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, 2021

or

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

For the transition period from to

Commission file number 1-34761

AutoWeb, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**33-0711569**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards 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 2, 2021, there were 13,465,871 shares of the Registrant's Common Stock, $0.001 par value, outstanding.

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PART I. FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 9,868	$ 10,803
Restricted cash	4,312	4,304
Accounts receivable, net of allowances for bad debts and customer credits of $374 and $406 at September 30, 2021 and December 31, 2020, respectively	12,796	13,955
Vehicle inventory	189	—
Prepaid expenses and other current assets	1,287	847
Total current assets	28,452	29,909
Property and equipment, net	3,769	2,953
Right-of-use assets	2,232	2,892
Intangible assets, net	3,927	4,733
Other assets	518	642
Total assets	$ 38,898	$ 41,129
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	7,955	7,233
Borrowings under revolving credit facility	10,005	10,185
Current portion of the PPP Loan	—	1,384
Accrued employee-related benefits	2,691	2,123
Other accrued expenses and other current liabilities	845	538
Current portion of lease liabilities	882	1,015
Current portion of financing debt	67	65
Total current liabilities	22,445	22,543
Lease liabilities, net of current portion	1,598	2,191
Financing debt, net of current portion	12	60
Total liabilities	24,055	24,794
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 11,445,187 shares authorized Series A Preferred stock, 2,000,000 shares authorized, none- issued and outstanding at September 30, 2021 and December 31, 2020	—	—
Common stock, $0.001 par value; 55,000,000 shares authorized, and 13,465,871 and 13,169,204 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	13	13
Additional paid-in capital	367,645	366,087
Accumulated deficit	(352,815)	(349,765)
Total stockholders' equity	14,843	16,335
Total liabilities and stockholders' equity	$ 38,898	$ 41,129

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Revenues:				
Lead generation	$ 12,030	$ 14,759	$ 41,444	$ 47,496
Digital advertising	3,525	3,054	10,727	11,822
Used vehicle sales	1,604	—	1,604	—
Total revenues	17,159	17,813	53,775	59,318
Cost of revenues:				
Cost of revenues – lead generation and digital advertising	11,280	11,390	35,530	41,498
Cost of revenues – used vehicles sales	1,446	—	1,446	—
Total cost of revenues	12,726	11,390	36,976	41,498
Gross profit	4,433	6,423	16,799	17,820
Operating expenses:				
Sales and marketing	2,465	1,904	6,768	6,062
Technology support	1,395	1,451	4,034	5,094
General and administrative	3,260	3,110	9,479	9,954
Depreciation and amortization	179	225	579	1,506
Total operating expenses	7,299	6,690	20,860	22,616
Operating loss	(2,866)	(267)	(4,061)	(4,796)
Interest and other (expense) income:				
Interest (expense) income, net	(253)	(233)	(752)	(1,270)
Other income	63	52	1,763	183
Loss before income tax provision	(3,056)	(448)	(3,050)	(5,883)
Income tax provision	—	—	—	—
Net loss	$ (3,056)	$ (448)	$ (3,050)	$ (5,883)
Basic loss per common share	$ (0.23)	$ (0.03)	$ (0.23)	$ (0.45)
Diluted loss per common share	$ (0.23)	$ (0.03)	$ (0.23)	$ (0.45)

See accompanying notes to unaudited condensed consolidated financial statements.

AUTOWEB, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands, except share data)

Three Months Ended September, 2020

	Common Stock		Preferred Stock		Additional		
	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Accumulated Deficit	Total
Balance at June 30, 2020	13,146,831	$ 13	—	$ —	$ 365,056	$ (348,380)	$ 16,689
Share-based compensation	—	—	—	—	497	—	497
Issuance of common stock upon exercise of stock options	22,213	—	—	—	74	—	74
Net loss	—	—	—	—	—	(448)	(448)
Balance at September 30, 2020	13,169,044	$ 13	—	$ —	$ 365,627	$ (348,828)	$ 16,812

Three Months Ended September 30, 2021

	Common Stock		Preferred Stock		Additional		
	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Accumulated Deficit	Total
Balance at June 30, 2021	13,465,871	$ 13	—	$ —	$ 367,187	$ (349,759)	$ 17,441
Share-based compensation	—	—	—	—	458	—	458
Net loss	—	—	—	—	—	(3,056)	(3,056)
Balance at September 30, 2021	13,465,871	$ 13	—	$ —	$ 367,645	$ (352,815)	$ 14,843

See accompanying notes to unaudited condensed consolidated financial statements.

AUTOWEB, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY CONTINUED
(Amounts in thousands, except share data)

	Nine Months Ended September 30, 2020						
	Common Stock		Preferred Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balance at December 31, 2019	13,146,831	$ 13	—	$ —	$ 364,028	$ (342,945)	$ 21,096
Share-based compensation	—	—	—	—	1,525	—	1,525
Issuance of common stock upon exercise of stock options	22,213	—	—	—	74	—	74
Net loss	—	—	—	—	—	(5,883)	(5,883)
Balance at September 30, 2020	13,169,044	$ 13	—	$ —	$ 365,627	$ (348,828)	$ 16,812

	Nine Months Ended September 30, 2021						
	Common Stock		Preferred Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balance at December 31, 2020	13,169,204	$ 13	—	$ —	$ 366,087	$ (349,765)	$ 16,335
Share-based compensation	—	—	—	—	1,382	—	1,382
Issuance of common stock upon exercise of stock options	76,667	—	—	—	176	—	176
Issuance of restricted stock	220,000	—	—	—	—	—	—
Net loss	—	—	—	—	—	(3,050)	(3,050)
Balance at September 30, 2021	13,465,871	$ 13	—	$ —	$ 367,645	$ (352,815)	$ 14,843

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net loss	$ (3,050)	$ (5,883)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,920	2,975
Provision for bad debts	(242)	321
Provision for customer credits	321	75
Forgiveness of PPP loan	(1,384)	—
Share-based compensation	1,382	1,525
Right-of-use assets	660	1,107
Changes in assets and liabilities:		
Accounts receivable	1,080	9,072
Prepaid expenses and other current assets	(440)	120
Vehicle inventory	(189)	—
Other assets	124	(36)
Accounts payable	446	(6,642)
Accrued expenses and other current liabilities	800	(320)
Lease liabilities	(726)	(1,001)
Net cash provided by operating activities	702	1,313
Cash flows from investing activities:		
Purchases of property and equipment	(1,254)	(396)
Purchase of intangible asset	(325)	—
Net cash used in investing activities	(1,579)	(396)
Cash flows from financing activities:		
Borrowings under PNC credit facility	—	28,564
Principal payments on PNC credit facility	—	(32,308)
Borrowings under CNC credit facility	54,561	53,612
Principal payments on CNC credit facility	(54,741)	(43,588)
Borrowings under the PPP Loan	—	1,384
Proceeds from exercise of stock options	176	74
Payments under financing agreement	(46)	(29)
Net cash (used in) provided by financing activities	(50)	7,709
Net increase (decrease) in cash and cash equivalents and restricted cash	(927)	8,626
Cash and cash equivalents and restricted cash, beginning of period	15,107	5,946
Cash and cash equivalents and restricted cash, end of period	$ 14,180	$ 14,572
Reconciliation of cash and cash equivalents and restricted cash		
Cash and cash equivalents at beginning of period	$ 10,803	$ 892
Restricted cash at beginning of period	4,304	5,054
Cash and cash equivalents and restricted cash at beginning of period	$ 15,107	$ 5,946
Cash and cash equivalents at end of period	$ 9,868	$ 11,270
Restricted cash at end of period	4,312	3,302
Cash and cash equivalents and restricted cash at end of period	$ 14,180	$ 14,572
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ —	$ 1
Cash refunds for income taxes	1	814
Cash paid for interest	$ 656	$ 640
Supplemental disclosure of non-cash financing activities		
Right-of-use assets obtained in exchange for operating lease liabilities	$ —	$ 1,535
Purchase of fixed assets or capitalized software on account	$ 276	$ 142
Financing for the purchase of fixed assets	$ —	$ 140
Intangible asset holdback	$ 75	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

1. Organization and Operations

AutoWeb, Inc. ("**AutoWeb**" or the "**Company**") is an automotive industry marketing and used vehicle acquisition and reselling company focused on being a more involved "matchmaker" to better match consumers seeking to acquire vehicles and vehicle sellers that can meet the consumers' needs. We assist consumers in multiple aspects of a vehicle transaction, including providing them with content and information helpful to their next vehicle acquisition. The Company also assists consumers choosing to sell their current vehicle, which provides a complementary product line extension to the Company's existing consumer offerings. The Company primarily generates revenue through automotive retail dealers ("**Dealers**") and automotive manufacturers ("**Manufacturers**") by helping them market and sell new and used vehicles to consumers through the Company's programs for online lead and traffic referrals, dealer marketing products and services, and online advertising. The Company also sells used vehicles that it has acquired from consumers directly to Dealers and indirectly to Dealers through wholesale auctions.

The Company's consumer-facing 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 consumers regarding purchasing or leasing vehicles ("**Leads**"). Leads are internally generated from Company Websites or acquired from third parties that generate Leads from their websites.

The Company's click traffic referral program provides consumers who are shopping for vehicles online with targeted offers based on make, model and geographic location. As these consumers conduct online research on Company Websites or on the site of one of the Company's network of automotive publishers, they are presented with relevant offers on a timely basis and, upon the consumer clicking on the displayed advertisement, are sent to the appropriate website location of one of the Company's Dealer, Manufacturer or advertising customers.

On July 31, 2021, the Company and Tradein Expert, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("**Tradein Expert**"), entered into and consummated an Asset Purchase Agreement ("**Purchase Agreement**"), by and among the Company, Tradein Expert, Car Acquisition, LLC, a Texas limited liability company dba CarZeus ("**Seller**"), Carzuz.com LLC, a Texas limited liability company, McCombs Family Partners, Ltd., a Texas limited partnership and Phil Kandera, an individual, pursuant to which Tradein Expert acquired specified assets of Seller's San Antonio, Texas-based used vehicle acquisition platform that operates under the name CarZeus ("**CarZeus Purchase Transaction**").. Through the Tradein Expert entity (dba CarZeus), the Company purchases used vehicles directly from consumers and resells them through wholesale channels, with the CarZeus operations within AutoWeb beginning on August 1, 2021.

The aggregate consideration for the CarZeus Purchase Transaction was $0.4 million in cash. The Purchase Agreement contains representations, warranties, covenants, and conditions that the Company believes are customary for a transaction of this size and type, as well as indemnification provisions subject to specified conditions, including a six-month holdback of approximately $0.1 million ("**Holdback Amount**") of the purchase price as a source of security for any indemnification obligations. On August 2, 2021, the Company paid approximately $0.3 million of the purchase consideration, and, subject to any indemnification obligations arising, the Holdback Amount is payable to the Seller on January 31, 2022.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are presented on the same basis as the Company's Annual Report on Form 10-K for the year ended December 31, 2020 ("**2020 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 Rule 8-03 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 Company management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The unaudited condensed consolidated statement of operations and cash flows for the period ended September 30, 2021, are not necessarily indicative of the results of operations or cash flows expected for the year or any other period. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the 2020 Form 10-K.

Certain amounts have been reclassified from the prior year presentation to conform to the current year presentation. References to amounts in the consolidated financial statement sections are in thousands, except share and per share data, unless otherwise specified.

As of September 30, 2021, and December 31, 2020, restricted cash primarily consisted of pledged cash pursuant to the CIT Northbridge Credit LLC ("**CNC Credit Agreement**") discussed in Note 9 of these Notes to Unaudited Condensed Consolidated Financial Statements.

3. Recent Accounting Pronouncements

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

4. Revenue Recognition

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

The Company has three main revenue sources – Lead Generation, Digital Advertising and Used Vehicle Sales. Accordingly, the Company recognizes revenue for each source as described below:

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

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

- Used Vehicle Sales – Used vehicles acquired by Tradein Expert are predominately resold at auctions or direct to Dealers, and revenue from the sale of these vehicles is recognized upon transfer of ownership of the vehicle to the Company's wholesale customer.

Variable Consideration

Leads are generally sold with a right-of-return for services that do not meet customer requirements as specified by the relevant contract. Some leads also are subject to pricing adjustments based upon their subsequent conversion into vehicle sales. Rights-of-return and lead conversions are estimable, and provisions for these estimates 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. Allowances for customer credits approximated $304,000 and $64,000 at September 30, 2021 and December 31, 2020, respectively.

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.

Deferred Revenue

The Company defers the recognition of revenue when cash payments are received or due in advance of satisfying the Company's performance obligations, including amounts which are refundable. Such activity is not typical for the Company. The Company had zero deferred revenue included in its consolidated balance sheets as of September 30, 2021, and December 31, 2020. 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.

The Company has not made any significant changes in applying ASC 606 during the nine months ended September 30, 2021.

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 revenue streams.

The following table summarizes revenue from contracts with customers, disaggregated by revenue source, for the three and nine months ended September 30, 2021, and 2020. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities. The table is in line with our reportable segments (see Note 12 – Segment Reporting)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2021	**2020**	**2021**	**2020**
Lead fees	$ 12,030	$ 14,759	$ 41,444	$ 47,496
Advertising				
Clicks	2,976	2,432	8,747	10,102
Display and other advertising	549	622	1,980	1,720
	3,525	3,054	10,727	11,822
Used vehicle sales	1,604	—	1,604	—
Total revenues	$ 17,159	$ 17,813	$ 53,775	$ 59,318

5. Net Loss Per Share and Stockholders' Equity

Basic net loss per share is computed using the weighted average number of common shares outstanding during the three-and-nine-month periods reflected in the following table, excluding any unvested restricted stock. Diluted net 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 and warrants.

The following are the share amounts utilized to compute the basic and diluted net loss per share for the three and nine months ended September 30, 2021, and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Basic Shares:				
Weighted average common shares outstanding	13,465,871	13,153,752	13,394,101	13,149,155
Weighted average unvested restricted stock	(220,000)	(12,898)	(172,509)	(13,187)
Basic Shares	13,245,871	13,140,854	13,221,592	13,135,968
Diluted Shares:				
Basic shares	13,245,871	13,140,854	13,221,592	13,135,968
Weighted average dilutive securities	—	—	—	—
Diluted Shares	13,245,871	13,140,854	13,221,592	13,135,968

For the three and nine months ended September 30, 2021, and 2020, the Company's basic and diluted net loss per share and weighted-average number of shares are the same because 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, 2021, 4.6 million and 4.6 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, 2020, 3.9 million and 3.9 million of potentially anti-dilutive securities related to common stock have been excluded from the calculation of diluted net earnings per share, respectively.

6. Share-Based Compensation

Share-based compensation expense is included in the following operating expense categories in the accompanying Unaudited Condensed Consolidated Statements of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Share-based compensation expense:				
Sales and marketing	39	29	102	90
Technology support	7	15	26	70
General and administrative	412	453	1,254	1,365
Share-based compensation costs	458	497	1,382	1,525
Total share-based compensation costs	$ 458	$ 497	$ 1,382	$ 1,525

There was no share-based compensation that was capitalized related to the development of internal use software.

Stock Options. The Company granted the following stock options for the three and nine months ended September 30, 2021 and 2020, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Number of stock options granted	112,000	—	932,000	515,000
Weighted average grant date fair value	$ 2.04	$ —	$ 1.85	$ 1.05
Weighted average exercise price	$ 2.88	$ —	$ 2.64	$ 1.90

These options are valued using a Black-Scholes option pricing model. Options issued to employees 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 under certain conditions, including upon a change in control of the Company and, in the case of certain officers of the Company, termination of employment by the Company without cause and voluntary termination of employment by such officer with good reason. Options issued to non-employee directors generally vest monthly over a 12-month period and vesting may be accelerated under certain conditions, including upon a change in control of the Company and upon the termination of service as a director of the Company in the event such termination of service is due to resignation, failure to be re-elected, failure to be nominated for re-election, or without removal for cause.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Dividend yield		—		—
Volatility	95%	—%	95%	70%
Risk-free interest rate	0.7%	—%	0.8%	1.1%
Expected life (years)	4.8	—	4.8	4.6

Stock option exercises. The following stock options were exercised during the three and nine months ended September 30, 2021 and 2020, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Number of stock options exercised	—	22,213	76,667	22,213
Weighted average exercise price	$ —	$ 3.35	$ 2.30	$ 3.35

A summary of the Company's outstanding stock options as of September 30, 2021, and changes during the six months then ended is presented below:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term *(years)*	Aggregate Intrinsic Value *(thousands)*
Outstanding at December 31, 2020	3,758,670	$ 4.26	4.7	$ 270
Granted	932,000	2.64		
Exercised	(76,667)	2.30		55
Forfeited or expired	(119,507)	8.80		
Outstanding at September 30, 2021	4,494,496	3.84	4.6	580
Vested and expected to vest at September 30, 2021	4,336,216	3.88	4.5	552
Exercisable at September 30, 2021	2,762,680	4.50	3.8	270

Restricted Stock Awards. The Company granted an aggregate of 220,000 restricted stock awards ("**RSAs**") in the first quarter of 2021 to certain executive officers of the Company. The RSAs are service-based, and the forfeiture restrictions lapse with respect to one-third of the restricted stock on each of the first, second and third anniversaries of the date of the award. Lapsing of the forfeiture restrictions may be accelerated in the event of a change in control of the Company and will accelerate upon the death or disability of the holder of the RSAs.

7. Selected Balance Sheet Accounts

Property and Equipment. Property and equipment consist of the following:

	September 30, 2021	December 31, 2020
Computer software and hardware	$ 5,008	$ 4,940
Capitalized internal use software	8,296	7,391
Furniture and equipment	1,105	935
Leasehold improvements	883	884
Capital projects-in-progress	1,190	805
	16,482	14,955
Less—Accumulated depreciation and amortization	(12,713)	(12,002)
Property and Equipment, net	$ 3,769	$ 2,953

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 high credit quality financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits.

Accounts receivable are primarily derived from fees billed to Dealers and Manufacturers as well as used vehicle sales. 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. Approximately 59%, or $7.5 million, of gross accounts receivable at September 30, 2021, and approximately 39% of total revenues for the nine months ended September 30, 2021, are related to Urban Science Applications, Carat Detroit (General Motors) and Autodata Solutions. For 2020, approximately 64%, or $9.3 million, of gross accounts receivable at September 30, 2020, and approximately 46% of total revenues for the nine months ended September 30, 2020, are related to Urban Science Applications, Carat Detroit (General Motors), Ford Direct and Autodata Solutions.

On May 24, 2021, the Company received written notice from Direct Dealer LLC dba FordDirect ("**FordDirect**") that FordDirect decided to suspend its third-party new vehicle lead marketing program for the near future and notified the Company that FordDirect was terminating its new vehicle leads program with the Company effective September 30, 2021. On June 11, 2021, the Company and FordDirect agreed to amend the Lead Agreement dated December 1, 2020, between the Company and FordDirect to provide for an early termination of the new vehicle leads program, with the early termination being effective June 30, 2021, in exchange for a lump sum payment of approximately $0.5 million from FordDirect to the Company.

Intangible Assets. The Company amortizes 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:

		September 30, 2021			December 31, 2020		
Definite-lived Intangible Asset	**Estimated Useful Life (years)**	**Gross**	**Accumulated Amortization**	**Net**	**Gross**	**Accumulated Amortization**	**Net**
Trademarks/ trade names/ licenses/ domains	3 - 7	$ 16,589	$ (16,350)	$ 239	$ 16,589	$ (15,961)	$ 628
Developed technology	5 - 7	8,955	(7,867)	1,088	8,955	(7,050)	1,905
		$ 25,544	$ (24,217)	$ 1,327	$ 25,544	$ (23,011)	$ 2,533

Indefinite-lived Intangible Asset	Estimated Useful Life	September 30, 2021 Gross	Accumulated Amortization	Net	December 31, 2020 Gross	Accumulated Amortization	Net
Domain	Indefinite	$ 2,600	$ —	$ 2,600	$ 2,200	$ —	$ 2,200

Amortization expense is included in "Cost of revenues" and "Depreciation and amortization" in the Unaudited Condensed Consolidated Statements of Operations. Total amortization expense was $0.4 million and $1.2 million for the three and nine months ended September 30, 2021, respectively. Amortization expense was $0.4 million and $2.0 million for the three and nine months ended September 30, 2020, respectively.

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

Year	Amortization Expense
2021 (remaining 3 months)	$ 294
2022	902
2023	86
2024	45
	$ 1,327

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

	September 30, 2021	December 31, 2020
Accrued employee-related benefits	$ 2,691	$ 2,123
Other accrued expenses and other current liabilities:		
Taxes and other amounts due to governmental authorities	416	143
Amounts due to customers	49	94
Other current liabilities	380	301
Total other accrued expenses and other current liabilities	845	538
Total accrued expenses and other current liabilities	$ 3,536	$ 2,661

8. Leases

The Company determines if an arrangement is a lease at inception. Right-of-use ("**ROU**") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date of the lease based on the present value of lease payments over the lease term. The Company has lease arrangements for certain equipment and facilities that typically have original terms not exceeding five years and, in some cases, contain automatic renewal provisions that provide for multiple year renewal terms unless either party, prior to the then-expiring term, notifies the other party of the intention not to renew the lease. The Company's lease terms may also include options to terminate the lease when it is reasonably certain that the Company will exercise such options. When readily determinable, the Company uses the implicit rate in determining the present value of lease payments. The ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Lease Liabilities. Lease liabilities as of September 30, 2021, consist of the following:

Current portion of lease liabilities	$	882
Long-term lease liabilities, net of current portion		1,598
Total lease liabilities	$	2,480

The Company's aggregate lease maturities as of September 30, 2021, are as follows:

Year		
2021 (remaining 3 months)	$	301
2022		881
2023		797
2024		528
2025		197
Total minimum lease payments		2,704
Less imputed interest		(224)
Total lease liabilities	$	2,480

Rent expense included in operating expenses and cost of revenue was $0.3 million and $0.9 million for the three and nine months ended September 30, 2021. The Company had a weighted average remaining lease term of 3.0 years and a weighted average discount rate of 6.25% for leases prior to July 2021. For leases on or after August 2021 the weighted average discount rate was 7.25%. Rent expense included in operating expenses and cost of revenue was $0.4 million and $1.3 million for the three and nine months ended September 30, 2020. The Company had a weighted average remaining lease term of 2.9 years and a weighted average discount rate of 6.25% as of September 30, 2020.

9. Debt

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

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

On March 26, 2020, the Company repaid in full the borrowings under the PNC Credit Agreement, at which time the PNC Credit Agreement was terminated, and in conjunction with the termination of the PNC Credit Agreement, on March 26, 2020, the Company entered into a $20.0 million Loan, Security and Guarantee Agreement ("**CNC Credit Agreement**") with CIT Northbridge Credit LLC, as agent (the "**Agent**"), and the Company's U.S. subsidiaries. The CNC Credit Agreement provides for a $20.0 million revolving credit facility with borrowings subject to availability based primarily on limits of 85% of eligible billed accounts receivable and 75% against eligible unbilled accounts receivable. The obligations under the CNC Credit Agreement are guaranteed by the Company's U.S. subsidiaries and secured by a first priority lien on all of the Company's and the Company's U.S. subsidiaries' tangible and intangible assets.

As of September 30, 2021, the Company had $10.0 million outstanding under the CNC Credit Agreement and approximately $0.8 million of net availability. To increase the borrowing base sufficient enough to meet the minimum borrowing usage requirement, the Company, on June 29, 2020, placed $3.0 million into a restricted cash account that provided for greater availability under the CNC Credit Agreement. The Company placed an additional $1.0 million into the same restricted cash account in December 2020. The Company can borrow up to 97.5% of the total restricted cash amount. The restricted cash accrues interest at a variable rate currently averaging 0.25% per annum.

Financing costs related to the CNC Credit Agreement, net of accumulated amortization, of approximately $0.3 million, have been deferred over the initial term of the loan and are included in other assets as of September 30, 2021. The interest rate per annum applicable to borrowings under the CNC Credit Agreement is the LIBO Rate (as defined in the CNC Credit Agreement) plus 5.5%. The LIBO Rate is equal to the greater of (i) 1.75%, and (ii) the rate determined by the Agent to be equal to the quotient obtained by dividing (1) the LIBO Base Rate (i.e., the rate per annum determined by Agent to be the offered rate that appears on the applicable Bloomberg page) for the applicable LIBOR Loan for the applicable interest period by (2) one minus the Eurodollar Reserve Percentage (i.e., the reserve percentage in effect under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement with respect to Eurocurrency funding for the applicable LIBOR Loan for the applicable interest period). If adequate and reasonable means do not exist for ascertaining or the LIBOR rate is no longer available, the Company and the Agent may amend the CNC Credit Agreement to replace LIBOR with an alternate benchmark rate. If no LIBOR successor rate is determined, the obligation of the lenders to make or maintain LIBOR loans will be suspended and the LIBO Base Rate component will no longer be utilized in determining the base rate.

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

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

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

On July 30, 2021, the Company and the Agent entered into a Second Amendment to and Consent Under Loan, Security and Guarantee Agreement ("**Credit Facility Second Amendment**"). The Credit Facility Second Amendment provides for: (i) the Agent's and lenders' consent to the CarZeus Purchase Transaction; (ii) the inclusion of the Tradein Expert as a guarantor, obligor, and pledgor under the Credit Facility Agreement upon the satisfaction of certain conditions; and (iii) a new permitted use of borrowings under the Credit Facility Agreement that will allow Tradein Expert to acquire used vehicle inventories, which this new use of borrowings is limited in the amount of: (a) $1.5 million prior to Tradein Expert becoming a guarantor, obligor, and pledgor under the Credit Facility Agreement; and (b) $3.0 million subsequent to Tradein Expert becoming a guarantor and obligor under the Credit Facility Agreement, which occurred upon the Company and Agent entering into a Joinder Under Loan, Security and Guarantee Agreement and Pledge Agreement Supplement dated as of August 12, 2021.

On September 13, 2021, the Company entered into a Third Amendment to Loan, Security and Guarantee Agreement ("**Credit Facility Third Amendment**") with CNC to amend the CNC Credit Agreement to provide for, among other changes, a change in the available borrowing base calculation for the acquisition of used motor vehicle inventory by the Tradein Expert from up to (A) the lesser of (i) $3,000,000.00 and (ii) 85% of the value of eligible accounts receivable arising from the sale of used motor vehicles by Tradein Expert to (B) the lesser of (i) $3,000,000 and (ii) eighty percent (80%) of the purchase price (subject to certain limitations set forth in the Credit Facility Third Amendment) for eligible vehicles (as defined in the Credit Facility Third Amendment) in Tradein Expert's used motor vehicle inventory. The Credit Facility Third Amendment also reduces the minimum borrowing usage requirement from fifty percent (50%) to forty percent (40%) of the aggregate revolver amount, which is a minimum borrowing usage requirement reduction from $10,000,000 to $8,000,000.

On April 16, 2020, the Company received a Paycheck Protection Program loan ("**PPP Loan**") in the amount of approximately $1.38 million from PNC pursuant to the PPP administered by the United States Small Business Administration ("**SBA**") under the CARES Act. In connection with the receipt of the PPP Loan, on May 18, 2020, the Company and the Agent entered into the First Amendment to Loan, Security and Guarantee Agreement to accommodate the Company's receipt of the PPP Loan.

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

On June 10, 2020, the Company entered into a thirty-six-month equipment financing agreement ("**Financing Agreement**") with Dimension Funding LLC. The Financing Agreement provides for an advance payment of approximately $170,000 to be used to secure furniture and fixtures for the Company's new office location in Irvine, California. Payments of approximately $5,300 (inclusive of imputed interest) are made monthly under the Financing Agreement. As of September 30, 2021, the Company has paid approximately $93,000. The Financing Agreement will mature on December 31, 2022.

The Company's future commitments under the financing agreement as of September 30, 2021, are as follows:

Year		
2021 (remaining 3 months)	$	12
2022		67
Total Financing Debt	$	79

10. Commitments and Contingencies

Employment Agreements

The Company has employment agreements and severance benefits 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 operations. Such litigation, even if not meritorious, could result in substantial costs and diversion of resources and management attention, and an adverse outcome in litigation could materially adversely affect its business, results of operations, financial condition, and cash flows. The Company assesses the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. The Company records a loss contingency when an unfavorable outcome is probable, and the amount of the loss can be reasonably estimated. The amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter. Gain contingencies are not recorded until all elements necessary to realize the revenue are present. Any legal fees incurred in connection with a contingency are expensed as incurred. As of the date of this Quarterly Report on Form 10-Q, the Company is not involved in any litigation.

11. Income Taxes

On an interim basis, the Company estimates what its anticipated annual effective tax rate will be and records a quarterly income tax provision in accordance with the estimated annual rate, adjusted accordingly by the tax effect of certain discrete items that arise during the quarter. As the year progresses, the Company refines its estimated annual effective tax rate based on actual year-to-date results. 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. Therefore, these changes along with the adjustments to the Company’s deferred taxes and related valuation allowance may create fluctuations in the overall effective tax rate from period to period.

Due to overall cumulative losses incurred in recent years, the Company maintained a valuation allowance against its deferred tax assets as of September 30, 2021, and December 31, 2020. The Company’s effective tax rate for the nine months ended September 30, 2021, differed from the U.S. federal statutory rate primarily due to operating losses that receive no tax benefit as a result of a valuation allowance recorded against the Company's existing tax assets. The total amount of unrecognized tax benefits, excluding associated interest and penalties, was $0.2 million as of September 30, 2021, all of which, if subsequently recognized, would have affected the Company’s tax rate.

As of September 30, 2021, and December 31, 2020, there were no accrued interest and penalties related to uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense, and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company’s unaudited condensed consolidated balance sheets. There were no material interest or penalties included in income tax expense for the nine months ended September 30, 2021, and 2020.

The Company is subject to taxation in the U.S. and in various foreign and state jurisdictions. Due to expired statutes of limitation, the Company’s federal income tax returns for years prior to calendar year 2017 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state jurisdictions where the Company does business, periods prior to calendar year 2016 are no longer subject to examination. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

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

Taxpayers may generally deduct interest up to the sum of 50% of adjusted taxable income plus business interest income (30% limit under the TCJA) for tax years beginning January 1, 2019, and 2020. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the TCJA. The enactment of the CARES Act did not result in any material adjustments to the Company’s income tax provision for the nine months ended September 30, 2021, or to its net deferred tax assets as of September 30, 2021.

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

12. Segment Reporting

As a result of the CarZeus Purchase Transaction on July 31, 2021, the Company has determined that it now operates in two reportable segments: Automotive digital marketing and used vehicle acquisition and resale through the Company's Tradein Expert subsidiary. The automotive digital marketing segment consists of all aspects related to automotive digital marketing, whereas the used vehicle acquisition and resale segment consists solely of the used vehicle acquisition and wholesale reselling business. Revenues generated by the automotive digital marketing segment primarily represent lead generation and digital advertising, while revenues generated by the used vehicle acquisition and resale segment primarily represent used car vehicle sales as described in Note 1 to these Notes to Unaudited Condensed Consolidated Financial Statements.

The performance of the segments is reviewed by the chief operating decision maker at the operating income (loss) level. The following tables provide segment reporting of the Company for the three and nine months ended September 30, 2021, and 2020, respectively:

Three Months Ended September 30, 2021

(In thousands)	**Automotive digital marketing**	**Used vehicle acquisition & resale**	**Total**
Revenues	$ 15,555	$ 1,604	$ 17,159
Cost of sales	11,280	1,446	12,726
Gross profit	4,275	158	4,433
Operating loss	(2,655)	(211)	(2,866)
Total assets	37,629	1,269	38,898

Nine Months Ended September 30, 2021

(In thousands)	**Automotive digital marketing**	**Used vehicle acquisition & resale**	**Total**
Revenues	$ 52,171	$ 1,604	$ 53,775
Cost of sales	35,530	1,446	36,976
Gross profit	16,641	158	16,799
Operating loss	(3,850)	(211)	(4,061)
Total assets	37,629	1,269	38,898

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," "believes," "could," "estimates," "expects," "intends," "may," "plans," "projects," "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, Part II, Item 1A of this Quarterly Report on Form 10-Q, and under the heading "Risk Factors" in our 2020 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.

The following discussion of our results of operations and financial condition should be read in conjunction with our unaudited condensed consolidated 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 2020 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 or Presentation*, of the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America, 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 Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2020 Form 10-K. There have been no changes to our critical accounting policies since we filed our 2020 Form 10-K.

Overview

Total revenues in the first nine months of 2021 were $53.8 million compared to $59.3 million in the first nine months of 2020. The decline in total revenues was primarily related to the impact of the coronavirus pandemic on vehicle parts production and sales and overall demand from our customers for our leads and clicks products. As a part of our strategic decisions and as we have adapted to the market conditions within the automotive industry, we shifted focus to our core Leads, clicks and email products and services and away from non-core products and services, such as third-party party product offerings. This shift further negatively impacted total revenues. Generally lower retail Leads sales levels resulting from attrition in our retail dealer network that occurred in part of 2020 was an additional factor that contributed to lower total revenues during the nine months ended September 30, 2021. Offsetting some of the revenue declines was the addition of the used vehicle sales component of our revenue mix, which was added with the CarZeus Purchase Transaction effective as of August 1, 2021.

As a result of the continued impact of the coronavirus pandemic disrupting the supply chain for new vehicle inventory and sales, we have continued to intentionally operate at lower levels of media spend to match projected industry selling rates. Dealers and consumers alike are still contending with broader macroeconomic uncertainty, and with this in mind, our objective is to provide the right mix of high-quality Leads and click traffic to our customers by staying aligned with automotive supply and demand dynamics.

Finally, the disruption from the January 2020 malware attack on the Company's systems also negatively impacted total revenues in 2020. In March 2021, we received an approximate $0.3 million insurance reimbursement related to the January 2020 malware attack, which is partially included in other income during the nine months ended September 30, 2021.

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

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

To maximize our growth potential as a more involved matchmaker, we believe that we must continue to optimize our platform and products to facilitate more comprehensive matches between vehicle shoppers and vehicle sellers who can meet these shoppers' needs. These investments began with improvements to shop.car.com and continued through the third quarter of 2021, spanning similar improvements to our additional properties, as well as our strategic relationship with CreditIQ and the CarZeus Purchase Transaction. We have also made progress with layering additional retail-ready components into our platform. At the beginning of June, we announced our new strategic relationship with CreditIQ, an automotive retailing-focused software and service company that enables dealers to provide seamless digital retail experiences to consumers. This relationship allows shoppers using our search funnel to calculate car payments on a vehicle of interest, which streamlines the car buying process for both buyers and sellers. Features like these not only enhance our platform's user experience, but also enable us to create more tailored profiles of the buyers using our sites to understand what kind of shopping experience they're seeking.

We plan to expand both this base and the offerings of our platform even further as a result of the CarZeus Purchase Transaction, which we believe positions us to participate more meaningfully in the used vehicle acquisition and sales market by providing us the opportunity to purchase used vehicles directly from consumers and resell them primarily through wholesale auctions, forming a complementary product line extension to our existing consumer offerings. We believe this acquisition will also allow us to increase our total addressable market by expanding our presence in the used vehicle market, while giving us the opportunity to enhance the offerings and usefulness of our underutilized sites and monetize our traffic more effectively. We plan to use our traffic acquisition capabilities and operational efficiency to drive growth, improve financial performance and build scalable operating processes to enhance performance within the San Antonio, Texas market. With this foundation in place, we plan to prepare the business for broader geographic coverage in the long-term.

Although we are not able to provide any specific guidance regarding our full year 2021 future business, results of operations, financial condition, earnings per share, cash flow or the trading price of our stock (individually and collectively referred to as the Company's "**financial performance**") with detail or accuracy, many industry analysts have forecast modest improvement in the new vehicle unit sales seasonally adjusted annual rate from 14.5 million units in 2020 to a range of 15.0-15.5 million units in 2021, or 3-7% growth. Industry reports indicate that during the first half of 2021, franchise dealer unit volume grew 29%, but inventory shortages have reduced growth to the lower end of the range, and new vehicle sales have dropped below 2020 levels in the 3rd quarter of 2021. New vehicle sales levels are expected to continue to be challenged until inventory supplies normalize. We are not able at this time to provide any specific guidance related to the impact on our full year 2021 financial performance as a result of the CarZeus Purchase Transaction.

We anticipate that our remaining 2021 financial performance may be adversely impacted when compared to 2020 by (i) the continuing impact of the coronavirus pandemic on vehicle sales and on demand for our products and services; (ii) increased competitive pressure on cost of audience acquisition that may limit how much volume we will be able to profitably source and distribute to our customers; (iii) the costs and revenue impact associated with our efforts to optimize our clicks product; (iv) the decision to shift our focus to our core leads, clicks and email products and services and away from non-core product and services provided by other partners; and (v) the increased competition for and price of used vehicles that we would target for acquisition and resale.

In early 2020 and continuing as of the date of this Quarterly Report on Form 10-Q, the outbreak of coronavirus has led to quarantines and stay-at-home/work-from-home orders in a number of countries, states, cities and regions and the closure or limited access to public and private offices, businesses and facilities, worldwide, causing widespread disruptions to travel, economic activity and financial markets. The continuing effect of the coronavirus pandemic has led our Manufacturer and Dealer customers to experience disruptions in the (i) supply of vehicle and parts inventories, (ii) ability and willingness of consumers to visit automotive dealerships to purchase or lease vehicles, and (iii) overall health, safety and availability of their labor force. Manufacturers have also shut down assembly plants, adversely impacting inventories of new vehicles. Volatility in the financial markets, concerns about exposure to the virus, governmental quarantines, stay-at-home/work-from-home orders, business closures and employment furloughs and layoffs have also impacted consumer confidence and willingness to visit dealerships and to purchase or lease vehicles. High unemployment rates and lower consumer confidence may continue even after stay-at-home/work-from-home orders and business closures have ended. These disruptions have impacted the willingness or desire of our customers to acquire vehicle Leads or other digital marketing services from us. We are also experiencing direct disruptions in our operations due to the overall health and safety of, and concerns for, our labor force and as a result of governmental "social distancing" programs, quarantines, travel restrictions and stay-at-home/work-from-home orders, leading to office closures, operating from employee homes and restrictions on our employees traveling to our various offices.

In addition to the continued impact of the coronavirus pandemic on supply chains and vehicle inventories and sales, Manufacturers have also experienced significant disruption in the supply of semiconductor chips required for new vehicles due to a worldwide shortage of these chips. As a result, the ability of Manufacturers to maintain regular production output of certain vehicles, and the corresponding reduction in available new vehicle inventories, have adversely impacted vehicle sales. Further disrupting the automotive industry and the number of vehicles available for sale or lease are disruptions in the supply of other components used in vehicle manufacturing, such as seat foam and rubber, which is a key material used in tires as well as other components of new vehicles.

We are unable to predict the continuing extent, duration and impact of the supply chain disruptions on the automotive industry in general, and on our business and operations specifically. The spread of coronavirus variants and governmental responses thereto may prolong or increase the negative impacts of the pandemic. Vehicle sales have declined, and we continue to experience cancellations or suspensions of purchases of Leads and other digital marketing services by our customers, which could materially and adversely affect our financial performance. In light of the continuing impact of the pandemic and supply chain disruptions, we have continued taking steps to reduce our overall lead and click generation efforts and corresponding costs to better align our volumes with industry demand and consumer intent and ability to purchase or lease vehicles. We will continue to evaluate these and other cost reduction measures, and explore all options available to us, in order to minimize the impact of these events on us.

Results of Operations

Three Months Ended September 30, 2021 Compared to the Three Months Ended June 30, 2021

The following table sets forth certain statement of operations data for the three-month periods ended September 30, 2021, and June 30, 2021 (certain balances and calculations have been rounded for presentation). In accordance with Regulation S-K Item 303(c), as amended, we are providing a comparison of our September 30, 2021, period against the preceding quarter. We believe providing a sequential results-of-operations is more useful for investors and stakeholders, as it provides more clarity into our current year financial performance. For additional information related to the three months ended June 30, 2021, please refer to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, filed with the Securities and Exchange Commission on August 5, 2021.

	September 30, 2021	% of Total Revenues	June 30, 2021	% of Total Revenues	Change	% Change
	(Dollar amounts in thousands)					
Revenues:						
Lead generation	$ 12,030	70%	$ 15,225	81%	$ (3,195)	21%
Digital advertising	3,525	21	3,511	19	14	—
Used vehicle sales	1,604	9	—	—	1,604	100
Total revenues	17,159	100	18,736	100	(1,577)	(8)
Cost of revenues:						
Cost of revenues – lead generation and digital advertising	11,280	66	12,179	65	(899)	(7)
Cost of revenues – used vehicles	1,446	8	—	—	1,446	100
Total cost of revenues	12,726	74	12,179	65	547	4
Gross profit	4,433	26	6,557	35	(2,124)	(32)
Operating expenses:						
Sales and marketing	2,465	14	2,103	11	362	17
Technology support	1,395	8	1,271	7	124	10
General and administrative	3,260	19	3,089	17	171	6
Depreciation and amortization	179	1	196	1	(17)	(9)
Total operating expenses	7,299	42	6,659	36	640	10
Operating loss	(2,866)	(16)	(102)	(1)	(2,764)	2,710
Interest and other income (expense), net	(190)	(1)	(202)	(1)	11	38
Loss before income tax provision	(3,056)	(17)	(304)	(2)	(2,753)	906
Income tax provision	—	—	—	—	—	—
Net loss	$ (3,056)	(17)%	$ (304)	(2)%	$ (2,753)	906%

Lead generation. Lead generation revenues decreased $3.2 million, or 21%, in the third quarter of 2021 compared to the second quarter of 2021, primarily as a result of a decrease in the volume of automotive leads delivered to manufacturers and wholesale customers. Further contributing to this decrease was a one-time lump sum payment for the early termination of the new vehicle leads program by one of our manufacturing customers which approximated $0.5 million in the second quarter of 2021.

Digital advertising. Advertising revenues did not materially change when compared to the second quarter of 2021.

Used vehicle sales. Used vehicle sales was $1.6 million in the third quarter of 2021, as a result of the commencement of operations for our used vehicle acquisition and reselling business subsequent to the CarZeus Purchase Transaction on July 31, 2021. The third quarter of 2021 was the initial quarter with used vehicle sales for us.

Cost of Revenues – lead generation and digital advertising. Cost of revenues consists of purchase request and traffic acquisition costs and other cost of revenues. Purchase request and traffic acquisition costs consist of payments made to our third-party purchase request providers, including internet portals and online automotive information providers. Other cost of revenues consists of SEM and fees paid to third parties for data and content, including search engine optimization activity, included on our websites; connectivity costs; development costs related to our websites; technology license fees; server equipment depreciation; and technology amortization directly related to the Company Websites. Cost of revenues decreased $0.9 million, or 7%, in the third quarter of 2021 compared to the second quarter of 2021 primarily due to decreased SEM, purchase request and traffic acquisition costs and a decrease in click publisher costs.

Cost of revenues – used vehicles. Used vehicle cost of revenues was $1.4 million in the third quarter of 2021, as a result of the CarZeus Purchase Transaction on July 31, 2021.

Gross profit. Gross profit decreased $2.1 million, or 32%, in the third quarter of 2021 compared to the second quarter of 2021. This was a direct result of a reduction in sequential lead traffic and lead volume. Further contributing to this decrease was a one-time lump sum payment for the early termination of the new vehicle leads program by one of our manufacturing customers which approximated $0.5 million in the second quarter of 2021.

Sales and Marketing. Sales and marketing expense include costs for developing our brand equity, personnel costs, and other costs associated with Dealer sales, website advertising, Dealer support, and bad debt expense. Sales and marketing expense in the third quarter of 2021 increased $0.4 million, or 17%, compared to the second quarter of 2021 due primarily to an increase in headcount related to the CarZeus Purchase Transaction coupled with an increase in marketing expenses.

Technology Support. Technology support expense includes compensation, benefits, software licenses and other direct costs incurred by us to enhance, manage, maintain, support, monitor and operate our websites and related technologies, and to operate our internal technology infrastructure. Technology support expense in the third quarter of 2021 increased by $0.1 million, or 10%, compared to the second quarter of 2021 due primarily to an increase in consulting related expenses.

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 2021 increased by $0.2 million, or 6%, from the second quarter of 2021 due primarily to an increase in certain discretionary compensation.

Depreciation and Amortization. Depreciation and amortization expense in the third quarter of 2021 did not materially change when compared to the second quarter of 2021.

Interest and Other Income (Expense), Net. Interest and other income (expense) in the third quarter of 2021 did not materially change when compared to the second quarter of 2021.

Income Taxes. Income tax expense was zero in the third quarter of 2021 as well as the second quarter of 2021. Our income tax rate for the second quarter of 2021 differed from the federal statutory rate primarily due to operating losses that receive no tax benefit as a result of valuation allowance recorded for such losses.

Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

The following table sets forth certain statement of operations data for the nine-month periods ended September 30, 2021, and 2020 (certain balances and calculations have been rounded for presentation):

	2021	% of Total Revenues	2020	% of Total Revenues	Change	% Change
			(Dollar amounts in thousands)			
Revenues:						
Lead generation	$ 41,444	77%	$ 47,496	80	$ (6,052)	(13)%
Digital advertising	10,727	20	11,822	20	(1,095)	(9)
Used vehicle sales	1,604	3	—	—	1,604	100
Total revenues	53,775	100	59,318	100	(5,543)	(9)
Cost of revenues:						
Cost of revenues – lead generation and digital advertising	35,530	66	41,498	70	(5,968)	(14)
Cost of revenues – used vehicles	1,446	3	—	—	1,446	100
Total cost of revenues	36,976	69	41,498	70	(4,522)	(11)
Gross profit	16,799	31	17,820	30	(1,021)	(6)
Operating expenses:						
Sales and marketing	6,768	13	6,062	10	706	12
Technology support	4,034	8	5,094	9	(1,060)	(21)
General and administrative	9,479	18	9,954	17	(475)	(5)
Depreciation and amortization	579	1	1,506	3	(927)	(62)
Total operating expenses	20,860	40	22,616	39	(1,756)	(8)
Operating loss	(4,061)	(9)	(4,796)	(9)	735	(15)
Interest and other income (expense), net	1,011	2	(1,087)	(2)	2,098	822
Loss before income tax provision	(3,050)	(7)	(5,883)	(11)	2,833	(48)
Income tax provision	—	—	—	—	—	—
Net loss	$ (3,050)	(7)%	$ (5,883)	(11)%	$ 2,833	(48)%

Lead generation. Lead generation revenues decreased $6.1 million, or 13%, in the first nine months of 2021 compared to the first nine months of 2020 primarily as a result of the impact of the coronavirus pandemic on vehicle sales. This decrease is partially offset by the one-time lump sum payment for the early termination of the new vehicle leads program by one of our manufacturing customers which approximated $0.5 million.

Digital advertising. Advertising revenues decreased $1.1 million, or 9%, in the first nine months of 2021 compared to the first nine months of 2020 primarily a result of a decrease in click revenue associated with decreased click volume. The decrease in click volume is attributed to the impact of the coronavirus pandemic and our internal decision to reduce overall click generation efforts to better align with industry demand.

Used vehicle sales. Used vehicle sales was $1.6 million in the third quarter of 2021, as a result of the commencement of operations for our used vehicle acquisition and reselling business subsequent to the CarZeus Purchase Transaction on July 31, 2021. The third quarter of 2021 was the initial quarter with used vehicle sales for us.

Cost of Revenues – lead generation and digital advertising. Cost of revenues decreased $6.0 million, or 14%, in the first nine months of 2021 compared to the first nine months of 2020 primarily due to decreased SEM, purchase requests, click traffic acquisition costs and other costs of revenues.

Cost of revenues – used vehicles. Used vehicle cost of revenues was $1.4 million in the first nine months of 2021, as a result of the CarZeus Purchase Transaction on July 31, 2021.

Gross profit. Gross profit decreased $1.0 million, or 6%, for the first nine months of 2021 compared to the first nine months of 2020. This was a direct result of the impact of the coronavirus pandemic on vehicle sales. Offsetting this decrease was a one-time lump sum payment for the early termination of the new vehicle leads program by one of our manufacturing customers which approximated $0.5 million.

Sales and Marketing. Sales and marketing expense in the first nine months of 2021 increased $0.7 million, or 12%, compared to the first nine months of 2020 due primarily to an increase in headcount related to the CarZeus Purchase Transaction coupled with an increase in marketing expenses.

Technology Support. Technology support expense in the first nine months of 2021 decreased by $1.1 million, or 21%, compared to the first nine months of 2020 due primarily to a reduction in consulting related expenses.

General and Administrative. General and administrative expense in the first nine months of 2021 decreased approximately $0.5 million, or 5%, from the first nine months of 2020 due primarily to reductions in recruitment, travel-related expenses, rent, severance and consulting-related expenses

Depreciation and Amortization. Depreciation and amortization expense in the first nine months of 2021 decreased $0.9 million or 62%, compared to the first nine months of 2020. The decrease in depreciation and amortization expense was due primarily to assets that have been fully depreciated or removed from service.

Interest and Other Income, Net. Interest and other income (expense) was $1.0 million of income for the first nine months of 2021 compared to $1.1 million of expense in the first nine months of 2020. In the first quarter of 2021, we recorded $1.4 million of income associated with the forgiveness of our Paycheck Protection Program loan. Further contributing to the increase in interest and other income (expense) was an insurance reimbursement related to the January 2020 malware attack in which we recorded $0.2 million on our Unaudited Condensed Consolidated Statement of Operations. Interest expense decreased to $0.8 million in the first nine months of 2021 from $1.3 million in the first nine months of 2020, due to the prior year write-off of our deferred financing fees associated with the revolving line of credit under the PNC Credit Facility. Interest expense includes interest on outstanding borrowings and the amortization of debt issuance costs.

Income Taxes. Income tax expense was zero for the first nine months of 2021 and 2020, respectively. Our income tax rate for the first nine months of 2021 differed from the federal statutory rate primarily due to operating losses that receive no tax benefit as a result of valuation allowance recorded for such losses.

Liquidity and Capital Resources

The table below sets forth a summary of our cash flows for the nine months ended September 30, 2021, and 2020:

	Nine Months Ended September 30,	
	2021	**2020**
	(in thousands)	
Net cash provided by operating activities	$ 702	$ 1,313
Net cash used in investing activities	(1,579)	(396)
Net cash (used in) provided by financing activities	(50)	7,709

Our principal sources of liquidity are our cash and cash equivalent balances and borrowings under the CNC Credit Agreement. Our cash and cash equivalents and restricted cash totaled $14.2 million as of September 30, 2021, compared to $15.1 million as of December 31, 2020. As of September 30, 2021, we had a net loss of approximately $3.1 million. The net loss is primarily attributable to operating expenses of $20.9 million during the nine months ended September 30, 2021, exceeding our gross profit of $16.8 million. We had cash provided by operations of $0.7 million for the nine months ended September 30, 2021. As of September 30, 2021, we had an accumulated deficit of $352.8 million and stockholders' equity of $14.8 million. For information concerning our CNC Credit Agreement, ***see*** Note 9 in the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

Our objective is to achieve cash generation as a business; however, there is no assurance that we will be able to achieve this objective. The CNC Credit Agreement is expected to be used to continue to partially fund operations in addition to enabling the purchase of vehicle inventory that is ultimately resold by CarZeus.

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

Our future capital requirements will depend on many factors, including but not limited to, those discussed in this Item 2, Part II, Item 1A of this Quarterly Report on Form 10-Q and the risk factors set forth in Part I, Item 1A, "Risk Factors" of our 2020 Form 10-K. To the extent that our existing sources of liquidity are insufficient to fund our future operations, we may need to engage in equity or additional or alternative debt financings to secure additional funds. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us.

Net Cash Provided by Operating Activities. Net cash provided by operating activities in the nine months ended September 30, 2021, of $0.7 million resulted primarily from depreciation and amortization of $1.9 million, stock compensation expense of $1.4 million, a $1.1 million net decrease in net working capital and other non-cash charges of $0.8 million. Offsetting this was a net loss of $3.1 million, the forgiveness of the Paycheck Protection Program loan of $1.4 million

Net cash provided by operating activities in the nine months ended September 30, 2020, of $1.3 million resulted primarily from depreciation and amortization of $3.0 million, a $2.2 million net decrease in net working capital, stock compensation expense of $1.5 million and other non-cash charges of $0.5 million. Partially offsetting this was a net loss of $5.9 million.

Net Cash used in Investing Activities. Net cash used in investing activities was approximately $1.6 million in the nine months ended September 30, 2021, which primarily related to expenditures of capitalized internal use software of $1.3 million coupled with a $0.3 million purchase of certain assets of CarZeus as detailed in the CarZeus Purchase Transaction on July 31, 2021.

Net cash used in investing activities was approximately $0.4 million in the nine months ended September 30, 2020, 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 $0.1 million in the nine months ended September 30, 2021, primarily related to $0.2 million of net borrowings on the credit facility offset by $0.1 million proceeds from the exercise of stock options.

Net cash provided by financing activities of $7.7 million in the nine months ended September 30, 2020, primarily related to net borrowings of $10.0 million on our credit facility, a $1.4 million Paycheck Protection Program loan coupled with $0.1 million proceeds from the exercise of stock options, offset by a $3.7 million repayment on the PNC credit facility.

Off-Balance Sheet Arrangements

At September 30, 2021, 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***

Not applicable.

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

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Security Exchange Act of 1934, as amended, the "**Exchange Act**") as of September 30, 2021, the end of the period covered by this Quarterly Report on Form 10-Q (the "**Evaluation Date**"). They have concluded that, as of the Evaluation Date, these disclosure controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities and would be disclosed on a timely basis. The Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the rules and forms of the SEC. They have also concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act are accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2021, 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 are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

For information about the significant risks that could affect the Company's financial condition, results of operations, liquidity, and cash flows, see the section of the 2020 Form 10-K entitled “Risk Factors,” as supplemented below, and the section of this quarterly report entitled “Forward-Looking Statements”.

Risks Associated with our Business Operations and Industry

We may be unable to increase Lead revenues and could continue to suffer declining revenues due to Dealer attrition or loss of Manufacturer customers.

We predominately derive our Lead revenues from sales to Dealers and Manufacturers participating in our Lead programs. Our Lead generation revenues decreased $6.1 million, or 13%, in the first nine months of 2021 compared to the first nine months of 2020. Our ability to increase revenues from sales of Leads is dependent on a mix of interrelated factors that include attracting and retaining Dealers and Manufacturers and increasing the number of high-quality Leads we sell to Dealers and Manufacturers. We are also focused on higher revenue Dealers that are more cost-effective to support. Our Lead sales strategy is intended to result in more profitable relationships with our Dealers both in terms of cost to supply Leads and to support the Dealers. Dealer churn and termination of Manufacturer Lead programs impacts our revenues, and if our sales strategy does not mitigate the loss in revenues by maintaining the overall number of Leads sold by increasing sales to other Dealers or Manufacturers while maintaining the overall margins we receive from the Leads sold, our revenues will decrease. We cannot provide any assurances that we will be able to increase Lead generation revenues, prevent Dealer attrition or program terminations by Manufacturers or offset the revenues lost due to Dealer attrition or program terminations by Manufacturers by other means, and our failure to do so could materially and adversely affect our financial performance.

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

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

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

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

A reduction in the availability or access to used vehicle inventory could adversely affect our business by increasing the costs of vehicles purchased and reducing the volume of units purchased for resale.

Tradein Expert acquires used vehicles primarily from individual consumers. There can be no assurance that sufficient inventory of used vehicles will continue to be available to Tradein Expert. or will be available at prices acceptable to Tradein Expert. Tradein Expert might have to absorb a portion of any cost increases in inventory without being able to pass those increases to vehicle purchasers. Any reduction in the availability of used vehicle inventory or increases in the cost of vehicles could adversely affect Tradein Expert’s financial performance. Tradein Expert could have negative gross profit in situations where the cost of inventory is greater than the resale price of that inventory to vehicle purchases.

The retail used vehicle industry is fragmented and highly competitive, which could result in increased costs to acquire vehicles, lower sales prices due to competitive pressure.

Tradein Expert competes principally with (i) the used vehicle retail operations of franchised automobile dealerships, (ii) independent used vehicle dealers, some of which have significantly greater financial resources, and (iii) individuals who sell used vehicles in private transactions. Increased competition in the used vehicle market, including new entrants to the market, could result in increased costs for used vehicles and lower-than-expected vehicle sales and margins. Further, if Tradein Expert’s competitors seek to gain or retain market share by increasing the prices they pay for used vehicles or reducing prices for used vehicles they sell, Tradein Expert may have to respond by increasing the prices it pays for vehicles or reducing the sales prices of used vehicles it sells to its customers in order to remain competitive, which may result in a decrease in Tradein Expert’s sales and ability to achieve profitability.

Risks Associated with Regulatory Laws

Automotive Dealer/ Broker and Vehicle Advertising Laws.

All states comprehensively regulate vehicle sales and lease transactions, including strict licensure requirements for automotive dealers (and, in some states, brokers) and vehicle advertising. We do not sell motor vehicles in any state, except for Tradein Expert, our used vehicle buying and selling service that is licensed as a motor vehicle dealer in the State of Texas. State regulatory authorities or third parties could take the position that some of the regulations applicable to dealers or to the manner in which motor vehicles are advertised and sold generally are directly applicable to our digital marketing and consumer referrals business. We believe that most of these laws and regulations specifically address only traditional vehicle purchase and lease transactions, not internet-based digital marketing and consumer referral programs such as our programs. If we determine that the licensing or other regulatory requirements in a given state are applicable to our digital marketing and consumer referrals business or to a particular marketing services program, we may elect to obtain required licenses and comply with applicable regulatory requirements. However, if licensing or other regulatory requirements are overly burdensome, we may elect to terminate operations or particular marketing services programs in that state, elect to not operate or introduce particular marketing services programs in that state or modify the service to comply with applicable law without being subjected to licensing requirements. In some states we have modified our marketing programs or pricing models to reduce uncertainty regarding our compliance with local laws.

With regard to our vehicle acquisition and resale business, we are subject to the motor vehicle dealer licensing and other related laws and regulations in the State of Texas, as well as changes in these laws and regulations and the manner in which they are interpreted or applied. The violation of any of these laws or regulations could result in administrative, civil or criminal penalties or in a cease-and-desist order against our vehicle acquisition and resale business operations, any of which could damage our reputation and have a material adverse effect on our financial performance.

Item 6. Exhibits

Number	Description
2.1‡	Asset Purchase Agreement dated as of July 31, 2021, by and among Company, Tradein Expert, Inc., Car Acquisition, LLC, Carzuz.com LLC, McCombs Family Partners, Ltd., and Phil Kandera, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on August 2, 2021 (SEC File No. 001-34761).
3.1	Seventh Amended and Restated Certificate of Incorporation of AutoWeb, Inc. (filed with the Secretary of the State of Delaware on June 22, 2020), incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on June 23, 2020 (SEC File No. 001-34761).
3.2	Seventh Amended and Restated Bylaws of AutoWeb, Inc. dated as of October 9, 2017, incorporated by reference to Exhibit 3.5 to the Current Report on Form 8-K filed with the SEC on October 10, 2017 (SEC File No. 001-34761).
4.1	Tax Benefit Preservation Plan dated as of May 26, 2010, by and between Company and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; and Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239); Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 16, 2014 (SEC File No. 001-34761); Amendment No. 2 to Tax Benefit Preservation Plan dated as of April 13, 2017, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 14, 2017 (SEC File No. 001-34761); Amendment No. 3 to Tax Benefit Preservation Plan dated as of March 31, 2020, between Company and Computershare Trust Company, N.A., as rights agent, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 2, 2020 (SEC File No. 001-34761); Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan, incorporated by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2012 filed with the SEC on November 8, 2012 (SEC File No. 001-34761).
10.1	Second Amendment to and Consent Under Loan, Security and Guarantee Agreement dated as of July 30, 2021, by and among CIT Northbridge Credit LLC, as Agent, the Lenders Party thereto, AutoWeb, Inc., as Borrower, and Car.com, Inc., Autobytel, Inc., and AW GUA USA, Inc., as Guarantors, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on August 2, 2021 (SEC File No. 001-34761).
10.2*	Joinder Under Loan, Security and Guarantee Agreement and Pledge Agreement Supplement dated as of August 12, 2021, by and among CIT Northbridge Credit LLC, as Agent, the Lenders Party thereto, AutoWeb, Inc., as Borrower, and Tradein Expert, Inc., Car.com, Inc., Autobytel, Inc., and AW GUA USA, Inc., as Guarantors.
10.3	Third Amendment to and Consent Under Loan, Security and Guarantee Agreement dated as of September 13, 2021, by and among CIT Northbridge Credit LLC, as Agent, the Lenders Party thereto, AutoWeb, Inc., as Borrower, and Tradein Expert, Inc., Car.com, Inc., Autobytel, Inc., and AW GUA USA, Inc., as Guarantors, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 15, 2021 (SEC File No. 001-34761).
31.1*	Chief Executive Officer Section 302 Certification of Periodic Report dated November 4, 2021.
31.2*	Chief Financial Officer Section 302 Certification of Periodic Report dated November 4, 2021.
32.1*	Chief Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated November 4, 2021.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document and include in Exhibit 101)
*	Filed or Furnished herewith.
‡	Certain attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K because the information contained therein is not material and is not otherwise publicly disclosed. AutoWeb will furnish supplementally copies of such attachments to the SEC or its staff upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AutoWeb, Inc.

Date: November 4, 2021	By:	/s/ Michael Sadowski Michael Sadowski *Executive Vice President, Chief Financial Officer* *(Principal Financial Officer)*
Date: November 4, 2021	By:	/s/ Cheray Duran Cheray Duran *Vice President, Corporate Controller* *(Principal Accounting Officer)*

Exhibit 10.2

JOINDER UNDER LOAN, SECURITY AND GUARANTEE AGREEMENT AND PLEDGE AGREEMENT SUPPLEMENT

This **JOINDER UNDER LOAN, SECURITY AND GUARANTEE AGREEMENT AND PLEDGE AGREEMENT SUPPLEMENT** (this "Agreement"), dated as of August 12, 2021 (the "Agreement Date"), is entered into by and among **AUTOWEB, INC.**, a Delaware corporation (the "Borrower"), **TRADEIN EXPERT, INC.,** a Delaware corporation ("Tradein Expert"), **THE OTHER OBLIGORS PARTY HERETO**, **THE LENDERS PARTY HERETO**, and **CIT NORTHBRIDGE CREDIT LLC**, a Delaware limited liability company, as agent for the Lenders (in such capacity, together with its successors and assigns, "Agent").

WHEREAS, the Borrower, the other Obligors party thereto, the financial institutions from time to time party thereto as lenders (collectively, the "Lenders") and the Agent are parties to that certain Loan, Security and Guarantee Agreement dated as of March 26, 2020 (as amended by that certain First Amendment to Loan, Security and Guarantee Agreement dated as of May 18, 2020 and that certain Second Amendment to and Consent Under Loan, Security and Guarantee Agreement dated as of July 30, 2021 (the "Second Amendment"), and as the same may be further amended, restated, supplemented, or otherwise modified from time to time, the "Loan Agreement");

WHEREAS, the Borrower, the other Obligors party thereto, and Agent are parties to that certain Pledge Agreement dated as of March 26, 2020 (as amended, restated, supplemented, or otherwise modified from time to time, the "Pledge Agreement");

WHEREAS, pursuant to the Second Amendment, the Borrower is required to add Tradein Expert as a "Guarantor" and "Obligor" under the Loan Agreement;

WHEREAS, pursuant to the Pledge Agreement, the Borrower is required to pledge to the Agent the Equity Interests issued by Tradein Expert to Borrower; and

WHEREAS, the Agent and Lenders have agreed to such joinder subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. **Defined Terms**. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Loan Agreement (as amended hereby).

Section 2. **Joinder to Loan Agreement and other Loan Documents**. Each party hereto hereby acknowledges and agrees that, effective as of the Agreement Date, Tradein Expert shall be deemed to be, and shall be, a "Guarantor" and an "Obligor," for all purposes under the Loan Agreement and the other Loan Documents, as applicable, and shall have all of the rights and obligations of a Guarantor and an Obligor thereunder as if it had originally executed and delivered such documents. Tradein Expert hereby ratifies, as of the Agreement Date, and agrees to be bound by, all of the covenants, terms, provisions, and conditions contained in all documents to which it is a party by virtue of its status as a Guarantor and an Obligor, as applicable, including, without limitation, (a) the guaranty set forth in Section 15 of the Loan Agreement and (b) the grant of a security interest in and to, and Lien upon, the Tradein Collateral (as hereinafter defined) to the Agent, for the benefit of Secured Parties, as set forth in Section 7 of the Loan Agreement. Tradein Expert confirms that by execution of this Agreement, on and as of the Agreement Date, it is jointly and severally liable with the other Guarantors for all Guaranteed Obligations.

Section 3. **<u>Grant of Security Interest</u>**. In furtherance of the foregoing, to secure the prompt payment and performance of the Guaranteed Obligations, Tradein Expert hereby grants to Agent, for the benefit of Secured Parties, a continuing security interest in and Lien upon all Property of Tradein Expert, including all of the following Property, whether now owned or hereafter acquired, and wherever located (the "<u>Tradein Collateral</u>"):

(i) all Accounts;

(ii) all Chattel Paper, including electronic chattel paper;

(iii) all Commercial Tort Claims, including those shown on **Schedule 9.1.16** of this Agreement;

(iv) all Deposit Accounts;

(v) all Documents;

(vi) all General Intangibles, including Intellectual Property;

(vii) all Goods, Inventory, Equipment, and fixtures, including motor vehicles and certificates of title related to Inventory and motor vehicles;

(viii) all Instruments;

(ix) all Investment Property;

(x) all Letter-of-Credit Rights;

(xi) all Supporting Obligations;

(xii) all monies, whether or not in the possession or under the control of Agent, a Lender, or a bailee or Affiliate of Agent or a Lender, including any Cash Collateral;

(xiii) all accessions to, substitutions for, and all replacements, products, and cash and non-cash proceeds of the foregoing, including proceeds of and unearned premiums with respect to insurance policies, and claims against any Person for loss, damage or destruction of any Collateral; and

(xiv) all books and records (including customer lists, blueprints, technical specifications, manuals, files, correspondence, tapes, computer programs, print-outs, computer records, disks and other electronic storage media and related data processing software and similar items that at any time evidence or contain information relating to the Collateral or are otherwise necessary or helpful in the collection or realization thereupon) pertaining to the foregoing.

Notwithstanding the foregoing or anything else contained in any Loan Document, the Tradein Collateral shall not include any Excluded Property.

Section 4. **<u>Schedules to Loan Agreement</u>. Schedule 8.5** (*Deposit Accounts*), **Schedule 8.6.1** (*Business Locations*), **Schedule 9.1.4** (*Names and Capital Structure*), **Schedule 9.1.5** (*Owned or Leased Real Estate*), and **Schedule 9.1.11** (*Patents, Trademarks, Copyrights and Licenses*) attached hereto hereby update the corresponding Disclosure Schedules to the Loan Agreement, as applicable, with respect to Tradein Expert.

Section 5. Pledge Agreement Supplement.

(a) Borrower and the other parties hereto hereby acknowledge and agree that, effective as of the date hereof, the Equity Interests issued by Tradein Expert to Borrower shall be deemed to be, and shall be, "Pledged Shares" and "Pledged Collateral" for all purposes under the Pledge Agreement. Not in limitation of the foregoing, to secure the Obligations, Borrower hereby grants to Agent for the benefit of the Secured Parties a security interest in and lien on Borrower's Equity Interests in Tradein Expert and all proceeds thereof.

(b) Effective as of the date hereof, Tradein Expert, as issuer of Pledged Shares and Pledged Collateral, hereby acknowledges receipt of the Pledge Agreement and consents to the terms of the Pledge Agreement.

(c) Attached hereto as Exhibit A is a supplement to Schedule 2(a) to the Pledge Agreement (the "Pledge Agreement Supplement"), with updates to reflect the pledge set forth in this Section 5, which shall constitute a "Pledge Supplement" for the purposes of Section 2(b) of the Pledge Agreement. Each of Borrower and Tradein Expert hereby represents and warrants that the Pledge Agreement Supplements accurately and completely set forth as of the date hereof all additional information required pursuant to the Pledge Agreement and agrees that the Pledge Agreement Supplements shall constitute a part of the Schedules to the Pledge Agreement.

Section 6. Conditions to Effectiveness. This Agreement shall be effective as of the Agreement Date upon the satisfaction of each of the following conditions, and in case of any documentation to be delivered to the Agent, such documentation shall be in form and substance reasonably satisfactory to the Agent:

(a) This Agreement shall have been duly executed and delivered by the Borrower, Tradein Expert, the other Obligors, the Agent and the Required Lenders.

(b) The representations and warranties of Tradein Expert set forth in Section 7 of this Agreement shall be true and correct in all material respects on and as of the Agreement Date; provided, that (i) to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all material respects as of such earlier date, (ii) any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects on the date of such credit extension or on such earlier date, as the case may be, and (iii) for purposes of this Agreement, any reference to "Closing Date" in any such representation and warranty shall instead be deemed to reference the Agreement Date.

(c) No Default or Event of Default shall exist or would result from the execution of this Agreement or the transactions contemplated hereby.

(d) Subject to Section 9 below, all of the other conditions included in the definition of "Tradein Obligor Date" set forth in the Loan Agreement shall have been satisfied in a manner, and subject to documentation, reasonably satisfactory to Agent.

(e) The Borrower shall have paid to Agent the reasonable and documented costs and expenses of Agent incurred by it in connection with the transactions contemplated hereby.

Section 7. **Representations and Warranties**. Tradein Expert hereby represents and warrants, on and as of the Agreement Date, that:

(a) Each representation and warranty by or in respect of Tradein Expert as a "Guarantor" and an "Obligor" under the Loan Agreement and the other Loan Documents is true and correct in all material respects (provided, that if any representation or warranty is by its terms qualified by concepts of materiality, such representation shall be true and correct in all material respects), on and as of the Agreement Date, except to the extent that any such representation and warranty specifically refers to an earlier date, in which case it shall be true and correct as of such earlier date; provided, that for purposes of this Agreement, any reference to "Closing Date" in any such representation and warranty shall instead be deemed to reference the Agreement Date.

(b) No Default or Event of Default exists or will result from the execution of this Agreement.

(c) Tradein Expert is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Tradein Expert is duly qualified, authorized to do business and in good standing as a foreign corporation in each jurisdiction where failure to be so qualified would reasonably be expected to have a Material Adverse Effect.

(d) Tradein Expert has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and the other Loan Documents to which it is joining pursuant hereto. The execution, delivery and performance of this Agreement and the other Loan Documents to which Tradein Expert is joining pursuant hereto (i) are within Tradein Expert's corporate powers, (ii) have been duly authorized by all necessary corporate action, and (iii) do not (A) require any consent or approval of any holders of Equity Interests of Tradein Expert, except those already obtained, (B) contravene the Organic Documents of Tradein Expert, (C) violate or cause a default under any Applicable Law or Material Contract except where the violation or default would not reasonably be expected to result in a Material Adverse Effect, or (D) result in or require imposition of a Lien (other than Permitted Liens) on Tradein Expert's Property.

(e) This Agreement has been duly executed and delivered by Tradein Expert.

(f) This Agreement and the other Loan Documents to which Tradein Expert is joining pursuant hereto constitutes a legal, valid and binding obligation of Tradein Expert, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

Section 8. **Additional Tradein Expert Agreements**.

(a) Tradein Expert acknowledges that Agent will, and hereby authorizes Agent to, prepare and file, at Tradein Expert's expense, such financing statements or amendments thereof or supplements thereto or other instruments as Agent may from time to time deem reasonably necessary or appropriate to perfect and maintain the security interests granted under the Loan Agreement, the other Loan Documents, and hereunder.

(b) The address of Tradein Expert for purposes of all notices and other communications is the address designated for the Borrower in Section 14.3 of the Loan Agreement or such other address as Tradein Expert may from time to time notify Administrative Agent in writing in accordance with Section 14.3 of the Loan Agreement.

(c) Tradein Expert acknowledges and confirms that it has received copies of the Loan Agreement and the other Loan Documents, in each case, together with any and all schedules and exhibits thereto, to which Tradein Expert is a party by virtue of its status as a Guarantor and an Obligor, as applicable.

Section 9. Post-Closing Covenant.

(a) Within sixty (60) days after the Agreement Date (or such longer period as approved by the Agent), Borrower shall deliver to Agent endorsements for the insurance policies carried by Tradein Expert in compliance with the requirements of Section 8.6.2 of the Loan Agreement (or otherwise in form and substance satisfactory to Agent).

(b) The failure of Borrower to comply with paragraph (a) above shall constitute an immediate Event of Default under the Loan Agreement.

Section 10. Effect on Loan Documents.

(a) On and after the Agreement Date, each reference in any Loan Document, and in any other document or instrument incidental thereto, to the Loan Agreement shall mean and be a reference to the Loan Agreement as amended by this Agreement, and each reference in the Loan Agreement to “this Agreement”, “herein”, “hereinafter”, “hereto”, “hereof”, and words of similar import shall mean, from and after the Agreement Date, the Loan Agreement as amended by this Agreement.

(b) Except as expressly amended hereby, the provisions of the Loan Documents are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of any Lender or any Agent under any of the Loan Documents, nor constitute a waiver of any provision of the Loan Documents or in any way limit, impair or otherwise affect the rights and remedies of the Agent or the Lenders under the Loan Documents.

(d) Each party hereto acknowledges and agrees that, on and after the Agreement Date, this Agreement shall constitute a Loan Document for all purposes under the Amended Loan Documents.

Section 11. Non-Reliance on Agent. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, without reliance upon the Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own credit decisions in taking or not taking action under or based upon this Agreement, the Loan Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

Section 12. Reaffirmation; Other Agreements. Subject to any limitations on its obligations expressly stated in the Loan Documents to which it is a party, each Obligor (a) acknowledges and agrees, as of the Agreement Date, that all of its obligations under the Loan Documents to which it is a party are reaffirmed and remain in full force and effect on a continuous basis and (b) reaffirms each Lien granted by such Obligor pursuant to the Loan Documents, all of which obligations and Liens remain in full force and effect after giving effect to this Agreement. Further, each Obligor acknowledges and agrees that the amendments set forth herein do not constitute any course of dealing between the Agent, the Lenders, and such Obligor. Nothing contained in this Agreement shall be construed as substitution or novation of the obligations outstanding under the Loan Agreement or the other Loan Documents.

Section 13. No Actions, Claims, Etc.. As of the date hereof, each of the Obligors hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Agent, the Lenders, or the Agent’s or the Lenders’ respective officers, employees, representatives, agents, advisors, consultants, counsel or directors arising from any action by such Persons, or failure of such Persons to act on or prior to the date hereof.

Section 14. Release of Claims. In consideration of the Lenders' and the Agent's agreements contained in this Agreement, each Obligor hereby irrevocably releases and forever discharges the Lenders and the Agent and their respective affiliates, subsidiaries, successors, assigns, directors, officers, employees, representatives, agents, advisors, consultants and counsel (each, a "Released Person") of and from any and all claims, suits, actions, investigations, proceedings, demands or damages, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, common law or otherwise of any kind or character, known or unknown, which such Obligor ever had or now has against the Agent, any Lender or any other Released Person which relates, directly or indirectly, to any acts or omissions of Agent, any Lender or any other Released Person on or prior to the date hereof.

Section 15. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 16. Miscellaneous.

(a) This Agreement is binding and enforceable as of the date hereof against each party hereto and its successors and permitted assigns.

(b) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed signature page counterpart hereof by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart hereof. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures, the electronic association of signatures and records on electronic platforms, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, any other similar state laws based on the Uniform Electronic Transactions Act or the Uniform Commercial Code, each as amended, and the parties hereto hereby waive any objection to the contrary, provided that (x) nothing herein shall require the Agent to accept electronic signature counterparts in any form or format and (y) Agent reserves the right to require, at any time and at its sole discretion, the delivery of manually executed counterpart signature pages to this Agreement and the parties hereto agree to promptly deliver such manually executed counterpart signature pages.

(c) If any provision of this Agreement is held to be illegal, invalid or unenforceable, (i) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby and (ii) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(d) Borrowers shall pay all out of pocket costs and expenses of Agent incurred in connection with this Agreement including, without limitation, reasonable attorneys' fees and expenses.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

BORROWER:

AUTOWEB, INC.

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

TRADEIN EXPERT:

TRADEIN EXPERT, INC.

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

OTHER GUARANTORS:

AUTOBYTEL, INC.

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

AW GUA USA, INC.

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

CAR.COM, INC.

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

AGENT AND LENDERS:

CIT NORTHBRIDGE CREDIT LLC,
as Agent
By: /s/ Jacqueline Iervese
Name: Jacqueline Iervese
Title: Authorized Signatory

CIT NORTHBRIDGE FUNDING I LLC,
as a Lender

By: /s/ Jacqueline Iervese
Name: Jacqueline Iervese
Title: Authorized Signatory

Exhibit A

Schedule 2(a)

PLEDGED STOCK

Pledgor	Loan Party/Subsidiary	Pledged Equity Shares	Certificate No.	% of Interest Pledged
AUTOWEB, INC.	CAR.COM, INC.	1,000 Shares of Common Stock	N/A	100%
AUTOWEB, INC.	AUTOBYTEL, INC.	1,000 Shares of Common Stock	N/A	100%
AUTOWEB, INC.	AW GUA USA, INC.	1,000 Shares of Common Stock	N/A	100%
AUTOWEB, INC.	TRADEIN EXPERT, INC.	1,000 Shares of Common Stock	N/A	100%
AUTOWEB, INC.	AW GUA, SOCIEDAD DE RESPONSABILIDAD LIMITADA	Membership Interests	N/A	65%

Schedule 8.5

Deposit Accounts

Entity	G/L #	G/L Description	Bank Name	Bank Account #	Purpose
Tradein Expert, Inc.	10702	PNC Bank - Tradein Expert Deposits Account	PNC Bank	##########	Depository account for customers
Tradein Expert, Inc.	10701	PNC Bank - Tradein Expert Operating Account	PNC Bank	##########	Funds general operations

Schedule 8.6.1
Business Locations

BUSINESS LOCATIONS

- 4335 Vance Jackson Road, Suite 104, San Antonio, TX 78230

Schedule 9.1.4

Names and Capital Structure

NAMES AND CAPITAL STRUCTURE

1. The corporate names, jurisdictions of incorporation, and authorized and issued Equity Interests of Obligor are as follows:

Name	Jurisdiction	Number and Class of Authorized Shares	Number and Class of Issued Shares
Tradein Expert, Inc.	Common Stock	1,000	0

2. The record holders of Equity Interests of Obligor are as follows:

Name	Class of Stock	Number of Shares	Record Owner
Tradein Expert, Inc.	Common Stock	1,000	AutoWeb, Inc.

3. All agreements binding on holders of Equity Interests of Obligor with respect to such interests are as follows:

None

4. In the five years preceding the Closing Date, Obligor has not acquired any substantial assets from any other Person nor been the surviving entity in a merger or combination, except:

On July 31, 2021, AutoWeb, Inc., a Delaware company ("**Company**"), and Tradein Expert, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("**Purchaser**"), entered into and consummated an Asset Purchase Agreement ("**Purchase Agreement**"), by and among the Company, Purchaser, Car Acquisition, LLC, a Texas limited liability company dba CarZeus ("**Seller**"), Carzuz.com LLC, a Texas limited liability company, McCombs Family Partners, Ltd., a Texas limited partnership and Phil Kandera, an individual, pursuant to which Purchaser acquired specified assets of Seller's San Antonio, Texas-based used vehicle acquisition platform that operates under the name CarZeus ("**CarZeus Purchase Transaction**"). The aggregate consideration of the CarZeus Purchase Transaction was $0.4 million in cash.

Schedule 9.1.5

Owned or Leased Property

OWNED OR LEASED REAL ESTATE

PROPERTY LOCATION	**LANDLORD**	**LEASE AGREEMENT DESCRIPTION**
4335 Vance Jackson Road, Suite 104, San Antonio, Texas 78230	Hooten Non Exempt Family Trust B	Vance Jackson Service Center Lease Agreement dated August 1, 2021, between Hooten Non Exempt Family Trust B and the Company.

Obligor has no owned Real Estate.

Schedule 9.1.11

Intellectual Property

INTELLECTUAL PROPERTY

1. Obligor's patents:

   None

2. Obligor's trademarks:

   None

3. Obligor's copyrights:

   None

4. Obligor's licenses (other than routine business licenses, authorizing them to transact business in local jurisdictions):

   None

5. Obligor's domain names:

   Registrar: Name Cheap

   carzeus.com
   carzooz.net
   carzues.com
   carzues.net
   carzuss.com
   carzuss.net
   carzuus.com
   carzuus.net
   carzuuz.com
   carzuuz.net
   carzuz.com

6. Obligor's trade names:

   CarZeus

Exhibit 31.1

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

I, Jared R. Rowe, certify that:

1. I have reviewed this 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 4, 2021

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

Exhibit 31.2

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

I, Michael Sadowski, 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 4, 2021

By: /s/ Michael Sadowski
Michael Sadowski
Executive Vice President, Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of AutoWeb, Inc. (the "*Company*") on Form 10-Q for the period ended September 30, 2021 (the "*Report*"), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 4, 2021

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

Date: November 4, 2021

By: /s/ Michael Sadowski
Michael Sadowski
Executive Vice President, Chief Financial Officer

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