quarter of 2017 primarily due to normal amortization.

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

Other Income (Expense), Net. Other income (expense), net increased \$0.1 million from the third quarter of 2017 due to a decrease in interest expense of \$0.2 million due to payoff of term loans and revolving line of credit in the fourth quarter of 2017 and the first quarter of 2018, and the gain on the sale of our investment in SaleMove, offset by the write-down of our GoMoto investment in the third quarter of 2018.

Income Taxes. Income tax expense was zero in the third quarter of 2018 compared to income tax expense of \$81,000 in the third quarter of 2017. Income tax expense quarter over quarter differed from the federal statutory rate primarily due to operating losses that receive no tax benefit as a result of valuation allowances placed on accrued tax assets for such losses.

Nine Months Ended September 30, 2018 Compared to the Nine Months Ended September 30, 2017

The following table sets forth certain statement of operations data for the nine-month periods ended September 30, 2018 and 2017 (certain balances and calculations have been rounded for presentation):

	<u>2018</u>	<u>% of total revenues</u>	<u>2017</u>	<u>% of total revenues</u>	<u>\$ Change</u>	<u>% Change</u>
	<i>(Dollar amounts in thousands)</i>					
Revenues:						
Lead fees	\$ 71,277	76%	\$ 83,149	76%	\$ (11,872)	(14)%
Advertising	21,643	24	24,914	23	(3,271)	(13)
Other revenues	416	0	741	1	(352)	(44)
Total revenues	93,336	100	108,804	100	(15,468)	(14)
Cost of revenues	74,702	80	74,171	68	531	1
Cost of revenues - impairment	9,014	10	—	—	9,014	N/A
Gross profit	9,620	10	34,633	32	(25,013)	(72)
Operating expenses:						
Sales and marketing	10,096	11	10,684	10	(588)	(6)
Technology support	10,653	11	9,582	9	1,071	11
General and administrative	11,980	13	9,040	8	2,940	33
Depreciation and amortization	3,495	4	3,623	3	(128)	(4)
Goodwill Impairment	5,133	5	—	—	5,133	N/A
Long-lived asset impairment	1,968	2	—	—	1,968	N/A
Total operating expenses	43,325	46	32,929	30	10,396	32
Operating (loss) income	(33,705)	(36)	1,704	2	(35,409)	N/A
Interest and other income (expense), net	178	—	(289)	—	467	N/A
(Loss) income before income tax provision	(33,527)	(36)	1,415	2	(34,942)	N/A
Income tax provision	4	—	539	1	(535)	(99)
Net (loss) income	<u>\$ (33,531)</u>	<u>(36)%</u>	<u>\$ 876</u>	<u>1%</u>	<u>\$ (34,407)</u>	<u>N/A%</u>

Lead Fees. Lead fees revenues decreased \$11.9 million, or 14%, in the first nine months of 2018 compared to the first nine months of 2017 primarily due to less efficient traffic acquisition and lower retail dealer count and lead volumes.

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Advertising. Advertising revenues decreased \$3.3 million, or 13%, in the first nine months of 2018 compared to the first nine months of 2017 due to a decrease in click revenue of \$2.4 million associated with decreased pricing per click coupled with a decrease of \$0.9 million associated with display advertising traffic on our website.

Other Revenues. Other revenues decreased to \$0.4 million in the first nine months of 2018 from \$0.7 million in the first nine months of 2017 primarily due to lower customer utilization of the mobile product and SaleMove product. The SaleMove Reseller Agreement will expire November 30, 2018.

Cost of Revenues. Cost of revenues increased \$0.5 million in the first nine months of 2018 compared to the first nine months of 2017 primarily due to increased traffic acquisition costs associated with both lead and click volume.

Cost of Revenues-Impairment. Cost of revenues-impairment expense of \$9.0 million incurred in the nine months ended September 30, 2018 is due to the Company's decision to terminate the platform support provision of an existing perpetual license used to support the Company's websites, significantly impacting the usability of the asset by the Company and resulting in an impairment charge to the related intangible asset. The Company did not have a comparable charge in the same period for 2017.

Gross Profit. Gross profit decreased \$25.0 million in the first nine months of 2018 compared to the first nine months in 2017 due to decreased revenue and increased cost of revenues as mentioned above. A major contributor to the increased cost of revenues was the one-time impairment charge related to the DealerX license of \$9.0 million that was charged to cost of revenues. As a percentage of net revenue, our gross profit was 10% and 32% for the nine months ended September 30, 2018 and 2017, respectively. The decrease was significantly impacted by the \$9.0 million impairment charge related to DealerX, which as a percentage of net revenue, was 10%.

Sales and Marketing. Sales and marketing expense in the first nine months of 2018 decreased \$0.6 million, or 6%, compared to the first nine months of 2017 due primarily to lower headcount-related costs and media spend, offset by severance costs.

Technology Support. Technology support expense in the first nine months of 2018 increased by \$1.1 million, or 11%, compared to the first nine months of 2017 due primarily to severance and other headcount-related costs coupled with consulting costs associated with the management realignment of the information technology function in September 2018.

General and Administrative. General and administrative expense in the first nine months of 2018 increased \$2.9 million, or 33%, from the first nine months of 2017 due primarily to \$1.4 million in severance-related costs associated with the termination of the Company's former CEO in April 2018, coupled with increased compensation-related costs and professional fees.

Depreciation and Amortization. Depreciation and amortization expense in the first nine months of 2018 decreased \$0.1 million to \$3.5 million compared to \$3.6 million in the first nine months of 2017 primarily due to normal depreciation and amortization.

Goodwill impairment. The Company evaluated enterprise goodwill for impairment in the first nine months of 2018 due to the Company's decreased stock price since its prior annual goodwill impairment analysis on October 1, 2017. As of March 31, 2018, the carrying value of AWI was higher than its fair value based on market capitalization at that date. As a result, a non-cash impairment charge of \$5.1 million was recording during the nine months ended September 30, 2018.

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

Other Income (Expense), Net. Other income (expense), net increased \$0.5 million to \$0.2 million for the first nine months of 2018 compared to \$(0.3) million in the first nine months of 2017 primarily to a decrease in Interest expense of \$0.5 million due to the payoff of term loans and revolving line of credit in the fourth quarter of 2017 and the first quarter of 2018.

Income Taxes. Income tax expense was \$4,000 in the first nine months of 2018 compared to income tax expense of \$0.5 million in the first nine months of 2017. Income tax expense for the first nine months of 2018 differed from the federal statutory rate primarily due to operating losses that receive no tax benefit as a result of valuation allowances placed on tax assets for such losses.

Liquidity and Capital Resources

The table below sets forth a summary of our cash flows for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,	
	2018	2017
	<i>(in thousands)</i>	
Net cash provided by (used in) operating activities	\$ (743)	\$ 12,468
Net cash used in investing activities	(703)	(2,218)
Net cash used in financing activities	(7,723)	(4,066)

Our principal sources of liquidity are our cash and cash equivalents balances totaling \$15.8 million at September 30, 2018, and our cashflows generated from operations. While we believe that our existing sources of liquidity will be sufficient to fund our operations for the next twelve months, 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.

For information concerning the Company's previously announced share repurchase authorization, see Note 5, Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We did not repurchase any shares during the nine months ended September 30, 2018 and 2017.

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

Net Cash Provided by Operating Activities Net cash used in operating activities totaled \$0.7 million for the nine months ended September 30, 2018, as compared to cash provided by operating activities of \$12.5 million for the nine months ended September 30, 2017. This decrease in cash provided by operating activities was driven by a decrease in gross profit, an increase in compensation charges incurred as a result of organizational headcount changes, and increased payments on technology enhancements, partially offset by a decrease in interest paid and an increase in liabilities accrued which will not be paid until 2019.

Net Cash Used in Investing Activities. Net cash used in investing activities was \$0.7 million in the nine months ended September 30, 2018, which primarily related to purchases of property and equipment and expenditures related to capitalized internal use software of \$0.8 million, offset by \$0.1 million in proceeds from the sale of the SaleMove investment.

Net cash used in investing activities was \$2.2 million in the nine months ended September 30, 2017, which primarily related to purchases of property and equipment and expenditures related to capitalized internal use software.

Net Cash Used in Financing Activities. Net cash used in financing activities of \$7.7 million in the nine months ended September 30, 2018, primarily related to payments of \$8.0 million to pay down the revolving credit facility in March 2018, offset by proceeds from the issuance of common stock and the exercise of stock options.

Net cash used in financing activities of \$4.1 million primarily related to payments of \$3.9 million made against the term loan borrowings and \$1.2 million used to repurchase Company common stock in the first nine months of 2017. In addition, stock options for 191,074 shares of the Company's common stock were exercised in the first nine months of 2017 resulting in \$1.1 million cash inflow.

Off-Balance Sheet Arrangements

At September 30, 2018, we had no off-balance sheet arrangements as defined in Regulation S-K, Item 303(a)(4)(D)(ii).

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to various market risk factors, including fluctuations in interest rates and changes in general economic conditions. For the three months ended September 30, 2018, there were no material changes in the information required to be provided under Item 305 of Regulation S-K from the information disclosed in Item 7A of the 2017 Form 10-K.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (“**Exchange Act**”). Disclosure controls and procedures ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act are (i) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure. Based on this evaluation, our Chief Executive Officer and our Interim Chief Financial Officer believe that, due to the material weakness in internal control over financial reporting previously reported in our 2017 Form 10-K, our disclosure controls and procedures were not effective as of September 30, 2018.

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

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

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

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

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

PART II. OTHER INFORMATION

Item 1A. Risk Factors

The following factors, which supplement or update the risk factors set forth in Part I, Item 1A, “Risk Factors” of our 2017 Form 10-K, may affect our future financial condition and results of operations. The risks described below are not the only risks we face. In addition to the risks set forth in the 2017 Form 10-K, as supplemented or superseded by the risk factors set forth below, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business.

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 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 privacy laws, rules and regulations.

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

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. Our planned technology modernization efforts that began in the third quarter of 2018 and that are anticipated to continue through 2019 may have temporary negative impacts on performance of our systems as our systems are moved to new platforms. Outages and interruptions could damage our reputation and harm our operating results. Despite our network security measures, our information technology platforms are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage and similar disruptions from unauthorized tampering, as well as coordinated denial-of-service attacks. We do not have multiple site capacity for all of our services. In the event of delays or disruptions to services we rely on third party providers to perform disaster recovery planning and services on our behalf. We are vulnerable to extended failures to the extent that planning, and services are not adequate to meet our continued technology platform, communication or security systems' needs. We rely on third party providers for our primary and secondary internet connections. Our co-location service and public cloud services that provide infrastructure and platform services, environmental and power support for our technology platforms, communication systems and security systems are received from third party providers. We have little or no control over these third-party providers. Any disruption of the services they provide us or any failure of these third-party providers to effectively design and implement sufficient security systems or plan for increases in capacity could, in turn, cause delays or disruptions in our services. We are insured for some, but not all, of these events. Even for those events for which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all losses we might incur or experience.

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

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

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

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

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

Item 6. Exhibits

2.1 ‡	Asset Purchase and Sale Agreement dated as of December 19, 2016 by and among AutoWeb, Inc., 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., 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) (“ October 2017 Form 8-K ”)
3.2	Seventh Amended and Restated Bylaws of AutoWeb, Inc. dated October 9, 2017, incorporated by reference to Exhibit 3.5 to the October 2017 Form 8-K
4.1	Tax Benefit Preservation Plan dated as of May 26, 2010 between Company and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; and Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239), Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 16, 2014 (SEC File No. 001-34761), Amendment No. 2 to Tax Benefit Preservation Plan dated as of April 13, 2017, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 14, 2017 (SEC File No. 001-34761)
4.2	Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan, incorporated by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 filed with the SEC on November 8, 2012 (SEC File No. 001-34761)
10.1 ■*	Offer of Employment dated as of October 2, 2018 between Company and Sara Partin
10.2 ■*	Inducement Stock Option Award Agreement dated as of October 22, 2018 between Company and Sara Partin
10.3 ■*	Indemnification Agreement dated as of October 22, 2018 between Company and Sara Partin
10.4 ■*	Severance Benefits Agreement dated October 22, 2018 between Company and Sara Partin
31.1 *	Rule 13a-14(a)/15d-14(a) Certification by Principal Executive Officer
31.2 *	Rule 13a-14(a)/15d-14(a) Certification by Principal Financial Officer
32.1 *	Section 1350 Certification by Principal Executive Officer and Principal Financial Officer
101.INS††	XBRL Instance Document
101.SCH††	XBRL Taxonomy Extension Schema Document
101.CAL††	XBRL Taxonomy Calculation Linkbase Document
101.DEF††	XBRL Taxonomy Extension Definition Document
101.LAB††	XBRL Taxonomy Label Linkbase Document
101.PRE††	XBRL Taxonomy Presentation Linkbase Document

* Filed herewith.

■ Management Contract or Compensatory Plan or Arrangement.

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

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



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

Glenn E. Fuller
Executive Vice President, Chief Legal and Administrative
Officer and Secretary
Direct Line: 949.862.1392
Facsimile: 949.797.0484
glenn.fuller@autoweb.com

October 2, 2018

Sara Partin
[Personal Residence Address Redacted]

Re: Offer of Employment

Dear Sara:

This letter confirms the terms and conditions upon which AutoWeb, Inc., a Delaware corporation (“**Company**”) is offering employment to you. Note that this offer of employment and your employment by the Company is contingent upon various conditions and requirements that must be completed prior to commencement of employment, which conditions and requirements are set forth below.

1. Employment.

(a) Effective as of the date you commence employment with the Company (“**Commencement Date**”), which date is anticipated to be October 22, 2018, the Company will employ you in the capacity set forth on the Exhibit A attached hereto (“**Offer Letter Schedule**”). In such capacity, you will report to such person or persons as may be designated by the Company from time to time.

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

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

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

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

(c) Upon commencement of employment with the Company you will be granted the number of options to acquire shares of the Company's common stock set forth on the Offer Letter Schedule. The vesting, exercise, termination and other terms and conditions of these options shall be governed by and subject to the terms and conditions of the applicable stock option plan and stock option award agreement. The granting and exercise of such options are also subject to compliance with applicable federal and state securities laws and the Company's Security Trading Policy.

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

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

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

3. **Pre-Hire Conditions and Requirements.** You have previously submitted an Application for Employment and a Consent to Conduct a Background Check. This offer of employment and your employment by the Company is contingent upon various conditions and requirements for new hires that must be completed prior to commencement of employment. These conditions and requirements include, among other things, the following:

(i) Successful completion of the Company's background check.

(ii) Your acceptance, execution and delivery of this offer letter together with the Company's Employee Confidentiality Agreement and Mutual Agreement to Arbitrate, the forms of which accompany this offer letter and which are hereby incorporated herein by reference. Please sign this offer letter and these other documents and return the signed original documents to Ondria Kernan in the Company's Human Resources Department.

(iii) Your execution and delivery of your acknowledgment and agreement to the Company's Employee Handbook and the various policies included therein, Securities Trading Policy, and Code of Conduct and Ethics. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.

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

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

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

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

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

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

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

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

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

This offer shall expire five (5) calendar days from the date of this offer letter. Should you wish to accept this offer and its terms and conditions, please confirm your understanding of, agreement to, and acceptance of the foregoing by signing and returning to the undersigned the duplicate copy of this offer letter enclosed herewith.

AUTOWEB, INC.

By: /s/ Glenn E. Fuller

Glenn E. Fuller

Executive Vice President, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed
as of the date
first written above:

/s/ Sara Partin

Sara Partin

[Personal Residence Address Redacted]

Exhibit A

Offer Letter Schedule

Employment Capacity/Title: SVP, Chief Human Resources Officer

Employment Commencement Date: October 22, 2018

Base Salary: Semi-monthly Rate of Eleven Thousand Four Hundred Fifty-eight Dollars and Thirty-four Cents (\$11,458.34) which equates to an annualized rate of approximately Two Hundred Seventy-five Thousand Dollars (\$275,000).

Annual Incentive Compensation Target: 40%

Stock Options: 50,000. Priced at closing price of common stock on The Nasdaq Capital Market on employment commencement date. Stock Options shall be granted as inducement options under NASDAQ rules.

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

SP
Employee Initials

GEF
Company Initials

AUTOWEB, INC.

Inducement Stock Option Award Agreement

(Non-Qualified Stock Options)

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

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

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

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

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

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

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

4. Exercise of Options.

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

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

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

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

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

5. Option Termination and Other Provisions.

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

(b) **Termination of Employment.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Non-Registered Option and Shares.

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

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

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

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

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

7. **Miscellaneous.**

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

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

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

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

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

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

Notices to the Company should be addressed to:

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

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

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

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

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

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

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

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

Remainder of Page Intentionally Left Blank; Signature Page Follows

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

Grant Date: October 22, 2018
Total Options Awarded: 50,000
Exercise Price Per Share: \$2.50
Severance Benefits Agreement: Severance Benefits Agreement dated October 22, 2018

Vesting Schedule: (i) thirty-three and one-third percent (33 1/3%) shall vest and become exercisable on the first anniversary after the Grant Date; and (ii) one thirty-sixth (1/36th) shall vest and become exercisable on each successive monthly anniversary thereafter for the following twenty-four (24) months ending on the third anniversary of such vesting commencement date.

“Company” AutoWeb, Inc., a Delaware corporation

By: /s/ Glenn E. Fuller
Glenn E. Fuller
EVP, Chief Legal and Administrative
Officer and Secretary

“Participant” /s/ Sara Partin
Sara Partin

AUTOWEB, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("*Agreement*") is made and entered into as of October 22, 2018 by and between AutoWeb, Inc., a Delaware corporation ("*Company*"), and Sara Partin ("*Indemnitee*").

Background

In order to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, to induce Indemnitee to continue to provide services to the Company, the Company wishes to provide for indemnification and advancement of expenses to Indemnitee to the maximum extent permitted by law.

The Company's Seventh Amended and Restated Bylaws, as amended ("*Bylaws*"), and the Company's Sixth Restated Certificate of Incorporation, as amended ("*Certificate*"), require that the Company indemnify the directors, officers, employees and other agents of the Company, including persons serving at the request of the Company in those capacities with other corporations or enterprises, as authorized by the General Corporation Law of the State of Delaware, as amended ("*DGCL*"), and the Bylaws and the Certificate each expressly provide that the indemnification provided therein is not exclusive and contemplates that the Company may enter into separate agreements with its directors, officers, employees and other agents of the Company.

Indemnitee does not believe that the protection currently provided by applicable law, the Bylaws, the Certificate and available insurance may be adequate under the circumstances, and the Company has determined that Indemnitee and other directors, officers, employees and agents of the Company may not be willing to serve or continue to serve in such capacities without additional protections. The Company desires and has requested Indemnitee to serve or continue to serve as a director, officer, employee or agent of the Company, as the case may be, and has proffered this Agreement to Indemnitee as an additional inducement to serve in such capacity. Indemnitee is willing to serve, or to continue to serve, as a director, officer, employee or agent of the Company, as the case may be, if Indemnitee is furnished the indemnity provided herein by the Company.

This Agreement is a supplement to, and in furtherance of, the Bylaws, the Certificate and any resolutions adopted pursuant thereto, and must not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

In consideration of Indemnitee's agreement to serve and the mutual agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Agreement

1. **Services to the Company.** Indemnitee will serve, at the will of the Company (or its stockholders, as applicable) or under separate contract if any such contract exists, as Senior Vice President and Chief Human Resources Officer, or as a director, officer, agent or other fiduciary of an affiliate of the Company, including any subsidiary or employee benefit plan of the Company (each, an "*Affiliate*"), to the best of Indemnitee's ability so long as Indemnitee remains in such position(s); *provided, however*, that (i) Indemnitee may at any time and for any reason resign from such position(s) (subject to any contractual obligation that Indemnitee may have assumed apart from this Agreement or any obligation imposed by operation of law), and (ii) neither the Company nor any Affiliate have any obligation under this Agreement to continue Indemnitee in any such position(s). This Agreement is not an employment contract between the Company (or any of its Affiliates) and Indemnitee. Nothing in this Agreement may be construed or interpreted as giving Indemnitee any right to be retained in the employ of the Company (or any of its Affiliates). Indemnitee specifically acknowledges and agrees that except as may be provided in a written employment contract between Indemnitee and the Company or an Affiliate: (i) Indemnitee's employment with the Company or any of its Affiliates is at-will, and (ii) Indemnitee may be discharged at any time for any reason. The foregoing notwithstanding, this Agreement will continue in force after Indemnitee has ceased to serve as Senior Vice President and Chief Human Resources Officer of the Company.

2. **Indemnity of Indemnitee.** The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by the provisions of the Bylaws, the Certificate, the DGCL or other applicable law. The phrase "to the fullest extent authorized or permitted" includes to the fullest extent authorized or permitted by any amendments or replacements of the Bylaws, the Certificate, or the DGCL (or other applicable law) adopted or enacted after the date of this Agreement that increase the extent to which a corporation may indemnify its directors, officers, employees or agents.

3. **Additional Indemnity.** In addition to, and not in limitation of, the indemnification otherwise provided for herein, and subject only to the exclusions set forth in Section 4 hereof, the Company hereby further agrees to hold harmless and indemnify Indemnitee against any and all Expenses (as defined below) that Indemnitee becomes legally obligated to pay because of any claim or claims made against or by Indemnitee in connection with any threatened, pending or completed action, suit or proceeding whether by or in the right of the Company or otherwise and whether civil, criminal, legislative, arbitrational, administrative or investigative, and whether formal or informal including any appeal therefrom, to which Indemnitee is, was or at any time becomes a party, potential party, or a participant, including as a non-party witness or otherwise, or is threatened to be made a party, by reason of the fact that Indemnitee is, was or at any time becomes a director, officer, employee or other agent of the Company, or is or was serving, or at any time serves at the request of, the Company or any Affiliate as a director, officer, employee or other agent (including a trustee, partner or manager) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, including an Affiliate (collectively, a "**Proceeding**"), in each case whether or not Indemnitee was serving in that capacity at the time any liability or Expense is incurred. The definition of "Proceeding" must be considered met if Indemnitee in good faith believes the situation might lead to or culminate in the institution of a Proceeding. "**Expenses**" mean all expenses, including attorneys' fees, witness fees, fees of experts, forensic consultants and other professionals, retainers, court costs, travel expenses, photocopying, printing and binding costs, telephone charges, and any other cost, disbursement or expense customarily incurred in connection with defending, prosecuting, preparing to prosecute or defend, investigating, being prepared to be a witness in, responding to a subpoena or other discovery request, or otherwise participating in, a Proceeding, damages, penalties, interest charges thereon, judgments, fines, and amounts paid in settlement, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties imposed on Indemnitee, costs associated with any appeals, including without limitation the premium, security for, and other costs relating to any costs bond, supersedeas bond, or other appeal bond or its equivalent, and any other amounts for time spent by Indemnitee for which Indemnitee is not compensated by the Company or any Affiliate or third party for any period during which Indemnitee is not an agent, in the employment of, or providing services for compensation to, the Company or any Affiliate. Without limiting the generality of the foregoing, references to "serving at the request of the Company as a director, officer, employee or agent" includes: (i) Indemnitee's performance of services for, on behalf of, or for the benefit of the Company or any Affiliate while Indemnitee is serving as a director, officer, employee or other agent of the Company or an Affiliate regardless of whether Indemnitee is at the time a director, officer or employee of the Company or the Affiliate for, on behalf of, or for the benefit of which Indemnitee performed services; or (ii) any service by Indemnitee that imposes duties on, involves services by, Indemnitee with respect to an employment benefit plan, its participants or beneficiaries, including as a deemed fiduciary thereto.

4. Limitations on Additional Indemnity. No indemnity pursuant to Sections 2 or 3 hereof must be paid by the Company:

(a) On account of any claim against Indemnitee solely for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) ("**Section 16(b)**") of the Securities Exchange Act of 1934, as amended ("**Exchange Act**"), or similar provisions of any federal, state or local statutory law; *provided*, that with respect to a claim against Indemnitee solely for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) or similar provisions of any federal, state or local law, Indemnitee is entitled to the advancement of legal expenses unless the Company reasonably determines that Indemnitee clearly violated Section 16(b) and must disgorge profits to the Company pursuant to the terms thereof. Notwithstanding anything to the contrary stated or implied in this Section 4(a), indemnification pursuant to this Agreement relating to any Proceeding against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) or similar provisions of any federal, state or local laws is not prohibited if Indemnitee ultimately establishes in any Proceeding that no recovery of such profits from Indemnitee is permitted under Section 16(b) or similar provisions of any federal, state or local laws;

(b) On account of any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 ("**Sarbanes-Oxley Act**"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), *provided*, Indemnitee is entitled to advancement of Expenses related to, arising out of, or resulting from a Proceeding to recover such compensation or profits prior to the final adjudication of that Proceeding;

(c) On account of Indemnitee's conduct that is established by a final judgment, not subject to appeal, as knowingly fraudulent or deliberately dishonest or that constituted willful misconduct;

(d) On account of Indemnitee's conduct that is established by a final judgment, not subject to appeal, as constituting a breach of Indemnitee's duty of loyalty to the Company or resulting in any personal profit or advantage to which Indemnitee was not legally entitled;

(e) For which payment is actually made to Indemnitee under a valid and collectible insurance policy or under a valid and enforceable indemnity clause, bylaw or agreement, except in respect of any excess beyond payment under such insurance, clause, bylaw or agreement and such payment fully compensates Indemnitee against all expenses. Notwithstanding anything to the contrary stated or implied in this Section 4(e), (i) Indemnitee has no obligation to reduce, offset, allocate, pursue or apportion any indemnification, hold harmless, exoneration, advancement, contribution or insurance coverage among multiple persons possessing those obligations to Indemnitee prior to the Company's satisfaction and performance of its obligations under this Agreement; and (ii) the Company must perform fully its obligations under this Agreement regardless of whether Indemnitee holds, may pursue or has pursued any indemnification, advancement, hold harmless, exoneration, contribution or insurance coverage rights against any person or entity other than the Company;

(f) If indemnification is not lawful, as established by the Company by a final judgment on such issue not subject to appeal; or

(g) In connection with any Proceeding (or part thereof) initiated by Indemnitee, or any Proceeding by Indemnitee against the Company or an Affiliate or the directors, officers, employees or other agents of the Company or an Affiliate, unless (i) such indemnification is expressly required to be made by law, (ii) the Proceeding was authorized by the Company's Board of Directors ("**Board**"), (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the DGCL or any other applicable law, (iv) the Proceeding is initiated pursuant to Section 10 hereof, or (v) the Proceeding initiated by Indemnitee is a cross-claim or counter-claim.

5. Continuation of Indemnity. All agreements and obligations of the Company contained herein continue during the period Indemnitee is a director, officer, employee or other agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or other agent (including trustee, partner or manager) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise) and will continue thereafter so long as Indemnitee is subject to any Proceeding by reason of the fact that Indemnitee was serving in the capacity referred to herein.

6. Partial Indemnification. The Company will indemnify Indemnitee for a portion of the Expenses that Indemnitee becomes legally obligated to pay in connection with any Proceeding even if not entitled hereunder to indemnification for the total amount thereof, and the Company must indemnify Indemnitee for the portion thereof to which Indemnitee is entitled and the acceptance of such partial payment will not be an admission by Indemnitee that he or she is not entitled to all of his or her Expenses or a bar against Indemnitee seeking recovery of the full amount of Expenses.

7. Notice and Other Indemnification Procedures.

(a) **Notification of Proceeding.** Indemnitee agrees to notify the Company in writing promptly upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding. The failure of Indemnitee to so notify the Company does not relieve the Company of any obligation that it may have to Indemnitee under this Agreement or otherwise and any delay in giving notice will not constitute a waiver by Indemnitee of any rights under this Agreement.

(b) Request for Indemnification and Indemnification Payments. Upon written request by Indemnitee for indemnification, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto must be made in the specific case: (i) if a Change in Control (as defined in Section 8(b)) shall have occurred, by Independent Counsel (as defined below) in a written opinion to the Board, a copy of which must be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors (as defined below), even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which must be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee must be made promptly, but in no event more than ten (10) days after such determination. Indemnitee agrees to cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by or on behalf of Indemnitee in so cooperating with the person, persons or entity making such determination must be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company must advise Indemnitee promptly in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. Claims for advancement of Expenses must be made under the provisions of Section 9 of this Agreement.

In the event the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel must be selected as provided in this Section 7(b). If a Change in Control shall not have occurred, the Board must select the Independent Counsel, and the Company must give prompt, written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, Indemnitee must select the Independent Counsel (unless Indemnitee requests that the selection be made by the Board, in which event the preceding sentence applies), and Indemnitee must give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection has been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to the selection; *provided, however*, that the objection may be asserted only on the basis that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined below, and the objection must set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected will act as Independent Counsel. If a written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until the objection is withdrawn or the Delaware Court of Chancery has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification and the final disposition of the Proceeding, no Independent Counsel has been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court of Chancery for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by that court or by such other person as that court may designate, and the person with respect to whom all objections are so resolved or the person so appointed will act as Independent Counsel. The Company agrees to pay the reasonable fees and expenses, including any retainer or advance, of the Independent Counsel referred to above and to indemnify such counsel fully against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto. "**Disinterested Director**" means a director of the Company who is not, and was not, a party to the Proceeding in respect of which indemnification is sought by Indemnitee. "**Independent Counsel**" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company, any Affiliate or Indemnitee in any matter material to any such person (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" does not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(c) **Notice to Insurers.** If, at the time of the receipt by the Company of a notice pursuant to Section 7(a) hereof, the Company has liability insurance in effect which may cover that Proceeding, the Company must give prompt notice of the commencement of that Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company must thereafter take all necessary or desirable action to cause those insurers to pay, on behalf of Indemnitee, all Expenses payable to Indemnitee in respect of such Proceeding in accordance with the terms of their policies, but any such action by the Company will not relieve it of its obligations hereunder.

(d) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement may be required to be made prior to the final disposition of the Proceeding as to Indemnitee.

8. Assumption of Defense.

(a) In the event the Company is requested by Indemnitee to pay the Expenses of any Proceeding, the Company, if appropriate, will be entitled to assume the defense of that Proceeding, or to participate to the extent permissible in that Proceeding, with counsel approved by Indemnitee, which approval may not be unreasonably withheld or delayed. Upon assumption of the defense by the Company and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding; *provided*, that Indemnitee will have the right to employ separate counsel in that Proceeding at Indemnitee's sole cost and expense. After the Company has assumed the defense of a Proceeding, Indemnitee will be entitled to, at Indemnitee's own expense, engage counsel for the purpose of monitoring the defense being provided by counsel retained by the Company, and the Company must direct that counsel to cooperate with and provide requested information to Indemnitee's monitoring counsel. Notwithstanding the foregoing, if (i) Indemnitee's counsel delivers a written notice to the Company stating that such counsel has reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any defense in the Proceeding, (ii) the Company has not, in fact, employed counsel or otherwise actively pursued the defense of the Proceeding within a reasonable time, or thereafter reasonably maintained the defense of the Proceeding, (iii) there has been a Change in Control (as defined below), or (iv) Indemnitee reasonably concludes that counsel engaged by the Company on behalf of Indemnitee may not adequately represent Indemnitee, then in any such event the fees and expenses of Indemnitee's counsel to defend the Proceeding must be at the expense of the Company and subject to the indemnification and advancement of expenses provisions of this Agreement. *Provided, however*, that in the event there are other defendants in a Proceeding who are entitled to counsel other than counsel engaged by the Company, the Company will only be obligated to pay the fees and expenses of one (1) counsel for all those defendants, including Indemnitee, unless Indemnitee's counsel delivers a written notice to the Company stating that such counsel has reasonably concluded that there may be a conflict of interest that would prevent one (1) counsel from representing all such defendants, including Indemnitee.

(b) For purposes of this Agreement, a “*Change in Control*” is deemed to have occurred if (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company’s then outstanding Voting Securities (as defined below), increases his, her or its beneficial ownership of such securities by five percent (5%) or more over the percentage so owned by such person, or (B) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than twenty percent (20%) of the total voting power represented by the Company’s then outstanding Voting Securities, (ii) during any period of two (2) consecutive years, individuals who at the beginning of that period constitute the Board and any new director whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the Company merges or consolidates with any other corporation other than a merger or consolidation that would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity, or its ultimate parent) at least sixty percent (60%) of the total voting power represented by the Voting Securities, as defined below, of the Company or such surviving entity, or its ultimate parent, outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one (1) transaction or a series of transactions) all or substantially all of the Company’s assets, (iv) the Company commences any case, action or proceeding before any court or governmental body (or a third party commences any such proceeding that remains undismissed by or consented to within sixty (60) days) relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (v) the Company commences any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors.

(c) For purposes of this Agreement, “*Voting Securities*” means any securities of the Company that vote generally in the election of directors.

(d) Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any Proceeding or in the defense of any claim, issue or matter therein, the Company must indemnify Indemnitee against all Expenses incurred by Indemnitee in connection therewith.

9. Advances of Expenses.

(a) The Company will advance to Indemnitee, prior to the final adjudication of any Proceeding of this Agreement, any and all Expenses relating to, arising out of or resulting from any Proceeding (other than a Proceeding for which indemnification is excluded pursuant to Section 4(g)) paid or incurred by Indemnitee or which Indemnitee determines are reasonably likely to be paid or incurred by Indemnitee. The right to advances under this Section 9 in all events continues until final disposition of any Proceeding, including all possible appeals therefrom. Advances must be made without regard to Indemnitee’s ability to repay the Expenses and without regard to Indemnitee’s ultimate entitlement to indemnification under the other provisions of this Agreement. Advances must be unsecured and interest free. Advances include any and all reasonable Expenses incurred in pursuing an action to enforce this right of advancement, including Expenses incurred in preparing and forwarding statements to the Company or its insurance carrier(s) to support the advances claimed.

(b) Indemnitee's right to such advancement is not subject to the satisfaction of any standard of conduct. Without limiting the generality or effect of the foregoing, within fifteen (15) business days after any request by Indemnitee, the Company must, in accordance with such request (but without duplication), (i) pay such Expenses on behalf of Indemnitee, (ii) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (iii) reimburse Indemnitee for such Expenses.

(c) Indemnitee undertakes to the fullest extent permitted by law to repay the amounts advanced pursuant to this Agreement (without interest) if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified therefor by the Company. No other form of undertaking may be required other than the execution of this Agreement.

(d) Indemnitee must use commercially reasonable efforts to provide documentation to the Company relating to Expenses as incurred in order to permit the Company to properly deduct the advancement of Expenses pursuant to this Section 9; *provided, however*, that Indemnitee will only be required to provide such documentation to the extent that such provision will not constitute a waiver of the attorney-client privilege or the work product doctrine.

10. Enforcement; Presumption of Entitlement.

(a) Any right to indemnification or advances granted by this Agreement to Indemnitee is enforceable by or on behalf of Indemnitee in any court of competent jurisdiction if (i) the claim for indemnification is denied, in whole or in part; (ii) no disposition of such claim is made within seventy (70) days of request therefor; (iii) payment of indemnification is not made to Indemnitee within ten (10) days of a determination that Indemnitee is entitled to indemnification; (iv) advancement of Expenses is not timely made; or (v) the Company or any other person takes or threatens to take action to declare this Agreement unenforceable or institutes litigation or other action or proceeding to deny or recover from Indemnitee the benefits provided by, or intended to be provided by, this Agreement. Indemnitee, in such enforcement action, if successful in whole or in part, must be entitled to be paid also the Expenses of prosecuting Indemnitee's claim. The Company must pay interest at the legal rate under Delaware law on all amounts that the Company is obligated to advance or indemnify pursuant to this Agreement, commencing on the date on which the Company must advance Expenses or the earlier of the date of determination of indemnification or seventy (70) days of a request therefor and ending on the date on which payment is made.

(b) It is a defense to any action for which a claim for indemnification is made under Sections 2 and 3 hereof (other than an action brought to enforce a claim for Expenses pursuant to Section 8 hereof) that Indemnitee is not entitled to indemnification because of the limitations set forth in Section 4 hereof.

(c) In any such Proceeding instituted by Indemnitee pursuant to this Section 10, the Company must be precluded, to the fullest extent permitted by law, from asserting that the procedures and presumptions of this Agreement are not valid, binding and enforceable and must stipulate in any such court that the Company is bound by all the provisions of this Agreement and is precluded from making any assertion to the contrary.

(d) In making any determination concerning Indemnitee's right to indemnification, it must be presumed that Indemnitee has satisfied the applicable standard of conduct, and to the fullest extent not prohibited by law, the Company has the burden of proof to overcome that presumption by its adducing clear and convincing evidence to the contrary. Neither the failure of the Company (including the Disinterested Directors, the Company's stockholders, or Independent Counsel) to have made a determination prior to the commencement of such enforcement action that indemnification of Indemnitee is proper in the circumstances, nor an actual determination by the Company (including the Disinterested Directors, the Company's stockholders, or Independent Counsel) that such indemnification is improper is a defense to the action or creates a presumption that Indemnitee is not entitled to indemnification under this Agreement or otherwise. Any judicial proceeding must be conducted in all respects as a trial *de novo* on the merits and Indemnitee must not be prejudiced by any actual determination by the Company any assertion to the contrary.

(e) For purposes of any determination of good faith, Indemnitee must be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Company or any Affiliate, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Company or any Affiliate in the course of their duties, or on the advice of legal counsel for the Company or an Affiliate or on information or records given or reports made to the Company or an Affiliate by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 10(e) must not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement. Whether or not the foregoing provisions of this Section 10(e) are satisfied, it must in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company.

(f) Subject to Section 7(d), if a determination of whether Indemnitee is entitled to indemnification is not made within forty (40) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification must, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee must be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; *provided, however*, that such 40-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and *provided, further*, that the foregoing provisions of this Section 10(f) do not apply (i) if the determination of entitlement to indemnification is to be made by the and if (A) within ten (10) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within sixty (60) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within ten (10) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 7(a) of this Agreement.

(g) The remedies provided for in this Section 10 are in addition to any other remedies available to Indemnitee at law or in equity or pursuant to the Certificate, the Bylaws or other written agreement between the Company and Indemnitee.

11. Unauthorized Settlements. Any provision herein to the contrary notwithstanding, the Company is not obligated pursuant to the terms of this Agreement to indemnify Indemnitee under this Agreement for any amounts paid in settlement of a Proceeding effected by Indemnitee without the Company's written consent. Further, the Company must not, without the prior written consent of Indemnitee, effect any settlement of: (a) any Proceeding if Indemnitee is or could have been a party, or (b) any Proceeding in which the Company is, or could be, jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement solely involves the payment of money and includes a complete and unconditional release of Indemnitee from all liability on any claims that are the subject matter of such Proceeding. Neither the Company nor Indemnitee may unreasonably withhold, delay or condition consent to any proposed settlement; *provided, however*, that: (i) the Company may in any event decline to consent to (or to otherwise admit or agree to any liability for indemnification hereunder in respect of) any proposed settlement if the Company is also a party in such Proceeding and determines in good faith that such settlement is not in the best interests of the Company and its stockholders, and (ii) Indemnitee may withhold consent to any settlement that does not provide a complete and unconditional release of Indemnitee requires Indemnitee to take any action other than executing a release of parties providing a release of Indemnitee, or imposes any penalty or other limitation or disqualification on Indemnitee. The Company must notify Indemnitee promptly of the receipt of any settlement offer or if it intends to submit a settlement offer and must provide Indemnitee a reasonable time to consider the offer.

12. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances, Federal or state law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

13. Period of Limitations. No legal action may be brought and no cause of action may be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two (2) years from the date of accrual of such cause of action, and any claim or cause of action of the Company will be extinguished and deemed released unless asserted by the timely filing of a legal action within such two (2)-year period; *provided, however*, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period must govern.

14. Subrogation. In the event of payment under this Agreement and after Indemnitee has no more Expenses in respect of a Proceeding, the Company will be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who must execute all documents required and must do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

15. Non-Exclusivity of Rights. The rights conferred on Indemnitee by this Agreement are not exclusive of any other right which Indemnitee may have or hereafter acquire under any statute, provision of the Certificate or the Bylaws, each as may be amended from time to time, agreement, vote of stockholders or directors, or otherwise.

16. Survival of Rights; Change in Control.

(a) The rights conferred on Indemnitee by this Agreement continue after Indemnitee has ceased to be a director, officer, employee or other agent of the Company or to serve at the request of the Company as a director, officer, trustee, fiduciary, partner, manager, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and will inure to the benefit of Indemnitee's heirs, executors and administrators.

(b) The Company must require and cause any successor thereto (whether direct or indirect) in connection with a Change in Control, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such Change in Control occurred.

17. Contribution.

(a) If the indemnification provided for by this Agreement is unavailable in whole or in part and may not be paid to Indemnitee for any reason other than those set forth in Section 4 hereof, then in respect to any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), to the fullest extent permissible under applicable law, the Company, in lieu of indemnifying and holding harmless Indemnitee, must pay, in the first instance, the entire amount of Expenses incurred by Indemnitee in connection with any Proceeding without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee.

(b) The Company hereby agrees to indemnify and hold harmless fully to the extent permissible under applicable law Indemnitee from any claims for contribution that may be brought by officers, directors or employees of the Company (other than Indemnitee) who may be jointly liable with Indemnitee.

18. Liability Insurance.

(a) For the duration of Indemnitee's service as a director and/or officer of the Company, and thereafter for so long as Indemnitee may be subject to any pending or possible indemnifiable claim, the Company must use best efforts (taking into account the scope and amount of coverage available relative to the cost thereof) to cause to be maintained in effect policies of directors' and officers' liability insurance, errors and omissions insurance and employment practices insurance providing coverages for directors and/or officers of the Company that are at least substantially comparable in scope and amount to that provided by the Company's current policies covering directors and officers. The minimum AM Best rating for the insurance carriers of such insurance must be not less than A-VI.

(b) In the event of a Change in Control, the Company must (i) maintain in force any and all insurance policies then maintained by the Company providing liability insurance in respect of Indemnitee, or (ii) require and cause any successor thereto (whether direct or indirect) to obtain and maintain a directors' and officers' liability insurance policy (and any other liability insurance policies, including errors and omissions and employment practices, to the extent such liability policies were claims-made policies immediately prior to the Change in Control) that provides coverage for Indemnitee that is at least substantially comparable in scope and amount to that provided to Indemnitee by the Company as of immediately prior to the Change in Control, in each case for the six-year period immediately following the Change in Control. This "tail coverage" must be placed by the Company's insurance broker and be placed with a carrier or carriers having an AM Best rating that is not less than A-VI.

(c) In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee is entitled to be paid all Expenses incurred by Indemnitee with respect to that action, regardless of whether Indemnitee is ultimately successful in that action, and is entitled to the advancement of Expenses with respect to that action, unless as a part of that action a court of competent jurisdiction over that action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous.

(d) The Company must make available to Indemnitee a copy of all applications, binders, policies, declarations, endorsements and other related materials in respect of policies required to be obtained or maintained pursuant to this Agreement. The Company must not discontinue or significantly reduce the scope or amount of coverage from one (1) policy period to the next without the prior approval thereof by a majority vote of the incumbent directors of the Company, even if less than a quorum. The Company must provide Indemnitee with at least thirty (30) days' notice of the non-renewal of, cancellation of or failure to pay any premium due in respect of such insurance policies.

19. **Optional Trust.** The Company may, but is not required to, create a trust fund, grant a security interest or use other means, including without limitation a letter of credit, to ensure the payment of such amounts as may be necessary to satisfy its obligations to indemnify and advance Expenses pursuant to this Agreement.

20. **No Imputation.** The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Company or the Company itself must not be imputed to Indemnitee for purposes of determining any rights under this Agreement.

21. **Severability.** The provisions of this Agreement are severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions, including without limitation in the same section, paragraph or sentence, must remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) must be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

22. **Coverage.** This Agreement applies with respect to Indemnitee's service as Senior Vice President and Chief Human Resources Officer of the Company prior to the date of this Agreement.

23. **Governing Law.** This Agreement and the relationship of the parties hereto with respect to the subject matter hereof are governed by and construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

24. **Amendment and Termination.** No amendment, modification, termination or cancellation of this Agreement is effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement may be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor may such waiver constitute a continuing waiver.

25. Identical Counterparts; Facsimile. This Agreement may be executed in one (1) or more counterparts, including counterparts transmitted by facsimile or other electronic communication, each of which shall for all purposes be deemed to be an original but all of which together constitute but one (1) and the same Agreement. Only one (1) such counterpart need be produced to evidence the existence of this Agreement. Facsimile signatures, or signatures delivered by other electronic transmission, are as effective as original signatures.

26. Headings. The headings of the sections of this Agreement are inserted for convenience only and must not be deemed to constitute part of this Agreement or to affect the construction hereof.

27. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the “Company” includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee will stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to “other enterprise” includes employee benefit plans; references to “fines” includes any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to “serving at the request of the Company” includes any service as a director, officer, employee, agent or fiduciary of the Company that imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee must be deemed to have acted in a manner “not opposed to the best interests of the Company” as referred to in this Agreement.

28. Notices. All notices and other communications required or permitted hereunder must be in writing, shall be effective when given, and must in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand or by electronic transmission, (c) one (1) business day after the business day of deposit with overnight courier, freight prepaid, or (d) one (1) day after the business day of delivery by facsimile transmission with answer-back received, if delivered by facsimile transmission, with copy by first class mail, postage prepaid, and must be addressed if to Indemnitee, at Indemnitee’s address as set forth beneath Indemnitee’s signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: secretary) or at such other address as such party may designate by ten (10) days’ advance written notice to the other party hereto.

29. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the Courts of Chancery of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement must be commenced, prosecuted and continued only in that Court, which is the exclusive and only proper forum for adjudicating such a claim

30. **Equitable Relief.** The Company and Indemnitee agree that a monetary remedy for breach of this Agreement may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the Company and Indemnitee agree that Indemnitee may enforce this Agreement by seeking equitable remedies, including injunctive relief and/or specific performance, without any showing of actual damage or irreparable harm and that by seeking equitable remedies, Indemnitee will not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. The Company and Indemnitee further agree that Indemnitee is entitled to such equitable remedies without the necessity of posting bonds or other undertaking in connection therewith. The Company hereby waives any requirement of a bond or other undertaking.

31. **Integration and Entire Agreement.** This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto; *provided, however*, that this Agreement is a supplement to and in furtherance of the Certificate, the Bylaws, the DGCL and any other applicable law, and must not be deemed a substitute therefor, and does not diminish or abrogate any rights of Indemnitee thereunder, and this Agreement does not release the Company from its obligations to the extent such obligations have been incurred under the Prior Indemnification Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

AUTOWEB, INC.

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

INDEMNITEE

/s/ Sara Partin
Signature

Print Name: Sara Partin

Address: AutoWeb, Inc.
18872 MacArthur Blvd.
Suite 200
Irvine, CA 92612

AUTOWEB, INC.
SEVERANCE BENEFITS AGREEMENT

This Severance Benefits Agreement (“**Agreement**”) entered into effective as of October 22, 2018 (“**Effective Date**”) between AutoWeb, Inc., a Delaware corporation (“**AutoWeb**” or “**Company**”), and Sara Partin (“**Employee**”).

Background

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

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

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

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

(b) “Arbitration Agreement” means that certain Mutual Agreement to Arbitrate dated as October 22, 2018 entered into by and between the Company and Employee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) "Employee's Position" means Employee's position as the SVP, Chief Human Resources Officer of the Company.

(j) "Employee's Primary Work Location" means AutoWeb's headquarters located at 18872 MacArthur Blvd, Suite 200, Irvine, CA 92612

(k) "Good Reason" means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee's base salary as in existence as of the Effective Date or as of the date prior to any such change, whichever is more beneficial for Employee at the time of the act, decision, or omission by the Company; (B) materially modifies, reduces, changes, or restricts the Employee's Health and Welfare Benefits as a whole as in existence as of the Effective Date hereof or as of the date prior to any such change, whichever are more beneficial for Employee at the time of the act, decision, or omission by the Company; (C) materially modifies, reduces, changes, or restricts the Employee's authority, duties, or responsibilities commensurate with the Employee's Position but excluding the effects of any reductions in force other than the Employee's own termination; (D) only if employee has relocated to the Irvine, California area, either relocates the employee's place of employment from Executive's Primary Work Location to any other location in excess of a forty (40) mile radius from the Executive's Primary Work Location or requires any such relocation as a condition to continued employment by Company or Successor Company; (E) requires Executive to relocate from Atlanta, GA; (F) constitutes a failure or refusal by any Company Successor to assume this Agreement; or (G) involves or results in any material failure by the Company to comply with any provision of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Employee. Notwithstanding the foregoing, no event shall constitute "Good Reason" unless (i) the Employee first provides written notice to the Company within ninety (90) days of the event(s) alleged to constitute Good Reason, with such notice specifying the grounds that are alleged to constitute Good Reason, and (ii) the Company fails to cure such a material breach to the reasonable satisfaction of the Employee within thirty (30) days after Company's receipt of such written notice.

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

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

(n) "Severance Period" shall equal Six (6) months.

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

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

2. Severance Benefits and Conditions.

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

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

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

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

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

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

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

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

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

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

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

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

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

If to the Company:

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

If to the Employee:

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

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

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

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

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

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

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

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

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

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

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

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

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

[Remainder of page intentionally left blank.]

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

AUTOWEB, INC.

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

EMPLOYEE

/s/ Sara Partin
Sara Partin

EXHIBIT A

SEPARATION AND RELEASE AGREEMENT

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

1. Separation of Employment. You acknowledge that your employment with the Company ended effective [____], 201[___] (“**Employment Termination Date**”), and that You will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date. You have resigned or hereby resign from all officer and director positions You held with the Company or any of its subsidiaries effective as of the Employment Termination Date. This Separation and Release Agreement (“**Release**”) is entered into in connection with that certain Severance Benefits Agreement dated effective as of October 22, 2018 by and between the Company and Employee (“**Severance Benefits Agreement**”).

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

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

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

5. Confidentiality and Non-Solicitation/Interference.

(a) You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in any confidentiality or non-disclosure agreement between You and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of October 22, 2018, which shall remain binding on You after the Employment Termination Date.

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

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

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

7. Unconditional General Release of Claims.

- (a) In consideration for the payment and benefits provided for in Section 2, and notwithstanding the provisions of Section 1542 of the Civil Code of California, You unconditionally release and forever discharge the Company, and the Company's current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, officers, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, officers, employees, agents, and attorneys of any such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (all of the foregoing released persons or entities being referred to herein as "**Releasees**"), from any and all claims, complaints, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature, whether known or unknown, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the date of execution of this Release, including, but not limited to, claims that arise out of or in any way relate to your employment or your separation from employment with the Company.
- (b) You acknowledge and agree that the foregoing unconditional and general release includes, but is not limited to, (i) any claims for salary, bonuses, commissions, equity, compensation (except as specified in this Agreement), wages, penalties, premiums, severance pay, vacation pay or any benefits under the Employee Retirement Income Security Act of 1974, as amended; (ii) any claims of harassment, retaliation or discrimination; (iii) any claims based on any federal, state or governmental constitution, statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans With Disabilities Act, Section 1981 of the Civil Rights Act of 1866, the California Fair Employment and Housing Act, the California Family Rights Act, the Family and Medical Leave Act, the California Constitution, the California Labor Code, the California Industrial Welfare Commission Wage Orders, the California Government Code, the Worker Adjustment and Retraining Notification Act; (iv) whistleblower claims, claims of breach of implied or express contract, breach of promise, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any other employment-related tort, and any claims for costs, fees, or other expenses, including attorneys' fees; and (v) any other aspect of your employment or the termination of your employment.
- (c) For the purpose of implementing a full and complete release, You expressly acknowledge and agree that this Release resolves all claims You may have against the Company and the Releasees as of the date of this Release, including but limited to claims that You did not know or suspect to exist in your favor at the time of the execution of this Release. You expressly waive any and all rights which You may have under the provisions of Section 1542 of the California Civil Code or any similar state or federal statute. Section 1542 provides as follows:
- "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."
- (d) This Release will not waive the Employee's rights to indemnification under the Company's certificate of incorporation or by-laws or, if applicable, any written agreement between the Company and the Employee, or under applicable law.

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

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

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

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

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

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

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

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

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

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

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

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

18. Protected Rights:

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

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

19. Period for Review and Consideration/Revocation Rights.

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

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

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

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

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

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

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

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

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

Dated:

Sara Partin

Dated:

AUTOWEB INC.

By: _____
Glenn E. Fuller
Executive Vice President, Chief Legal and
Administrative Officer and Secretary

CERTIFICATION

I, Jared R. Rowe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoWeb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2018

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

CERTIFICATION

I, Wesley Ozima, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoWeb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2018

/s/ Wesley Ozima
Wesley Ozima
Senior Vice President and
Interim Chief Financial Officer

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

In connection with the Quarterly Report of AutoWeb, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 (the "Report"), we, Jared R. Rowe, President and Chief Executive Officer of the Company, and Wesley Ozima, Senior Vice President and Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Jared R. Rowe
Jared R. Rowe
President and Chief Executive Officer
November 8, 2018

/s/ Wesley Ozima
Wesley Ozima
Senior Vice President and
Interim Chief Financial Officer
November 8, 2018

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