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

Form 10-Q

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2015
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

Autobytel 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)**
18872 MacArthur Boulevard, Suite 200, Irvine, California	**92612**
(Address of principal executive offices)	**(Zip Code)**

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]	Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

As of November 2, 2015, there were 10,499,719 shares of the Registrant's Common Stock, $0.001 par value, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	September 30, 2015	December 31, 2014*
Assets		
Current assets:		
Cash and cash equivalents	$ 18,798	$ 20,747
Accounts receivable, net of allowances for bad debts and customer credits of $1,087 and $770 at September 30, 2015 and December 31, 2014, respectively	27,723	18,311
Deferred tax asset	3,616	5,498
Prepaid expenses and other current assets	2,217	811
Total current assets	52,354	45,367
Property and equipment, net	3,099	1,904
Investments	4,060	3,880
Intangible assets, net	12,996	4,173
Goodwill	32,096	20,948
Long-term deferred tax asset	23,615	27,396
Other assets	1,002	1,081
Total assets	$ 129,222	$ 104,749
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 9,564	$ 7,685
Accrued expenses and other current liabilities	9,934	9,495
Convertible note payable	—	5,000
Current portion of term loan payable	5,250	2,250
Total current liabilities	24,748	24,430
Convertible note payable	1,000	1,000
Long-term portion of term loan payable	14,063	4,500
Borrowings under revolving credit facility	8,000	5,250
Other non-current liabilities	25	311
Total liabilities	47,836	35,491
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $0.001 par value; 11,445,187 shares authorized; none outstanding	—	—
Common stock, $0.001 par value; 55,000,000 shares authorized and 10,499,719 and 8,880,377 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	10	9
Additional paid-in capital	317,057	308,190
Accumulated deficit	(235,681)	(238,941)
Total stockholders' equity	81,386	69,258
Total liabilities and stockholders' equity	$ 129,222	$ 104,749

* Amounts were derived from audited financial statements

See accompanying notes to unaudited consolidated condensed financial statements.

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Revenues:				
Lead fees	$ 36,459	$ 25,880	$ 88,480	$ 76,727
Advertising	3,211	1,093	6,846	2,531
Other revenues	505	391	1,479	979
Total revenues	40,175	27,364	96,805	80,237
Cost of revenues	24,878	16,356	59,639	48,828
Gross profit	15,297	11,008	37,166	31,409
Operating expenses:				
Sales and marketing	4,109	3,336	11,430	11,078
Technology support	3,574	2,055	7,952	5,971
General and administrative	3,600	3,161	9,854	8,899
Depreciation and amortization	720	483	1,808	1,373
Litigation settlements	(25)	(25)	(75)	(118)
Total operating expenses	11,978	9,010	30,969	27,203
Operating income	3,319	1,998	6,197	4,206
Interest and other income (expense), net	(216)	(177)	(546)	(518)
Income before income tax provision	3,103	1,821	5,651	3,688
Income tax provision	1,488	697	2,391	1,394
Net income and comprehensive income	$ 1,615	$ 1,124	$ 3,260	$ 2,294
Basic earnings per common share	$ 0.16	$ 0.12	$ 0.33	$ 0.26
Diluted earnings per common share	$ 0.14	$ 0.11	$ 0.30	$ 0.22

See accompanying notes to unaudited consolidated condensed financial statements.

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

	Nine Months Ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$ 3,260	$ 2,294
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,262	1,650
Provision for bad debts	343	236
Provision for customer credits	716	773
Share-based compensation	1,889	1,025
Change in deferred tax asset	5,663	1,171
Changes in assets and liabilities:		
Accounts receivable	(1,159)	(690)
Prepaid expenses and other current assets	(1,217)	3
Other assets	(3,627)	(776)
Accounts payable	1,879	173
Accrued expenses and other current liabilities	(2,137)	331
Non-current liabilities	(261)	(600)
Net cash provided by operating activities	7,611	5,590
Cash flows from investing activities:		
Purchases of property and equipment	(1,810)	(925)
Purchase of Dealix/Autotegrity	(25,011)	—
Purchase of AutoUSA	—	(10,044)
Net cash used in investing activities	(26,821)	(10,969)
Cash flows from financing activities:		
Borrowings under credit facility	2,750	1,000
Borrowings under term loan	15,000	9,000
Payments on term loan borrowings	(2,437)	(1,687)
Proceeds from exercise of stock options	113	502
Proceeds from exercise of warrant	1,860	—
Payment of contingent fee arrangement	(25)	(50)
Net cash provided by financing activities	17,261	8,765
Net (decrease) increase in cash and cash equivalents	(1,949)	3,386
Cash and cash equivalents, beginning of period	20,747	18,930
Cash and cash equivalents, end of period	$ 18,798	$ 22,316
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 329	$ 279
Cash paid for interest	$ 659	$ 445

See accompanying notes to unaudited consolidated condensed financial statements.

AUTOBYTEL INC.
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. Organization and Operations

Autobytel Inc. ("**Autobytel**" or the "**Company**") is an automotive marketing services company that assists automotive retail dealers ("**Dealers**") and automotive manufacturers ("**Manufacturers**") market and sell new and used vehicles through the Company's programs for online lead referrals ("**Leads**"), Dealer marketing products and services, online advertising programs and mobile products.

The Company's consumer-facing automotive websites ("**Company Websites**"), including its flagship website Autobytel.com®, provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles ("**Vehicle Leads**"). For consumers who may not be able to secure loans through conventional lending sources, the Company Websites provide these consumers the ability to submit inquiries requesting Dealers or other lenders that may offer vehicle financing to these consumers to contact the consumers regarding vehicle financing ("**Finance Leads**"). The Company's mission for consumers is to be "Your Lifetime Automotive Advisor®" by engaging consumers throughout the entire lifecycle of their automotive needs.

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

On October 1, 2015 ("**AutoWeb Merger Date**"), Autobytel entered into and consummated an Agreement and Plan of Merger by and among Autobytel, New Horizon Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Autobytel ("**Merger Sub**"), AutoWeb Inc., a Delaware corporation ("**AutoWeb**") and Jose Vargas, in his capacity as Stockholder Representative. Merger Sub merged with and into AutoWeb, with AutoWeb continuing as the surviving corporation and as a wholly owned subsidiary of Autobytel. AutoWeb was a privately-owned company providing an automotive search engine that enables Manufacturers and Dealers to optimize advertising campaigns and reach highly-targeted, low funnel car buyers through an auction-based click marketplace. The Company previously owned approximately 15% of the outstanding shares of AutoWeb, on a fully converted and diluted basis, and accounted for the investment on the cost basis. See Note 12.

On May 21, 2015 ("**Dealix/Autotegrity Acquisition Date**"), Autobytel and CDK Global, LLC, a Delaware limited liability company ("**CDK**"), entered into and consummated a Stock Purchase Agreement in which Autobytel acquired all of the issued and outstanding shares of common stock in Dealix Corporation, a California corporation and subsidiary of CDK, and Autotegrity, Inc., a Delaware corporation and subsidiary of CDK (collectively, "**Dealix/Autotegrity**"). Dealix Corporation provides new and used car Leads to automotive dealerships, Dealer groups and Manufacturers, and Autotegrity, Inc. is a consumer Leads acquisition and analytics business. See Note 4.

On April 27, 2015, Auto Holdings Ltd. ("**Auto Holdings**") acquired from Cyber Ventures, Inc. and Autotropolis, Inc. the $5.0 million convertible subordinated promissory note and the warrant to purchase 400,000 shares of Autobytel common stock issued by the Company to Cyber Ventures and Autotropolis in September 2010 in connection with Autobytel's acquisition of substantially all of the assets of Cyber Ventures and Autotropolis (collectively referred to as "**Cyber**"). Concurrent with the acquisition of the Cyber convertible note ("**Cyber Note**") and warrant ("**Cyber Warrant**"), Auto Holdings converted the Cyber Note and fully exercised the Cyber Warrant at its conversion price of $4.65 per share. As required under the terms of the conversion for the Cyber Note, Autobytel issued 1,075,268 shares of its common stock and under the terms of exercise for the Cyber Warrant, it issued an additional 400,000 shares of its common stock. Autobytel consented to this transaction.

On January 13, 2014 ("**AutoUSA Acquisition Date**"), Autobytel and AutoNation, Inc., a Delaware corporation ("**Seller Parent**"), and AutoNationDirect.com, Inc., a Delaware corporation and subsidiary of Seller Parent ("**Seller**"), entered into and consummated a Membership Interest Purchase Agreement in which Autobytel acquired all of the issued and outstanding membership interests in AutoUSA, LLC, a Delaware limited liability company and a subsidiary of Seller ("**AutoUSA**"). AutoUSA was a competitor to the Company and at the time of the acquisition was a (i) Lead aggregator purchasing internet-generated automotive consumer Leads from third parties and reselling those consumer Leads to automotive vehicle Dealers; and (ii) reseller of third party products and services to automotive Dealers. See Note 4.

2. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements are presented on the same basis as the Company's Annual Report on Form 10-K for the year ended December 31, 2014 ("**2014 Form 10-K**") filed with the Securities and Exchange Commission ("**SEC**"). Autobytel has made its disclosures in accordance with U.S. generally accepted accounting principles ("**GAAP**") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The consolidated condensed statements of income and comprehensive income and cash flows for the periods ended September 30, 2015 and 2014 are not necessarily indicative of the results of operations or cash flows expected for the year or any other period. The unaudited consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the 2014 Form 10-K. Certain prior-period amounts have been reclassified to conform to the current period's presentation.

3. Recent Accounting Pronouncements

Accounting Standards Codification 225-20 "Income Statement – Extraordinary and Unusual Items." In January 2015, Accounting Standards Update ("**ASU**") No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" was issued. This ASU eliminates from GAAP the concept of extraordinary items. Preparers will not have to assess whether a particular event is extraordinary. However, presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual and infrequently occurring. The amendments in this ASU are effective for fiscal years, and interim periods with those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided the guidance is applied from the beginning of the fiscal year of adoption. The Company has not yet selected a transition method nor has it determined the effect of the standard on the ongoing financial reporting.

Accounting Standards Codification 810 "Consolidation." In February 2015, ASU No. 2015-02, "Amendments to the Consolidation Analysis" was issued. This ASU was issued to respond to stakeholders' concerns about current accounting for consolidation of certain legal entities. The amendments in the ASU (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this ASU are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company has yet to determine if this ASU will be material to the consolidated financial statements.

Accounting Standards Codification 606 "Revenue from Contracts with Customers." In May 2014, ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" was issued. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. In April 2015, the FASB proposed deferring the effective date to December 15, 2017 and permitting early adoptions of the standard, but not before the original effective date of December 15, 2016. This update permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect this guidance will have on the consolidated financial statements and related disclosures.

Accounting Standards Codification 805 "Business Combinations." In September 2015, ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" was issued. This ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this ASU are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this ASU should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this ASU with earlier application permitted for financial statements that have not been issued. The Company has yet to determine if this ASU will be material to the consolidated financial statements.

4. Acquisition

Acquisition of Dealix/Autotegrity

On the Dealix/Autotegrity Acquisition Date, Autobytel acquired all of the issued and outstanding shares of common stock in Dealix/Autotegrity. Dealix Corporation provides new and used car leads to automotive dealerships, Dealer groups and Manufacturers, and Autotegrity, Inc. is a consumer leads acquisition and analytics business. The Company acquired Dealix/Autotegrity to further expand its reach and influence in the industry by increasing its Dealer network.

The Dealix/Autotegrity Acquisition Date fair value of the consideration transferred totaled $25.0 million in cash (plus a working capital adjustment of $11,000). The results of operations of Dealix/Autotegrity have been included in the Company's results of operations since the Dealix/Autotegrity Acquisition Date.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as of the Dealix/Autotegrity Acquisition Date. Because the transaction was completed during the second quarter of 2015, the Company has not yet finalized the fair values of the assets and liabilities assumed in connection with the acquisition.

	(in thousands)
Net identifiable assets acquired:	
Total tangible assets acquired	$ 9,664
Total liabilities assumed	2,488
Net identifiable assets acquired	7,176
Definite-lived intangible assets acquired	8,195
Indefinite-lived intangible assets acquired	2,200
Goodwill	7,440
	$ 25,011

The preliminary fair value of the acquired intangible assets was determined using the below valuation approaches. In estimating the fair value of the acquired intangible assets, the Company utilized the valuation methodology determined to be most appropriate for the individual intangible asset being valued as described below. The acquired intangible assets include the following:

	Valuation Method	Estimated Fair Value (in thousands)	Estimated Useful Life (1) (years)
Non-compete agreement – from CDK	Discounted cash flow [2]	$ 500	2
Non-compete agreement – key employee	Discounted cash flow [2]	40	1
Customer relationships	Excess of earnings [3]	7,020	10
Trademark/trade names – Autotegrity	Relief from Royalty [4]	120	3
Trademark/trade names – UsedCars.com	Relief from Royalty [4]	2,200	Indefinite
Developed technology	Cost Approach [5]	515	3
Total purchased intangible assets		$ 10,395	

(1) Determination of the estimated useful lives of the individual categories of purchased intangible assets was based on the nature of the applicable intangible asset and the expected future cash flows to be derived from such intangible asset. Amortization of intangible assets with definite lives is recognized over the shorter of the respective life of the agreement or the period of time the assets are expected to contribute to future cash flows.

(2) The non-compete agreement fair value was derived by calculating the difference between the present value of the Company's forecasted cash flows with the agreement in place and without the agreement in place.

(3) The excess of earnings method estimates a purchased intangible asset's value based on the present value of the prospective net cash flows (or excess earnings) attributable to it. The value attributed to these intangibles was based on projected net cash inflows from existing contracts or relationships.

(4) The relief from royalty method is an earnings approach which assesses the royalty savings an entity realizes since it owns the asset and isn't required to pay a third party a license fee for its use.

(5) The cost approach estimates the cost required to repurchase or reproduce the intangible assets. The method takes into account technological and economic obsolescence of the technology.

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of the identifiable purchased intangible assets include all assumptions associated with forecasting cash flows and profitability. The primary assumptions used for the determination of the preliminary fair value of the purchased intangible assets were generally based upon the discounted present value of anticipated cash flows. Estimated years of projected earnings generally follow the range of estimated remaining useful lives for each intangible asset class.

The goodwill recognized of $7.4 million was attributable primarily to expected synergies and the assembled workforce of Dealix/Autotegrity. The Company incurred approximately $0.9 million of acquisition-related costs related to the Dealix/Autotegrity acquisition in the nine months ended September 30, 2015, all of which were expensed. As of September 30, 2015, the Company had $1.7 million due from CDK related to revenue collected by CDK from Dealers on behalf of the Company after the Dealix/Autotegrity Acquisition Date and not yet remitted to Autobytel. This amount is recorded as an other current asset as of September 30, 2015. The Company subsequently received $1.4 million of the amount due from CDK in October 2015.

The following unaudited pro forma information presents the consolidated results of the Company and Dealix/Autotegrity for the three and nine months ended September 30, 2014, with adjustments to give effect to pro forma events that are directly attributable to the acquisition and have a continuing impact, but excludes the impact of pro forma events that are directly attributable to the acquisition and are one-time occurrences. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods, the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results of operations that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur as a result of the acquisition and combining the operations of the companies.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2014, are as follows:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
	(in thousands)	
Unaudited pro forma consolidated results:		
Revenues	$ 39,910	$ 121,836
Net income	$ 2,263	$ 9,231

Acquisition of AutoUSA

On the AutoUSA Acquisition Date, Autobytel acquired all of the issued and outstanding membership interests in AutoUSA. The Company acquired AutoUSA to expand its reach and influence in the industry by increasing its Dealer network. The results of operations of AutoUSA have been included in the Company's results of operations since the AutoUSA Acquisition Date.

The AutoUSA Acquisition Date fair value of the consideration transferred totaled $11.9 million, which consisted of the following:

	(in thousands)
Cash (including a working capital adjustment of $44)	$ 10,044
Convertible subordinated promissory note	1,300
Warrant to purchase 69,930 shares of Company common stock	510
	$ 11,854

As part of the consideration paid for the acquisition, the Company issued a convertible subordinated promissory note for $1.0 million ("**AutoUSA Note**") to the Seller. The fair value of the AutoUSA Note as of the AutoUSA Acquisition Date was $1.3 million. This valuation was estimated using a binomial option pricing method. Key assumptions used by the Company's outside valuation consultants in valuing the AutoUSA Note include a market yield of 1.6% and stock price volatility of 65.0%. As the AutoUSA Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The entire outstanding balance of the AutoUSA Note is to be paid in full on January 31, 2019. At any time after January 31, 2017, the holder of the AutoUSA Note may convert all or any part (but in no event in less than 30,600 increments) of the then outstanding and unpaid principal of the AutoUSA Note into fully paid shares of the Company's common stock at a conversion price of $16.34 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The right to convert the AutoUSA Note into common stock of the Company is accelerated in the event of a change in control of the Company. In the event of default, the entire unpaid balance of the AutoUSA Note will become immediately due and payable and will bear interest at the lower of 8% per year and the highest legal rate permissible under applicable law.

The warrant to purchase 69,930 shares of Company common stock issued in connection with the acquisition ("**AutoUSA Warrant**") was valued as of the AutoUSA Acquisition Date at $7.35 per share for a total value of $0.5 million. The Company used an option pricing model to determine the value of the AutoUSA Warrant. Key assumptions used by the Company's outside valuation consultants in valuing the AutoUSA Warrant are as follows: risk-free rate of 1.6%, stock price volatility of 65.0% and a term of 5.0 years. The AutoUSA Warrant was valued based on long-term stock price volatilities of the Company. The exercise price of the AutoUSA Warrant is $14.30 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The AutoUSA Warrant becomes exercisable on the third anniversary of the issuance date and expires on the fifth anniversary of the issuance date. The right to exercise the AutoUSA Warrant is accelerated in the event of a change in control of the Company.

The following table summarizes the fair values of the assets acquired and liabilities assumed:

	(in thousands)
Net identifiable assets acquired	$ 758
Definite-lived intangible assets acquired	3,750
Goodwill	7,346
	$ 11,854

The fair value of the acquired intangible assets was determined using the below valuation approaches. In estimating the fair value of the acquired intangible assets, the Company utilized the valuation methodology determined to be most appropriate for the individual intangible asset being valued as described below. The acquired intangible assets include the following:

	Valuation Method	**Estimated Fair Value** *(in thousands)*	**Estimated Useful Life (1)** *(years)*
Non-compete agreement	Discounted cash flow (2)	$ 90	2
Customer relationships	Excess of earnings (3)	2,660	5
Trademark/trade names	Relief from Royalty (4)	1,000	5
Total purchased intangible assets		$ 3,750	

(1) Determination of the estimated useful lives of the individual categories of purchased intangible assets was based on the nature of the applicable intangible asset and the expected future cash flows to be derived from such intangible asset. Amortization of intangible assets with definite lives is recognized over the shorter of the respective life of the agreement or the period of time the assets are expected to contribute to future cash flows.

(2) The non-compete agreement fair value was derived by calculating the difference between the present value of the Company's forecasted cash flows with the agreement in place and without the agreement in place.

(3) The excess of earnings method estimates a purchased intangible asset's value based on the present value of the prospective net cash flows (or excess earnings) attributable to it. The value attributed to these intangibles was based on projected net cash inflows from existing contracts or relationships.

(4) The relief from royalty method is an earnings approach which assesses the royalty savings an entity realizes since it owns the asset and isn't required to pay a third party a license fee for its use.

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of the identifiable purchased intangible assets include all assumptions associated with forecasting cash flows and profitability. The primary assumptions used for the determination of the preliminary fair value of the purchased intangible assets were generally based upon the discounted present value of anticipated cash flows. Estimated years of projected earnings generally follow the range of estimated remaining useful lives for each intangible asset class.

The goodwill recognized of $7.3 million was attributable primarily to expected synergies and the assembled workforce of AutoUSA. The full amount is expected to be amortizable for income tax purposes.

The Company incurred approximately $1.1 million of acquisition-related costs related to AutoUSA in 2014, all of which were expensed.

5. Computation of Basic and Diluted Net Earnings Per Share

Basic net earnings per share is computed using the weighted average number of common shares outstanding during the period, excluding any unvested restricted stock. Diluted net earnings 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 common shares issuable upon the exercise of stock options, common shares issuable upon the exercise of warrants, common shares issuable upon conversion of convertible notes and unvested restricted stock. The following are the share amounts utilized to compute the basic and diluted net earnings per share for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Basic Shares:				
Weighted average common shares outstanding	10,499,719	9,028,733	9,805,056	8,986,146
Weighted average unvested restricted stock	(125,000)	—	(73,260)	—
Basic Shares	10,374,719	9,028,733	9,731,796	8,986,146
Diluted Shares:				
Basic shares	10,374,719	9,028,733	9,731,796	8,986,146
Weighted average dilutive securities	1,164,983	2,070,375	985,944	2,268,894
Diluted Shares	11,539,702	11,099,108	10,717,740	11,255,040

For the three months ended September 30, 2015, weighted average dilutive securities included dilutive options, restricted stock awards and the AutoUSA Warrant and AutoUSA Note. For the nine months ended September 30, 2015, weighted average dilutive securities included dilutive options, restricted stock awards and the AutoUSA Warrant. For the three and nine months ended September 30, 2014, weighted average dilutive securities included dilutive options and the Cyber Warrant and Cyber Note.

For the three and nine months ended September 30, 2015, 1.4 million and 1.6 million of potentially anti-dilutive shares of common stock have been excluded from the calculation of diluted net earnings per share, respectively. For the three and nine months ended September 30, 2014, 1.3 million and 1.1 million of potentially anti-dilutive shares of common stock have been excluded from the calculation of diluted net earnings per share, respectively.

On June 7, 2012, the Company announced that its board of directors had authorized the Company to repurchase up to $2.0 million of Company common stock, and on September 17, 2014 the Company announced that the board of directors had approved the repurchase of up to an additional $1.0 million of Company common stock. The authorization may be increased or otherwise modified, renewed, suspended or terminated by the Company at any time, without prior notice. The Company may repurchase common stock from time to time on the open market or in private transactions. Shares repurchased under this program have been retired and returned to the status of authorized and unissued shares. The Company funded repurchases and anticipates that the Company would fund future repurchases through the use of available cash. The repurchase authorization does not obligate the Company to repurchase any particular number of shares. The timing and actual number of repurchases of additional shares, if any, under the Company's stock repurchase program will depend upon a variety of factors, including price, market conditions, release of quarterly and annual earnings and other legal, regulatory and corporate considerations at the Company's sole discretion. The impact of repurchases on the Company's Tax Benefit Preservation Plan and on the Company's use of its net operating loss carryovers and other tax attributes if the Company were to experience an "ownership change," as defined in Section 382 of the Internal Revenue Code, is also a factor that the Company considers in connection with share repurchases. No shares were repurchased in the three and nine months ended September 30, 2015 and September 30, 2014, respectively.

Warrants. On September 17, 2010 ("**Cyber Acquisition Date**"), the Company acquired substantially all of the assets of Cyber. In connection with the acquisition of Cyber, the Company issued to the sellers the Cyber Warrant. The Cyber Warrant was valued at $3.15 per share on the Cyber Acquisition Date using an option pricing model with the following key assumptions: risk-free rate of 2.3%, stock price volatility of 77.5% and a term of 8.04 years. The Cyber Warrant was valued based on historical stock price volatilities of the Company and comparable public companies as of the Cyber Acquisition Date. The exercise price of the Cyber Warrant was $4.65 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The Cyber Warrant was acquired by Auto Holdings and exercised on April 27, 2015, as discussed in Note 1. Based upon the terms of exercise of the Cyber Warrant, the Company issued 400,000 shares of Company Common stock and received approximately $1.9 million in cash.

The AutoUSA Warrant issued in connection with the acquisition described in Note 4 was valued at $7.35 per share for a total value of $0.5 million. The Company used an option pricing model to determine the value of the AutoUSA Warrant. Key assumptions used in valuing the AutoUSA Warrant are as follows: risk-free rate of 1.6%, stock price volatility of 65.0% and a term of 5.0 years. The AutoUSA Warrant was valued based on long-term stock price volatilities of the Company. The exercise price of the AutoUSA Warrant is $14.30 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The AutoUSA Warrant becomes exercisable on the third anniversary of the issuance date and expires on the fifth anniversary of the issuance date. The right to exercise the AutoUSA Warrant is accelerated in the event of a change in control of the Company.

6. Share-Based Compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Share-based compensation expense:				
Cost of revenues	$ 43	$ 18	$ 106	$ 52
Sales and marketing	153	149	439	400
Technology support	202	62	429	187
General and administrative [(1)]	287	142	922	389
Share-based compensation costs	685	371	1,896	1,028
Amount capitalized to internal use software	1	1	7	3
Total share-based compensation costs	$ 684	$ 370	$ 1,889	$ 1,025

(1) Certain awards were modified in accordance with the Company's former Chief Financial Officer's consulting agreement and their vesting accelerated in accordance with the terms of the applicable option agreements. The total expense related to these modifications and acceleration of vested awards was approximately $0.2 million in the three months ended March 31, 2015.

Service-Based Options. The Company granted the following service-based options for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Number of service-based options granted	16,200	59,500	600,750	461,250
Weighted average grant date fair value	$ 8.12	$ 3.88	$ 5.69	$ 6.99
Weighted average exercise price	$ 17.42	$ 8.50	$ 12.38	$ 15.44

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

Performance-based Options. During the nine months ended September 30, 2014, the Company granted 40,000 performance-based inducement stock options in connection with the acquisition of AutoUSA ("**2014 AutoUSA Inducement Options**"), with a weighted average grant date fair value of $6.08, using a Black-Scholes option pricing model, and weighted average exercise price of $13.62. The 2014 AutoUSA Inducement Options are subject to two vesting requirements and conditions: (i) level of achievement of performance goals based on revenue and gross margin of the Company's retail dealer services group and (ii) service-based vesting. Based on the performance of the Company's retail dealer services group for 2014, all 40,000 of the 2014 AutoUSA Inducement Options were awarded under the performance vesting conditions, with one-third vesting on January 21, 2015 and the remainder vesting ratably over twenty-four months from that date thereafter. No performance options were granted during the three and nine months ended September 30, 2015.

Market Condition Options. In 2009, the Company granted 213,650 stock options to substantially all employees with an exercise price of $1.75 and grant date fair value of $0.97, using a Black-Scholes option pricing model. One-third of these options cliff vested on the first anniversary following the grant date and the remaining two-thirds vesting ratably over twenty-four months thereafter. In addition, the remaining two-thirds of the awards were subject to satisfaction of market price conditions for the Company's common stock, which conditions have been satisfied. No market condition options were exercised in the three and nine months ended September 30, 2015. During the nine months ended September 30, 2014, 15,793 of these market condition stock options were exercised, respectively. No market condition options were exercised in the three months ended September 30, 2014.

Stock option exercises. The following stock options were exercised (inclusive of the market condition options exercised above) for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Number of stock options exercised	—	—	19,074	118,996
Weighted average exercise price	$ —	$ —	$ 5.92	$ 4.20

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,	
	2015	2014	2015	2014
Dividend yield	—	—	—	—
Volatility	57%	56%	56%	56%
Risk-free interest rate	1.4%	1.5%	1.3%	1.4%
Expected life (years)	4.4	4.3	4.4	4.3

Restricted Stock Awards. The Company granted an aggregate of 125,000 restricted stock awards (“**RSAs**”) on April 23, 2015 in connection with the promotion of one of its executive officers. Of the 125,000 RSAs, 25,000 were service-based and the forfeiture restrictions lapse with respect to one-third of the restricted stock on each of the first, second and third anniversaries of the date of the award. This executive officer was also awarded 100,000 shares of the Company’s common stock in the form of performance-based restricted stock. The shares are subject to forfeiture upon the earlier of (such earliest date being referred to as the “**Termination Date**”) (i) a termination of the executive officer’s employment with the Company; (ii) March 31, 2018; and (iii) other events of forfeiture set forth in the award agreement, subject to the following: (i) the forfeiture restrictions with respect to 50,000 of the restricted shares will lapse if any time prior to the Termination Date the weighted average closing price of the Company’s common stock for the preceding 30 trading days is at or above $30.00 per share, and (ii) the forfeiture restrictions with respect to any of the restricted shares that remain subject to forfeiture restrictions will lapse if any time prior to the Termination Date the weighted average closing price of the Company’s common stock for the preceding 30 trading days is at or above $45.00 per share. None of the forfeiture restrictions had lapsed during the nine months ended September 30, 2015.

7. Investments

The Company’s investments at September 30, 2015 and December 31, 2014 consisted primarily of investments in privately-held SaleMove, Inc., a Delaware corporation (“**SaleMove**”), and privately-held AutoWeb. The investments in SaleMove and AutoWeb are recorded at cost. Although there is no established market for these investments, the Company evaluated the investments for impairment by comparing them to an estimated fair value and determined that no impairment existed. To determine the estimated fair value for the investment in SaleMove, the Company analyzed the discounted future cash flows of Autobytel’s sales of SaleMove products.

In September 2013, the Company entered into a Contribution Agreement with AutoWeb pursuant to which Autobytel contributed to AutoWeb $2.5 million and assigned to AutoWeb all the ownership interests in the autoweb.com domain name and two registered trademarks related to the AutoWeb name and related goodwill in exchange for 8,000 shares of AutoWeb Series A Preferred Stock, $0.01 par value per share. The 8,000 shares of AutoWeb Series A Preferred Stock represented 16% of all issued and outstanding common stock of AutoWeb as of September 18, 2013, assuming conversion of the Series A Preferred Stock into AutoWeb common stock as of September 18, 2013. The Company also obtained an option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock at a per share exercise price of $500.00. In connection with this investment, the Company also entered into arrangements with AutoWeb to use the AutoWeb pay-per-click, auction-driven automotive marketplace technology platform as both a publisher and as an advertiser. In November 2014, the Company entered into a Series B Preferred Stock Purchase Agreement with AutoWeb pursuant to which the Company paid $880,394 in exchange for 1,076 shares of AutoWeb Series B Preferred Stock, $0.01 par value per share. The investments in AutoWeb are recorded at cost because prior to the AutoWeb Merger Date, the Company did not have significant influence over AutoWeb. On the AutoWeb Merger Date, the shares of AutoWeb Series A Preferred Stock, AutoWeb Series B Preferred Stock, and the option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock were cancelled. See Note 12.

In September 2013, the Company entered into a Convertible Note Purchase Agreement in which Autobytel invested $150,000 in SaleMove in the form of a convertible promissory note ("**SaleMove Note 1**"). The convertible promissory note accrues interest at an annual rate of 6.0% and is due and payable in full on September 1, 2015 unless converted prior to such maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note.

In November 2014, the Company invested an additional $400,000 in SaleMove in the form of a convertible promissory note ("**SaleMove Note 2**"). The convertible promissory note accrues interest at an annual rate of 6.0% and is due and payable in full on November 18, 2016 unless converted prior to the maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note. SaleMove Note 1 and SaleMove Note 2 were converted into 190,997 Series A Preferred Stock in July 2015 upon a preferred stock financing by SaleMove and is classified as a long-term investment on the consolidated balance sheet as of September 30, 2015.

In October 2013, the Company entered into an agreement with SaleMove to become the exclusive provider to the automotive industry of SaleMove's technology for enhancing communications with consumers. SaleMove's patent-pending technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. The Company and SaleMove will equally share in revenues from automotive-related sales of the SaleMove products and services. In connection with this reseller arrangement, the Company advanced to SaleMove $1.0 million to fund SaleMove's fifty percent share of various product development, marketing and sales costs and expenses, with the advanced funds to be recovered by the Company from SaleMove's share of sales revenue. As of September 30, 2015, $1.0 million had been advanced to SaleMove. The balance of the advances on the consolidated balance sheet as of September 30, 2015 is $849,000 and is classified as another long-term asset.

In December 2014, the Company entered into a Series Seed Preferred Stock Purchase Agreement with GoMoto, Inc. ("**GoMoto**") in which Autobytel paid $100,000 for 317,460 shares of Series Seed Preferred Stock, $0.001 par value per share. GoMoto provides interactive digital solutions for Dealer showrooms and service centers. The investment in GoMoto was recorded at cost because the Company does not have significant influence over GoMoto.

8. Selected Balance Sheet Accounts

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

	September 30, 2015	December 31, 2014
	(in thousands)	
Computer software and hardware and capitalized internal use software	$ 14,798	$ 12,990
Furniture and equipment	1,306	1,271
Leasehold improvements	965	957
	17,069	15,218
Less – Accumulated depreciation and amortization	(13,970)	(13,314)
Property and equipment, net	$ 3,099	$ 1,904

The Company periodically reviews long-lived assets to determine if there are any impairment indicators. The Company assesses the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of the Company's long-lived assets. If such indicators exist, the Company evaluates the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. Should the carrying amount of an asset exceed its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of the fair value of these assets using a discounted cash flow model, which includes assumptions and estimates.

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

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

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents Acura, Audi, Honda, Nissan, Infiniti, Scion, Subaru, Toyota, Volkswagen and Volvo), General Motors and Jumpstart Automotive Group. During the first nine months of 2015, approximately 28% of the Company's total revenues was derived from these three customers, and approximately 35%, or $10.1 million of gross accounts receivables, related to these three customers at September 30, 2015.

During the first nine months of 2014, approximately 28% of the Company's total revenues was derived from General Motors, Urban Science Applications and Trilogy Smartleads, and approximately 36%, or $6.4 million of gross accounts receivables, related to these three customers at September 30, 2014.

Intangible Assets. The Company amortizes specifically identified intangible assets using the straight-line method over the estimated useful lives of the assets. In connection with the acquisitions of Cyber, Advanced Mobile, AutoUSA and Dealix/Autotegrity, the Company identified $20.1 million of intangible assets. The Company's intangible assets will be amortized over the following estimated useful lives:

		September 30, 2015			December 31, 2014		
Intangible Asset	**Estimated Useful Life**	**Gross**	**Accumulated Amortization**	**Net**	**Gross**	**Accumulated Amortization**	**Net**
				(in thousands)			
Trademarks/trade names/licenses/domains	5 years – Indefinite	$ 8,894	$ (5,896)	$ 2,998	$ 6,574	$ (5,594)	$ 980
Software and publications	3 years	1,300	(1,300)	—	1,300	(1,300)	—
Customer relationships	2-10 years	12,093	(3,554)	8,539	5,074	(2,696)	2,378
Employment/non-compete agreements	5 years	1,240	(726)	514	700	(500)	200
Developed technology	1-5 years	1,335	(390)	945	820	(205)	615
		$ 24,862	$ (11,866)	$ 12,996	$ 14,468	$ (10,295)	$ 4,173

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

Year	**Amortization Expense**
	(in thousands)
2015	$ 560
2016	2,122
2017	1,937
2018	1,663
2019	732
2020	702
	$ 7,716

Goodwill. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or earlier, when events or circumstances indicate that the carrying value of such assets may not be recoverable. The Company did not record impairment related to goodwill as of September 30, 2015 and December 31, 2014.

As of September 30, 2015, goodwill consisted of the following (in thousands):

Goodwill as of December 31, 2014	$ 20,948
Acquisition of Dealix/Autotegrity	11,148
Goodwill as of September 30, 2015	$ 32,096

In connection with the Dealix/Autotegrity stock acquisition in Note 4 above, the Company recorded net deferred tax liabilities of $3.7 million and adjusted goodwill by $3.7 million in the quarter ended June 30, 2015.

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

	September 30, 2015	December 31, 2014
	(in thousands)	
Compensation and related costs	$ 3,247	$ 5,149
Professional fees and other accrued expenses	5,836	3,383
Amounts due to customers	404	267
Other current liabilities	447	696
Total accrued expenses and other current liabilities	$ 9,934	$ 9,495

Convertible notes payable. In connection with the acquisition of Cyber, the Company issued the Cyber Note to the sellers. The fair value of the Cyber Note as of the Cyber Acquisition Date was $5.9 million. This valuation was estimated using a binomial option pricing method. Key assumptions used by the Company's outside valuation consultants in valuing the Cyber Note included a market yield of 15.0% and stock price volatility of 77.5%. As the Cyber Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The Cyber Note was acquired by Auto Holdings and was converted into 1,075,268 shares of Company common stock on April 27, 2015, as discussed in Note 1. Upon conversion of the Cyber Note, the Company removed the liability from the Consolidated Balance Sheet.

In connection with the acquisition of AutoUSA, the Company issued the AutoUSA Note to the Seller. For information concerning the fair value of the AutoUSA Note, see Note 4.

9. Credit Facility

On May 20, 2015, the Company entered into a Third Amendment to Loan Agreement ("**Credit Facility Amendment**") with MUFG Union Bank, N.A., formerly Union Bank, N.A. ("**Union Bank**"), amending the Company's existing Loan Agreement with Union Bank initially entered into on February 26, 2013, as amended on September 10, 2013 and January 13, 2014 (the existing Loan Agreement, as amended to date, is referred to collectively as the "**Credit Facility Agreement**"). The Credit Facility Agreement provided for a $9.0 million term loan ("**Term Loan 1**"). The Credit Facility Amendment provides for (i) a new $15.0 million term loan ("**Term Loan 2**"); (ii) the amendment of certain financial covenants in the Credit Facility Agreement; and (iii) amendments to the Company's existing $8.0 million working capital revolving line of credit ("**Revolving Loan**").

Term Loan 1 is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under Term Loan 1 bear interest at either (i) the bank's Reference Rate (prime rate) minus 0.50% or (ii) the LIBOR plus 2.50%, at the option of the Company. Interest under Term Loan 1 adjusts (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. Borrowings under Term Loan 1 are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 1 matures on December 31, 2017. Borrowing under Term Loan 1 was limited to use for the acquisition of AutoUSA, and the Company drew down the entire $9.0 million of Term Loan 1, together with $1.0 million under the Revolving Loan, in financing this acquisition. The outstanding balance of Term Loan 1 as of September 30, 2015 was $5.1 million.

Term Loan 2 is amortized over a period of five years, with fixed quarterly principal payments of $750,000. Borrowings under Term Loan 2 bear interest at either (i) the London Interbank Offering Rate ("**LIBOR**") plus 3.00% or (ii) the bank's Reference Rate (prime rate), at the option of the Company. Borrowings under the Revolving Loan bear interest at either (i) the LIBOR plus 2.50% or (ii) the bank's Reference Rate (prime rate) minus 0.50%, at the option of the Company. Interest under both Term Loan 2 and the Revolving Loan adjust (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. The Company paid an upfront fee of .10% of the Term Loan 2 principal amount upon drawing upon Term Loan 2 and also pays a commitment fee of 0.10% per year on the unused portion of the Revolving Loan, payable quarterly in arrears. Borrowings under Term Loan 2 and the Revolving Loan are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 2 matures June 30, 2020, and the maturity date of the Revolving Loan was extended from March 31, 2017 to April 30, 2018. Borrowings under the Revolving Loan may be used as a source to finance working capital, capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under Term Loan 2 was limited to use for the acquisition of Dealix/Autotegrity, and the Company drew down the entire $15.0 million of Term Loan 2, together with $2.75 million under the Revolving Loan and $6.76 million from available cash on hand, in financing this acquisition. The outstanding balances of Term Loan 2 and the Revolving Loan as of September 30, 2015 were $14.3 million and $8.0 million, respectively.

The Credit Facility Agreement contains certain customary affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain specified levels of minimum consolidated liquidity and quarterly and annual earnings before interest, taxes and depreciation and amortization, which the Company was in compliance with as of September 30, 2015.

10. Commitments and Contingencies

Employment Agreements

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

Litigation

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

11. Income Taxes

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

The Company's effective tax rate for the three and nine months ended September 30, 2015 differed from the U.S. federal statutory rate primarily due to unrecognized tax benefits, state income taxes and permanent non-deductible tax items.

The total amount of unrecognized tax benefits, excluding associated interest and penalties, was $0.5 million as of September 30, 2015, of which $42,000 would impact the effective tax rate if recognized.

The total balance of accrued interest and penalties related to state uncertain tax positions was $9,000 and $28,000 as of September 30, 2015 and December 31, 2014, respectively. The Company recognizes interest and penalties related to state uncertain tax positions as a component of income tax expense, and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company's condensed consolidated balance sheets. There were no material interest or penalties included in income tax expense for the three and nine months ended September 30, 2015 and September 30, 2014.

In connection with the Dealix/Autotegrity stock acquisition, the Company recorded net deferred tax liabilities of $3.7 million, relating primarily to intangible assets that were acquired. As a result, our overall deferred tax asset decreased by $3.7 million for the quarter ended June 30, 2015.

The Company is subject to taxation in the U.S. and in various state jurisdictions. Due to expired statutes of limitation, the Company's federal income tax returns for years prior to calendar year 2012 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 2011 are no longer subject to examination. The Company is currently under examination by the State of California for the years 2011 and 2012, but does not anticipate any material adjustments. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

12. Subsequent Event

On the AutoWeb Merger Date, Autobytel entered into and consummated an Agreement and Plan of Merger by and among Autobytel, Merger Sub, AutoWeb and Jose Vargas, in his capacity as Stockholder Representative. Merger Sub merged with and into AutoWeb, with AutoWeb continuing as the surviving corporation and as a wholly owned subsidiary of Autobytel. The Company previously owned approximately 15% of the outstanding shares of AutoWeb, on a fully converted and diluted basis, and accounted for the investment on the cost basis. This acquisition represents a business combination achieved in stages (i.e. step acquisition) in accordance with ASC 805-10-25-10. Per ASC 805-10-25-10, "in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings." The merger consideration consisted of: (i) 168,007 newly issued shares of the Company's Series B Junior Participating Convertible Preferred Stock, par value $0.001 per share, (ii) warrants to purchase up to 148,240 shares of Series B Preferred Stock, at an exercise price per share of $184.47 (reflecting 10 times the $16.77 closing price of a share of the Company's common stock, on The Nasdaq Capital Market on September 30, 2015, plus a ten percent (10%) premium and (iii) $279,299 in cash to cancel vested, in-the-money options to acquire shares of AutoWeb common stock. The number of Series B Preferred Stock and Warrants issued are subject to a post-closing adjustment based on AutoWeb's working capital as of the closing date of the transaction.

The following unaudited pro forma information presents the consolidated results of the Company and AutoWeb for the three and nine months ended September 30, 2015 and September 30, 2014, with adjustments to give effect to pro forma events that are directly attributable to the acquisition and have a continuing impact, but excludes the impact of pro forma events that are directly attributable to the acquisition and are one-time occurrences. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods, the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results of operations that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur as a result of the acquisition and combining the operations of the companies.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2014, are as follows:

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(in thousands)			
Unaudited pro forma consolidated results:				
Revenues	$40,795	$27,234	$98,545	$80,845
Net income	$1,602	$322	$2,349	$690

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

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," "estimates," "expects," "projects," "intends," "plans," "believes," "will" and words of similar substance used in connection with any discussion of future operations or financial performance identify forward-looking statements. In particular, statements regarding expectations and opportunities, industry trends, new product expectations and capabilities, and our outlook regarding our performance and growth are forward-looking statements. This Quarterly Report on Form 10-Q also contains statements regarding plans, goals and objectives. There is no assurance that we will be able to carry out our plans or achieve our goals and objectives or that we will be able to do so successfully on a profitable basis. These forward-looking statements are just predictions and involve risks and uncertainties, many of which are beyond our control, and actual results may differ materially from these statements. Factors that could cause actual results to differ materially from those reflected in forward-looking statements include, but are not limited to, those discussed in this Item 2 and under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 ("**2014 Form 10-K**") and Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. Investors are urged not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date on which they were made. Except as may be required by law, we do not undertake any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements contained herein are qualified in their entirety by the foregoing cautionary statements.

You should read the following discussion of our results of operations and financial condition in conjunction with our unaudited consolidated condensed financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the notes thereto in the 2014 Form 10-K.

Our corporate website is located at *www.autobytel.com*. Information on our website is not incorporated by reference in this Quarterly Report. 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", "Autobytel" and "Company" refer to Autobytel Inc. and its consolidated subsidiaries.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements presented herein are presented on the same basis as the 2014 Form 10-K. We have made disclosures in accordance with U.S. generally accepted accounting principles ("**GAAP**") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The statements of income and comprehensive income and cash flows for the periods ended September 30, 2015 and 2014 are not necessarily indicative of the results of operations or cash flows expected for the year or any other period. The unaudited consolidated condensed financial statements should be read in conjunction with the audited consolidated condensed financial statements and the notes thereto in the 2014 Form 10-K. Certain prior-period amounts have been reclassified to conform to the current period's presentation.

On October 1, 2015 ("**AutoWeb Merger Date**"), Autobytel entered into and consummated an Agreement and Plan of Merger by and among Autobytel, New Horizon Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Autobytel ("**Merger Sub**"), AutoWeb Inc., a Delaware corporation ("**AutoWeb**") and Jose Vargas, in his capacity as Stockholder Representative. Merger Sub merged with and into AutoWeb, with AutoWeb continuing as the surviving corporation and as a wholly owned subsidiary of Autobytel. AutoWeb was a privately-owned company providing an automotive search engine that enables Manufacturers and Dealers to optimize advertising campaigns and reach highly-targeted, low funnel car buyers through an auction-based click marketplace. The Company previously owned approximately 15% of the outstanding shares of AutoWeb, on a fully converted and diluted basis, and accounted for the investment on the cost basis. This acquisition represents a business combination achieved in stages (i.e. step acquisition) in accordance with ASC 805-10-25-10. Per ASC 805-10-25-10, "in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings."

The merger consideration consisted of: (1) 168,007 newly issued shares of the Company's Series B Junior Participating Convertible Preferred Stock, par value $0.001 per share, of Autobytel ("**Series B Preferred Stock**"), (2) warrants to purchase up to 148,240 shares of Series B Preferred Stock ("**AutoWeb Warrants**"), at an exercise price per share of $184.47 (reflecting 10 times the $16.77 closing price of a share of the Company's common stock on The Nasdaq Capital Market on September 30, 2015, plus a ten percent (10%) premium and (3) $279,299 in cash to cancel vested, in-the-money options to acquire shares of AutoWeb common stock. The number of Series B Preferred Stock and AutoWeb Warrants issued are subject to a post-closing adjustment based on AutoWeb's working capital as of the closing date of the transaction.

The shares of Series B Preferred Stock are convertible, subject to certain limitations, into 10 shares of the Company's common stock. All shares will be automatically converted if the stockholder approval required by Section 5635 of the Nasdaq listing rules is obtained. The rights, preferences and privileges of the Series B Preferred Stock, including the terms of conversion and voting, are summarized in Item 5.03 of the Company's Current Report on Form 8-K filed with the SEC on October 6, 2015. The merger agreement contains a covenant that the Company will use all commercially reasonable efforts to secure the approval of the Company's stockholders necessary to cause the conversion of the Series B Preferred Stock into Common Stock no later than the third annual meeting of the stockholders of Autobytel following October 1, 2015.

The AutoWeb Warrants will become exercisable three years after the closing date, subject to the satisfaction of the following additional vesting conditions: (i) with respect to the first 1/3 of the warrant shares, if at any time after the issuance date of the AutoWeb Warrants and prior to the expiration date of the AutoWeb Warrants the weighted average closing price of the Company's common stock on The Nasdaq Capital Market for the preceding 30 trading days (adjusted for any stock splits, stock dividends, reverse stock splits or combinations of the Company's common stock occurring after the issuance date) ("**Weighted Average Closing Price**") is at or above $30.00; (ii) with respect to the second 1/3 of the warrant shares, if at any time after the issuance date and prior to the expiration date the Weighted Average Closing Price is at or above $37.50; and (iii) with respect to the last 1/3 of the warrant shares, if at any time after the issuance date and prior to the expiration date the Weighted Average Closing Price is at or above $45.00. The AutoWeb Warrants expire on the seventh anniversary of their issuance date.

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

On April 27, 2015, Auto Holdings Ltd. (" **Auto Holdings**") acquired from Cyber Ventures, Inc. and Autotropolis, Inc. the $5.0 million convertible subordinated promissory note and the warrant to purchase 400,000 shares of Autobytel common stock issued by the Company to Cyber Ventures and Autotropolis in September 2010 in connection with Autobytel's acquisition of substantially all of the assets of Cyber Ventures and Autotropolis (collectively referred to as "**Cyber**"). Concurrent with the acquisition of the Cyber convertible note ("**Cyber Note**") and warrant ("**Cyber Warrant**"), Auto Holdings converted the Cyber Note and fully exercised the Cyber Warrant at its conversion price of $4.65 per share. As required under the terms of the conversion for the Cyber Note, Autobytel issued 1,075,268 shares of its common stock and under the terms of exercise for the Cyber Warrant, it issued an additional 400,000 shares of its common stock. Autobytel consented to this transaction.

On January 13, 2014 ("**AutoUSA Acquisition Date** "), Autobytel and AutoNation, Inc., a Delaware corporation ("**Seller Parent**"), and AutoNationDirect.com, Inc., a Delaware corporation and subsidiary of Seller Parent ("**Seller**"), entered into and consummated a Membership Interest Purchase Agreement in which Autobytel acquired all of the issued and outstanding membership interests in AutoUSA, LLC, a Delaware limited liability company and a subsidiary of Seller ("**AutoUSA**"). AutoUSA was a (i) Lead aggregator purchasing internet-generated automotive consumer Leads from third parties and reselling those consumer Leads to automotive vehicle Dealers; and (ii) reseller of third party products and services to automotive Dealers.

Overview

We are an automotive marketing services company that assists automotive retail dealers ("**Dealers**") and automotive manufacturers ("**Manufacturers**") market and sell new and used vehicles to consumers through our programs for online purchase request referrals ("**Leads**"), Dealer marketing products and services, online advertising programs and mobile products. Our consumer-facing automotive websites ("**Company Websites**"), including our flagship website Autobytel.com®, provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles ("**Vehicle Leads**"). For consumers who may not be able to secure loans through conventional lending sources, our Company Websites provide these consumers the ability to submit inquiries requesting Dealers or other lenders that may offer vehicle financing to these consumers to contact the consumers regarding vehicle financing ("**Finance Leads**"). The Company's mission for consumers is to be "Your Lifetime Automotive Advisor"® by engaging consumers throughout the entire lifecycle of their automotive needs.

Lead quality is measured by the conversion of Leads to actual vehicle sales. Leads are internally-generated from our Company Websites ("**Internally-Generated Leads**") or acquired from third parties ("**Non-Internally-Generated Leads**") that generate Leads from their websites ("**Non-Company Websites**"). We measure Lead quality by the conversion of Leads to actual vehicle sales, which we refer to as the "buy rate." Buy rate is the percentage of the consumers submitting Leads that we delivered to our customers represented by the number of these consumers who purchased vehicles within ninety days of the date of the Lead submission. We rely on detailed feedback from Manufacturers and wholesale customers to confirm the performance of our Leads. In addition, in 2011 we began using R.L. Polk & Co., later acquired by IHS, to evaluate the performance quality of all Leads that we send to our customers. Our Manufacturers, wholesale customers and IHS each match the Leads we deliver to our customers against vehicle sales or registration data to provide us with information about vehicle purchases by the consumers who submitted Leads that we delivered to our customers. This information allows us to estimate the buy rates for the consumers who submitted our Internally-Generated Leads and our Non-Internally Generated Leads and based on these estimates, to estimate an industry average buy rate. Based on the most current IHS data (which are provided to us only on an aggregated, non-personally identifiable basis), we have estimated that, on average, consumers who submit Internally-Generated Leads that we deliver to our customers have an estimated buy rate of approximately 20%, which is three times our internal estimate of the industry average buy rate. Buy rates that individual Dealers may achieve can be impacted by factors such as the strength of processes and procedures within the dealership to manage communications and follow up with consumers.

In addition, we report a number of key metrics to our customers, allowing them to gain a better understanding of the revenue opportunities that they may realize from acquiring Leads from us. We can now optimize the mix of Leads we deliver to our Dealers based on multiple sources of quality measurements. Also, by reporting the buying behavior of potential customers, the findings also can help shape improvements to online Lead management; online advertising and dealership sales process training. By providing actionable data, we place considerable intelligence in the hands of our customers.

For the three and nine months ended September 30, 2015, our business, results of operations and financial condition were affected, and may continue to be affected in the future, by general economic and market factors, conditions in the automotive industry, the market for Leads and the market for advertising services, including, but not limited to, the following:

- The effect of unemployment on the number of vehicle purchasers;
- Pricing and purchase incentives for vehicles;
- The expectation that consumers will be purchasing fewer vehicles overall during their lifetime as a result of better quality vehicles and longer warranties;
- The impact of gasoline prices on demand for the number and types of vehicles;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale customers in our customer base;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations;
- The effect of changes in search engine algorithms and methodologies on our Lead generation and website advertising activities and margins; and
- The competitive impact of consolidation in the online automotive referral industry.

In addition, our future business, results of operations and financial condition will be affected by our acquisition of AutoWeb, discussed above and in Note 12, Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this quarterly report on Form 10-Q.

Results of Operations

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

The following table sets forth certain income statement data for the three-month periods ended September 30, 2015 and 2014 (certain amounts may not calculate due to rounding):

	2015	% of total revenues	2014	% of total revenues	$ Change	% Change
	(Dollar amounts in thousands)					
Revenues:						
Lead fees	$ 36,459	91%	$ 25,880	95%	$ 10,579	41%
Advertising	3,211	8	1,093	4	2,118	194
Other revenues	505	1	391	1	114	29
Total revenues	40,175	100	27,364	100	12,811	47
Cost of revenues	24,878	62	16,356	60	8,522	52
Gross profit	15,297	38	11,008	40	4,289	39
Operating expenses:						
Sales and marketing	4,109	10	3,336	12	773	23
Technology support	3,574	9	2,055	7	1,519	74
General and administrative	3,600	9	3,161	12	439	14
Depreciation and amortization	720	2	483	2	237	49
Litigation settlements	(25)	—	(25)	—	—	—
Total operating expenses	11,978	30	9,010	33	2,968	33
Operating income	3,319	8	1,998	7	1,321	66
Interest and other income (expense), net	(216)	—	(177)	—	(39)	22
Income before income tax provision	3,103	8	1,821	7	1,282	70
Income tax provision	1,488	4	697	3	791	113
Net income	$ 1,615	4%	$ 1,124	4%	$ 491	44%

Leads. Lead fees revenues increased $10.6 million, or 41%, in the third quarter of 2015 compared to the third quarter of 2014 primarily as a result of the Dealix/Autotegrity acquisition coupled with growth across several automotive Manufacturers significantly increasing lead volume demand.

Advertising. Advertising revenues increased $2.1 million, or 194%, in the third quarter of 2015 compared to the third quarter of 2014 as a result of increased website traffic and monetization of traffic through our relationship with Jumpstart Automotive Group, as well as increased click revenue and email campaign revenue.

Other Revenues. Other revenues increased $0.1 million in the third quarter of 2015 compared to the third quarter of 2014 due to increased sales of the Company's mobile products and an increase in revenue associated with SaleMove products.

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

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Cost of revenues increased $8.5 million, or 52%, in the third quarter of 2015 compared to the third quarter of 2014 primarily due to the Dealix/Autotegrity acquisition and corresponding increase in Lead volume.

Sales and Marketing. Sales and marketing expense includes costs for developing our brand equity, personnel costs and other costs associated with Dealer sales, website advertising, Dealer support and bad debt expense. Sales and marketing expense in the third quarter of 2015 increased $0.8 million, or 23%, compared to the third quarter of 2014 due to headcount related costs, in part associated with the Dealix/Autotegrity acquisition, and an enhanced focus around trade marketing.

Technology Support. Technology support expense includes compensation, benefits, software licenses and other direct costs incurred by the Company to enhance, manage, maintain, support, monitor and operate the Company's websites and related technologies, and to operate the Company's internal technology infrastructure. Technology support expense in the third quarter of 2015 increased by $1.5 million, or 74%, compared to the third quarter of 2014 due to increased headcount related expenses associated with the Dealix/Autotegrity acquisition.

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 2015 increased $0.4 million, or 14%, compared to the third quarter of 2014 due to increased headcount related expenses and professional fees associated with the Dealix/Autotegrity acquisition.

Depreciation and amortization. Depreciation and amortization expense in the third quarter of 2015 increased $0.2 million to $0.7 million compared to $0.5 million in the third quarter of 2014 primarily due to the addition of intangible assets related to the acquisition of Dealix/Autotegrity.

Litigation settlements. Payments primarily from 2010 settlements of patent infringement claims against third parties relating to the third parties' methods of Lead delivery for the third quarter of 2015 were $25,000, unchanged from the third quarter of 2014.

Interest and other income (expense), net. Interest and other expense was $0.2 million for both the third quarter of 2015 and 2014. Interest expense increased to $215,000 in the third quarter of 2015 from $183,000 in the third quarter of 2014 primarily due to increased borrowings on our term loans and revolving line of credit offset by decreased interest expense related to the Cyber Note.

Income taxes. Income tax expense was $1.5 million in the third quarter of 2015 compared to income tax expense of $0.7 million in the third quarter of 2014. Income tax expense for the third quarter of 2015 and 2014 differed from the federal statutory rate primarily due to unrecognized tax benefits, state income taxes and permanent non-deductible tax items.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

The following table sets forth certain income statement data for the nine-month periods ended September 30, 2015 and 2014 (certain amounts may not calculate due to rounding):

	2015	% of total revenues	2014	% of total revenues	$ Change	% Change
	(Dollar amounts in thousands)					
Revenues:						
Lead fees	$ 88,480	91%	$ 76,727	96%	$ 11,753	15%
Advertising	6,846	7	2,531	3	4,315	170
Other revenues	1,479	2	979	1	500	51
Total revenues	96,805	100	80,237	100	16,568	21
Cost of revenues	59,639	62	48,828	61	10,811	22
Gross profit	37,166	38	31,409	39	5,757	18
Operating expenses:						
Sales and marketing	11,430	12	11,078	14	352	3
Technology support	7,952	8	5,971	7	1,981	33
General and administrative	9,854	10	8,899	11	955	11
Depreciation and amortization	1,808	2	1,373	2	435	32
Litigation settlements	(75)	—	(118)	—	43	(36)
Total operating expenses	30,969	32	27,203	34	3,766	14
Operating income	6,197	6	4,206	5	1,991	47
Interest and other income (expense), net	(546)	—	(518)	—	(28)	5
Income before income tax provision	5,651	6	3,688	5	1,963	53
Income tax provision	2,391	3	1,394	2	997	72
Net income	$ 3,260	3%	$ 2,294	3%	$ 966	42%

Leads. Lead fees revenues increased $11.8 million, or 15%, in the first nine months of 2015 compared to the first nine months of 2014 primarily due to several automotive Manufacturers significantly increasing Lead volume coupled with revenues generated as a result of the Dealix/Autotegrity acquisition.

Advertising. Advertising revenues increased $4.3 million, or 170%, in the first nine months of 2015 compared to the first nine months of 2014 as a result of increased website traffic and monetization of traffic through our relationship with Jumpstart Automotive Group, as well as increased click revenue and email campaign revenue.

Other Revenues. Other revenues increased $0.5 million in the first nine months of 2015 compared to the first nine months of 2014 due to increased sales of the Company's mobile products and an increase in revenue associated with SaleMove products.

Cost of Revenues. Cost of revenues increased $10.8 million, or 22%, in the first nine months of 2015 compared to the first nine months of 2014 primarily due to a corresponding increase in Lead volume and the Dealix/Autotegrity acquisition.

Sales and Marketing. Sales and marketing expense in the first nine months of 2015 increased by $0.4 million, or 3%, compared to the first nine months of 2014 due principally to increased headcount related expenses associated with the Dealix/Autotegrity acquisition.

Technology Support. Technology support expense in the first nine months of 2015 increased by $2.0 million, or 33%, compared to the first nine months of 2014 due to increased headcount related expenses associated with the Dealix/Autotegrity acquisition.

General and Administrative. General and administrative expense in the first nine months of 2015 increased by $1.0 million, or 11%, from the first nine months of 2014, due to higher professional fees associated with acquisitions and increased headcount-related expenses.

Depreciation and amortization. Depreciation and amortization expense in the first nine months of 2015 increased $0.4 million to $1.8 million compared to $1.4 million in the first nine months of 2014 primarily due to the addition of intangible assets related to the acquisition of Dealix/Autotegrity.

Litigation settlements. Payments primarily from 2010 settlements of patent infringement claims against third parties relating to the third parties' methods of Lead delivery for the first nine months of 2015 were $75,000.

Interest and other income (expense), net. Interest and other expense was $0.5 million for both the first nine months of 2015 and 2014. Interest expense increased to $579,000 in the first nine months of 2015 from $536,000 in the first nine months of 2014 primarily due to increased borrowings on our term loans and revolving line of credit offset by decreased interest expense related to the Cyber Note.

Income taxes. Income tax expense was $2.4 million in the first nine months of 2015 compared to income tax expense of $1.4 million in the first nine months of 2014. Income tax expense for the first nine months of 2015 and 2014 differed from the federal statutory rate primarily due to unrecognized tax benefits, state income taxes and permanent non-deductible tax items.

Liquidity and Capital Resources

The table below sets forth a summary of our cash flows for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,	
	2015	2014
	(in thousands)	
Net cash provided by operating activities	$ 7,611	$ 5,590
Net cash used in investing activities	(26,821)	(10,969)
Net cash provided by financing activities	17,261	8,765

Our principal sources of liquidity are our cash and cash equivalents balances, as well as our ability to draw down from our credit facility described below. Our cash and cash equivalents totaled $18.8 million as of September 30, 2015 compared to cash and cash equivalents of $20.7 million as of December 31, 2014.

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

Credit Facility and Term Loan. On May 20, 2015, the Company entered into a Third Amendment to Loan Agreement ("**Credit Facility Amendment**") with MUFG Union Bank, N.A., formerly Union Bank, N.A. ("**Union Bank**"), amending the Company's existing Loan Agreement with Union Bank initially entered into on February 26, 2013, as amended on September 10, 2013 and January 13, 2014 (the existing Loan Agreement, as amended to date, is referred to collectively as the "**Credit Facility Agreement**"). The Credit Facility Agreement provided for a $9.0 million term loan ("**Term Loan 1**"). The Credit Facility Amendment provides for (i) a new $15.0 million term loan ("**Term Loan 2**"); (ii) the amendment of certain financial covenants in the Credit Facility Agreement; and (iii) amendments to the Company's existing $8.0 million working capital revolving line of credit ("**Revolving Loan**").

Term Loan 1 is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under Term Loan 1 bear interest at either (i) the bank's Reference Rate (prime rate) minus 0.50% or (ii) the LIBOR plus 2.50%, at the option of the Company. Interest under Term Loan 1 adjusts (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. Borrowings under Term Loan 1 are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 1 matures on December 31, 2017. Borrowing under Term Loan 1 was limited to use for the acquisition of AutoUSA, and the Company drew down the entire $9.0 million of Term Loan 1, together with $1.0 million under the Revolving Loan, in financing this acquisition. The outstanding balance of Term Loan 1 as of September 30, 2015 was $5.1 million.

Term Loan 2 is amortized over a period of five years, with fixed quarterly principal payments of $750,000. Borrowings under Term Loan 2 bear interest at either (i) the London Interbank Offering Rate ("**LIBOR**") plus 3.00% or (ii) the bank's Reference Rate (prime rate), at the option of the Company. Borrowings under the Revolving Loan bear interest at either (i) the LIBOR plus 2.50% or (ii) the bank's Reference Rate (prime rate) minus 0.50%, at the option of the Company. Interest under both Term Loan 2 and the Revolving Loan adjust (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. The Company paid an upfront fee of .10% of the Term Loan 2 principal amount upon drawing upon Term Loan 2 and also pays a commitment fee of 0.10% per year on the unused portion of the Revolving Loan, payable quarterly in arrears. Borrowings under Term Loan 2 and the Revolving Loan are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 2 matures June 30, 2020, and the maturity date of the Revolving Loan was extended from March 31, 2017 to April 30, 2018. Borrowings under the Revolving Loan may be used as a source to finance working capital, capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under Term Loan 2 was limited to use for the acquisition of Dealix/Autotegrity, and the Company drew down the entire $15.0 million of Term Loan 2, together with $2.75 million under the Revolving Loan and $6.76 million from available cash on hand, in financing this acquisition. The outstanding balances of Term Loan 2 and the Revolving Loan as of September 30, 2015 were $14.3 million and $8.0 million, respectively.

The Credit Facility Agreement contains certain customary affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain specified levels of minimum consolidated liquidity and quarterly and annual earnings before interest, taxes and depreciation and amortization, which the Company was in compliance with as of September 30, 2015.

Net Cash Provided by Operating Activities. Net cash provided by operating activities in the nine months ended September 30, 2015 of $7.6 million resulted primarily from net income of $3.3 million, as adjusted for non-cash charges to earnings. This was offset by net decreases in working capital, driven by cash used to reduce accrued liabilities of $2.1 million primarily related to the payment of annual incentive compensation amounts and severance accrued in 2014 and paid in the first nine months of 2015 and decreases in other assets.

Net cash provided by operating activities in the nine months ended September 30, 2014 of $5.6 million resulted primarily from net income of $2.3 million, as adjusted for non-cash charges to earnings, in addition to cash used to reduce accrued liabilities of $0.3 million primarily related to the payment of annual incentive compensation amounts and severance accrued in 2013 and paid in the first three months of 2014 and a $0.2 million increase in our accounts payable balance related to the timing of payments made. This was offset by a $0.7 million increase in our accounts receivable balance related to the timing of payments received from our customers as well as a $0.8 million change in other assets.

Net Cash Used in Investing Activities. Net cash used in investing activities was $26.8 million in the nine months ended September 30, 2015 which primarily related to the acquisition of Dealix/Autotegrity and purchases of property and equipment.

Net cash used in investing activities was $11.0 million in the nine months ended September 30, 2014 and primarily related to the acquisition of AutoUSA.

Net Cash Provided by Financing Activities. Net cash provided by financing activities primarily related to borrowings on our term loans of $15.0 million, borrowings on the Revolving Loan of $2.8 million, proceeds from the exercise of the Cyber Warrant by Auto Holdings of $1.9 million offset by payments of $2.4 million made against the term loan borrowings in the first nine months of 2015. In addition, stock options for 19,074 shares of the Company's common stock were exercised in the first nine months of 2015 resulting in $0.1 million cash inflow.

Stock options for 118,996 shares of the Company's common stock were exercised in the nine months ended September 30, 2014 resulting in $0.5 million cash inflow. We also borrowed $9.0 million and $1.0 million against the term loan and Revolving Loan, respectively, to fund the purchase of AutoUSA in the nine months ended September 30, 2014. Payments of $1.7 million were made against the term loan borrowings in the nine months ended September 30, 2014.

Off-Balance Sheet Arrangements

At September 30, 2015, we had no off-balance sheet arrangements as defined in Regulation S-K, Item 303(a)(4)(D)(ii).

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

In the ordinary course of business, we are exposed to various market risk factors, including fluctuations in interest rates and changes in general economic conditions. For the three and nine months ended September 30, 2015 there were no material changes in the information required to be provided under Item 305 of Regulation S-K from the information disclosed in Item 7A of the 2014 Form 10-K.

Item 4. *Controls and Procedures*

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended ("**Exchange Act**"). Based on the evaluation, our Chief Executive Officer and our Chief Financial Officer believe that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act are (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure.

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

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

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

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PART II. OTHER INFORMATION

Item 6. Exhibits

2.1‡	Asset Purchase Agreement dated as of September 30, 2013 by and among Autobytel Inc., a Delaware corporation, Advanced Mobile, LLC, a Delaware limited liability company, and Advanced Mobile Solutions Worldwide, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on October 3, 2013 (SEC File No. 001-34761)
2.2‡	Membership Interest Purchase Agreement dated as of January 13, 2014 by and among Autobytel Inc., a Delaware corporation, AutoNation, Inc., a Delaware corporation, and AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on January 17, 2014 (SEC File No. 001-34761)
2.3‡	Stock Purchase Agreement dated as of May 21, 2015 by and among the Company, CDK Global, LLC, a Delaware limited liability company, Dealix Corporation, a California corporation, and Autotegrity, Inc., a Delaware corporation incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on May 27, 2015 (SEC File No. 001-34761) ("**May 2015 Form 8-K**")
2.4‡	Agreement and Plan of Merger dated as of October 1, 2015 by and among Autobytel Inc., a Delaware corporation, New Horizon Acquisition Corp., a Delaware corporation, AutoWeb, Inc., a Delaware corporation, and Jose Vargas, which is incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on October 6, 2015 (SEC File No. 001-34761) ("**October 2015 Form 8-K**")
3.1	Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. (formerly Autobytel.com Inc.) certified by the Secretary of State of Delaware (filed December 14, 1998), as amended by Certificate of Amendment dated March 1, 1999, Second Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 22, 1999, Third Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel dated August 14, 2001, Certificate of Designation of Series A Junior Participating Preferred Stock dated July 30, 2004, and Amended Certificate of Designation of Series A Junior Participating Preferred Stock dated April 24, 2009, which are incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 filed with the SEC on April 24, 2009 (SEC File No. 000-22239); Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 10, 2012, which is incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on July 12, 2012; and Fifth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 3, 2013, which is incorporated herein by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed with the SEC on August 1, 2013 (SEC File No. 001-34761); and Certificate of Designations of Series B Junior Participating Convertible Preferred Stock of Autobytel Inc. dated October 1, 2015, which is incorporated herein by reference to Exhibit 3.1 to the October 2015 Form 8-K
3.2	Fifth Amended and Restated Bylaws of Autobytel Inc. dated October 1, 2015, which is incorporated herein by reference to Exhibit 3.2 to the October 2015 Form 8-K

4.1	Form of Common Stock Certificate of Autobytel, which is incorporated herein by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 filed with the SEC on November 14, 2001 (SEC File No. 000-22239)
4.2	Tax Benefit Preservation Plan dated as of May 26, 2010 between Autobytel 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 Autobytel Inc., which is incorporated herein 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), as amended by Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, between Autobytel Inc. and Computershare Trust Company, N.A., as rights agent, which is incorporated herein 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)
4.3	Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan dated July 12, 2012, which is 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	Amended and Restated Stockholder Agreement dated as of October 1, 2015 by and among Autobytel Inc., a Delaware corporation, Auto Holdings Ltd., a British Virgin Islands business company, Manatee Ventures Inc., a British Virgin Islands business company, Galeb3 Inc., a Florida corporation, Matias de Tezanos, and Jose Vargas, and the other parties set forth on the signature pages thereto, which is incorporated by reference to Exhibit 10.2 to the October 2015 Form 8-K
10.2	Form of Warrant to Purchase Series B Junior Participating Convertible Preferred Stock dated as of October 1, 2015 issued by Autobytel Inc., a Delaware corporation, to the persons listed on Schedule A thereto, which is incorporated herein by reference to Exhibit 10.1 to the October 2015 Form 8-K
31.1*	Rule 13a-14(a)/15d-14(a) Certification by Principal Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification by Principal Financial Officer
32.1*	Section 1350 Certification by Principal Executive Officer and Principal Financial Officer
101.INS††	XBRL Instance Document
101.SCH††	XBRL Taxonomy Extension Schema Document
101.CAL††	XBRL Taxonomy Calculation Linkbase Document
101.DEF††	XBRL Taxonomy Extension Definition Document
101.LAB††	XBRL Taxonomy Label Linkbase Document
101.PRE††	XBRL Taxonomy Presentation Linkbase Document

* Filed or furnished herewith.

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

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

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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.

AUTOBYTEL INC.

Date: November 5, 2015	By:	/s/ Kimberly S. Boren
		Kimberly S. Boren
		Senior Vice President and Chief Financial Officer
		(Duly Authorized Officer and Principal Financial Officer)
Date: November 5, 2015	By:	/s/ Wesley Ozima
		Wesley Ozima
		Vice President and Controller
		(Principal Accounting Officer)

EXHIBIT INDEX

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101.LAB††	XBRL Taxonomy Label Linkbase Document
101.PRE††	XBRL Taxonomy Presentation Linkbase Document

* Filed or furnished herewith.

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

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

Exhibit 31.1

CERTIFICATION

I, Jeffrey H. Coats, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Autobytel 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 we 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 5, 2015

/s/ Jeffrey H. Coats

Jeffrey H. Coats

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Kimberly S. Boren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Autobytel 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 we 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 5, 2015

/s/ Kimberly S. Boren

Kimberly S. Boren,
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Autobytel Inc. (the "*Company*") on Form 10-Q for the period ended September 30, 2015 (the "*Report*"), we, Jeffrey H. Coats, President and Chief Executive Officer of the Company, and Kimberly S. Boren, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Jeffrey H. Coats
Jeffrey H. Coats
President and Chief Executive Officer
November 5, 2015

/s/ Kimberly S. Boren
Kimberly S. Boren
Senior Vice President and
Chief Financial Officer
November 5, 2015

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