

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 4
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AUTO-BY-TEL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	7375 (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	33-0711569 (I.R.S. EMPLOYER IDENTIFICATION NUMBER)
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AUTO-BY-TEL CORPORATION
18872 MACARTHUR BOULEVARD, SUITE 200
IRVINE, CALIFORNIA 92612-1400
(714) 225-4500
(ADDRESS AND TELEPHONE NUMBER OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

MARK W. LORIMER, ESQ.
VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
AUTO-BY-TEL CORPORATION
18872 MACARTHUR BOULEVARD, SUITE 200
IRVINE, CALIFORNIA 92612-1400
(714) 225-4500
(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE OF PROCESS)

COPIES TO:

RICHARD J. CHAR, ESQ. RICHARD J. HART, ESQ. DAVID M. CAMPBELL, ESQ. WILSON SONSINI GOODRICH & ROSATI PROFESSIONAL CORPORATION 650 PAGE MILL ROAD PALO ALTO, CALIFORNIA 94304 (415) 493-9300	ROD A. GUERRA, JR., ESQ. SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP 300 SOUTH GRAND AVENUE LOS ANGELES, CALIFORNIA 90071 (213) 687-5000
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration
Statement.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box. []

If this form is filed to register additional securities for an offering

pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Amendment No. 4 to the Registration Statement on Form S-1 is being filed for the purpose of responding to the comments of the Securities and Exchange Commission, in its letter dated March 21, 1997, to the Company's application for confidential treatment, revising the exhibit index and submitting a re-marked version of Exhibits 10.8, 10.9, 10.10, 10.11, 10.12, 10.16, 10.17 and 10.18.

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+THE INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
+REGISTRATION STATEMENT RELATING TO THE SECURITIES DESCRIBED HEREIN HAS BEEN +
+FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT +
+BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION +
+STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO +
+SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF +
+THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD +
+BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS +
+OF ANY SUCH STATE. +
+++++
SUBJECT TO COMPLETION, DATED MARCH 7, 1997

4,000,000 SHARES

[LOGO OF AUTO-BY-TEL APPEARS HERE]

AUTO-BY-TEL CORPORATION
COMMON STOCK

Of the 4,000,000 shares of Common Stock offered hereby (the "Offering"), 3,600,000 are being sold by Auto-By-Tel Corporation ("Auto-By-Tel" or the "Company") and 400,000 are being sold by the Selling Stockholder. The Company will not receive any of the proceeds from the sale of shares by the Selling Stockholder. See "Principal and Selling Stockholders." Prior to the Offering, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between \$9.50 and \$11.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Company's Common Stock has been approved for listing on the Nasdaq National Market under the symbol "ABTL."

THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 6 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE SHARES OF COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discount(1)	Proceeds to Company(2)	Proceeds to Selling Stockholder
Per Share.....	\$	\$	\$	\$
Total(3).....	\$	\$	\$	\$

(1) See "Underwriting" for information concerning indemnification of the Underwriters and other matters.

(2) Before deducting expenses payable by the Company estimated at \$1,300,000.

(3) The Company has granted to the Underwriters a 30-day option to purchase up to 600,000 additional shares of Common Stock solely to cover over-allotments, if any. If the Underwriters exercise this option in full, the Price to Public will total \$, the Underwriting Discount will total \$ and the Proceeds to Company will total \$. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters named herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the certificates representing such shares will be made against payment therefor at the office of Montgomery Securities on or about , 1997.

MONTGOMERY SECURITIES
COWEN & COMPANY

ROBERTSON, STEPHENS & COMPANY

, 1997

The top half of this page contains a picture showing the first page of the Company's Web site.

The Company intends to distribute to its stockholders annual reports containing financial statements audited by its independent accountants and copies of quarterly earnings reports for the first three quarters of each fiscal year containing unaudited financial information.

Auto-By-Tel is a registered service mark of the Company. Auto-By-Tel, ABT Mobilist and the Company's logo are trademarks of the Company. This Prospectus also includes trademarks and tradenames of companies other than the Company.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, SHARES OF THE COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

INSIDE FRONT COVER FOLD OUT

This page contains a series of six pictures depicting the steps to buying a vehicle using the Auto-By-Tel program. The page is entitled "How Auto-By-Tel Works." In the center of the six pictures is the caption: "The easiest, most hassle-free way ever invented to buy a car."

Picture #1 depicts a consumer sitting at a terminal. The caption beneath picture #1 reads: "At any time of day or night, Internet users can start their vehicle purchasing process on the AUTO-BY-TEL World Wide Web site. No salespeople, no crowds, no hassles."

Picture #2 depicts the Company's Web site. The caption beneath picture #2 reads: "The AUTO-BY-TEL home page is an easy interface for everyone to use."

Picture #3 depicts another page from the Company's Web site featuring automobile information providers. The caption beneath picture #3 reads: "AUTO-BY-TEL has arrangements with popular automotive information providers on the World Wide Web. To date, hundreds of thousands of vehicle buyers have taken AUTO-BY-TEL for a test drive." Above picture #3 are the logos of three of the Company's automotive information providers.

Picture #4 depicts the form of purchase request from the Company's Web site. The caption beneath picture #4 reads: "An AUTO-BY-TEL participating dealership calls the customer (usually within 48 hours of a purchase request) with a low, no haggle price. All paperwork is prepared before a customer arrives at the participating dealership to pick up the vehicle."

Picture #5 depicts a map of the United States with Auto-By-Tel dealer locations represented. The caption beneath picture #5 reads: "AUTO-BY-TEL has hundreds of participating dealerships, including members of some of the largest auto dealer groups in the U.S., waiting to serve customers."

Picture #6 depicts a consumer taking delivery of a vehicle. The caption beneath picture #6 reads: "Prospective vehicle buyers indicate their desired vehicle and options by completing an online purchase request. This is delivered electronically to the AUTO-BY-TEL participating dealership closest to the buyer."

At any time of day or night, Internet users can start their vehicle purchasing process on the AUTO-BY-TEL World Wide Web site. No salespeople, no crowds, no hassles.

An AUTO-BY-TEL participating dealership calls the customer (usually within 48 hours of a purchase request) with a low, no haggle price. All paperwork is prepared before a customer arrives at the participating dealership to pick up the vehicle.

The AUTO-BY-TEL home page is an easy interface for everyone to use.

AUTO-BY-TEL has hundreds of participating dealerships, including members of some of the largest auto dealer groups in the U.S., waiting to serve customers.

AUTO-BY-TEL has exclusive arrangements with popular automotive information providers on the World Wide Web. To date, hundreds of thousands of vehicle buyers have taken AUTO-BY-TEL for a test drive.

Prospective vehicle buyers indicate their desired vehicle and options by completing an online purchase request. This is delivered electronically to the AUTO-BY-TEL participating dealership closest to the buyer.

"The easiest, most hassle-free way ever invented to buy a car"

PROSPECTUS SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information, including "Risk Factors" and the Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Prospectus. Except as otherwise noted or the context otherwise requires, all information in this Prospectus (i) gives effect to a five-for-three split of the Company's Common Stock approved by the Board of Directors on November 24, 1996, (ii) gives effect to the conversion of all outstanding shares of Preferred Stock into 3,467,915 shares of Common Stock which will occur automatically immediately prior to the closing of this Offering, (iii) assumes no exercise of outstanding options to purchase 2,405,565 shares of the Company's Common Stock under the Company's 1996 Stock Option Plan and 1996 Stock Incentive Plan, and (iv) assumes no exercise of the Underwriters' over-

allotment option. See "Management--Stock Plans," "Description of Capital Stock" and "Underwriting."

THE COMPANY

Auto-By-Tel is establishing a nationally branded Internet-based marketing service for new and used vehicle purchasing and related consumer services. The Company's Web site (www.autobytel.com) enables consumers to gather valuable information about automobiles and light duty trucks ("vehicles") and shop for vehicles and related consumer services from the convenience of their home or office. This convenience, coupled with low, haggle-free pricing and quick and courteous service, improves consumers' overall buying experiences. The Company's Internet-based alternative to traditional vehicle retailing dramatically reduces participating dealerships' selling costs per vehicle and increases sales volumes by channeling a large number of ready-to-buy, well-informed consumers to Auto-By-Tel participating dealerships. The Company's Internet-based services are free to consumers and, to date, the Company has derived substantially all of its revenues from fees paid by subscribing dealerships. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Business--Overview."

Consumers wishing to purchase new vehicles through the Company's service complete a purchase request available on the Company's and its partners' Web sites which specifies the type of vehicle and accessories desired along with the consumer's phone number, e-mail address and zip code. The purchase request is then forwarded to the Auto-By-Tel participating dealership located in the consumer's geographic area. Typically, consumers are contacted by Auto-By-Tel dealers within 48 hours with a firm, competitive quote for the vehicle, eliminating the unwelcome and time consuming task of negotiating with the dealer and thus facilitating completion of the sale. As of December 31, 1996 the Company's dealership base consisted of (i) 1,206 paying franchises of dealerships, (ii) 509 non-paying franchises affiliated with paying dealerships (collectively, "subscribing dealerships") and (iii) approximately 230 "trial dealers." From the commencement of operations in March 1995 to December 31, 1996, the Company received more than 385,000 new vehicle purchase requests. See "Business--Overview," "--Products and Services" and "--Dealer Network and Training."

The emergence of the Internet as a significant communications medium is driving the development and adoption of Web content and commerce applications that offer convenience and value to consumers, as well as unique marketing opportunities and reduced operating costs to businesses. A growing number of consumers have begun to transact business electronically, including paying bills, booking airline tickets, trading securities and purchasing consumer goods, such as personal computers, consumer electronics, compact disks, books and vehicles. Moreover, online transactions can be faster, less expensive and more convenient than transactions conducted through a human intermediary. In addition, Web commerce applications enable businesses to rapidly target and economically manage a broad customer base and establish and maintain ongoing direct customer relationships. International Data Corporation ("IDC") estimates that the dollar value of goods and services purchased over the Web will increase from approximately \$318 million in 1995 to \$95 billion in the year 2000. The Auto-By-Tel vehicle marketing service seeks to utilize the unique marketing capabilities of the Web to address the \$660 billion annual U.S. new and used vehicle market. See "Business--Industry Background."

To create higher levels of consumer satisfaction, the Company focuses on improving the manner in which dealers interact with consumers. Auto-By-Tel seeks to establish business relationships with dealerships which share the Company's commitment to improving customer service in the vehicle retailing industry. To meet this

goal, the Company requests that participating dealerships have their representatives trained in the Auto-By-Tel marketing program, dedicate electronic and human resources to the Auto-By-Tel system and comply with the Auto-By-Tel guidelines of rapid consumer response, full disclosure, and competitive and up-front pricing communicated over telephone. See "Business--Dealership Network and Training."

An important aspect of the Company's strategy is to strengthen the Auto-By-Tel brand name, as a means of driving consumer traffic to the Company's Web site and thereby increasing the volume of vehicle purchase requests. In

addition to marketing its services through relationships with Internet content providers and advertising on Internet search engines and other online services, the Company is expanding its marketing efforts through traditional print media and on network television. The Company intends to capitalize on the increasing visibility of the Auto-By-Tel brand name as a nationally recognized Internet-based marketing service for new vehicles by offering additional services such as online used vehicle purchasing, and vehicle financing, leasing and insurance services. Auto-By-Tel is currently developing a used vehicle purchasing program for its network of new vehicle dealerships. The Company has an agreement whereby certain member companies of American International Group ("AIG"), one of the largest international insurance organizations, will offer to provide personal automobile vehicle insurance through the Company's Web site. The Company also has an agreement with Chase Manhattan Automotive Finance Corporation ("Chase Manhattan") under which Chase Manhattan, together with its affiliates, will receive credit applications for new vehicle financing online via the Company's Web site from Auto-By-Tel's consumers. This arrangement with Chase Manhattan is intended for prime credit consumers and the Company is currently negotiating similar relationships with several leading financial institutions to offer new and used vehicle leasing services and new and used vehicle financing to sub-prime credit consumers. See "Business--The Auto-By-Tel--Strategy" and "--Marketing and Sales."

Auto-By-Tel LLC was formed in January 1995 and began operations in March 1995. In July 1995, it introduced its Web site. Effective as of May 31, 1996, the interests of the members of Auto-By-Tel LLC and ABT Acceptance Company LLC, an affiliate, were transferred to the Company in a tax free transaction. The address of the Company's principal executive offices is 18872 MacArthur Boulevard, Suite 200, Irvine, California 92612-1400, and the Company's telephone and fax numbers are (714) 225-4500 and (714) 225-4562, respectively. The Company's home page is located on the World Wide Web at <http://www.autobytel.com>. Information contained on the Company's Web site or online services does not constitute part of this Prospectus.

THE OFFERING

Common Stock offered by the Company..	3,600,000 shares
Common Stock offered by the Selling	
Stockholder.....	400,000 shares
Common Stock to be outstanding after	
the Offering.....	19,495,136 shares(1)
Use of proceeds.....	For working capital and general corporate purposes
Proposed Nasdaq National Market	
symbol.....	ABTL

RISK FACTORS

An investment in the Common Stock offered hereby involves a high degree of risk. Prospective investors should consider carefully the certain factors described in "Risk Factors," including those set forth under the headings: "Limited Operating History and Accumulated Deficit;" "Potential Fluctuations in Quarterly Results;" "Potential Seasonality and Changes in General Economic Conditions;" "Fluctuations Resulting From the Introduction of New Services by the Company or Competitors;" "Regulatory Uncertainties and Government Regulation;" "Dependence on Automotive Information Providers;" "Requirement to Strengthen the Auto-By-Tel Brand Name;" "High Cost of Advertising and Marketing;" "Competition;" "Dependence on Dealership Network; Resistance to Written Agreements;" "Failure of Participating Dealerships to Adhere to Auto-By-Tel Sales Practices;" "Rapid Technological Change and System Disruptions;" "Potential Security Breaches;" "Risks Associated with Introduction of New Service Offerings;" "Dependence on Third Parties for New Services;" and "Uncertain Acceptance of Internet-based Marketing Services."

	JANUARY 31, 1995	THREE MONTHS ENDED				YEAR ENDED
	(DATE OF INCEPTION) TO DECEMBER 31, 1995	MARCH 31, 1996	JUNE 30, 1996	SEPTEMBER 30, 1996	DECEMBER 31, 1996	DECEMBER 31, 1996
STATEMENT OF OPERATIONS DATA:						
Revenues.....	\$ 274	\$ 436	\$ 952	\$ 1,434	\$ 2,203	\$ 5,025
Operating expenses:						
Marketing and advertising.....	476	475	678	1,247	2,039	4,439
Selling, training and support.....	454	362	563	851	1,417	3,193
Technology development.....	99	67	78	294	954	1,393
General and administrative.....	275	134	258	740	1,027	2,159
Total operating expenses.....	1,304	1,038	1,577	3,132	5,437	11,184
Loss from operations....	(1,030)	(602)	(625)	(1,698)	(3,234)	(6,159)
Other income (expense), net.....	--	--	(6)	22	108	124
Net loss.....	(1,030)	(602)	(631)	(1,676)	(3,126)	(6,035)
Net loss per common and common equivalent share(2).....	\$ (.07)	\$ (.04)	\$ (.04)	\$ (.11)	\$ (.19)	\$ (.38)
Weighted average common and common equivalent shares outstanding(2)..	15,262,262	15,262,262	15,262,262	15,892,576	16,761,962	15,792,293
SUPPLEMENTAL OPERATING DATA:						
Purchase requests received.....	42,600	44,900	73,700	102,700	123,700	345,000
Paying franchises of subscribing dealerships.....	253	546	728	978	1,206	1,206

DECEMBER 31, 1996

	ACTUAL	PRO FORMA AS ADJUSTED (3)
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BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 9,062	\$51,129
Working capital.....	5,960	48,027
Total assets.....	12,298	54,365
Total liabilities.....	4,302	4,302
Accumulated deficit.....	(7,065)	(7,065)
Stockholders' equity.....	7,996	50,063

- (1) Based on 15,895,136 shares of Common Stock outstanding on a pro forma basis as of January 31, 1997. Excludes 2,405,565 shares of Common Stock issuable upon exercise of outstanding options as of January 31, 1997, at a weighted average exercise price of \$2.55 per share. Assumes no exercise of the Underwriters' over-allotment option.
- (2) See Note 1.0 of Notes to Consolidated Financial Statements for an explanation of the determination of shares used in computing net loss per share.
- (3) Adjusted to reflect (i) the sale of 967,915 shares of Series B Preferred Stock on January 30, 1997 at a price of \$9.35 per share and (ii) the conversion of all outstanding shares of Preferred Stock immediately prior to the closing of the Offering and (iii) the receipt by the Company of the estimated net proceeds of \$33.0 million from the sale of 3,600,000 shares

of Common Stock offered hereby at an assumed initial public offering price of \$10.25 per share. See "Use of Proceeds."

RISK FACTORS

An investment in the Common Stock offered hereby involves a high degree of risk. In addition to the other information in this Prospectus, the following risk factors should be carefully considered in evaluating the Company and its business before purchasing the shares of Common Stock offered hereby. This Prospectus contains certain forward-looking statements based on current expectations which involve risks and uncertainties. Actual results and the timing of certain events may differ materially from those projected in such forward-looking statements due to a number of factors, including those set forth below.

LIMITED OPERATING HISTORY AND ACCUMULATED DEFICIT

The Company was formed in January 1995 and introduced its vehicle marketing program for new vehicle dealerships over Prodigy in March 1995 and over the Internet in July 1995. The Company first recognized revenues from operations in March 1995. Accordingly, the Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based, and this limited operating history makes the prediction of future operating results difficult or impossible. In addition, the Company believes that, in order to achieve its objectives, it will need to significantly increase revenues from existing services and generate revenues from new services, such as its used vehicle buying service and its vehicle financing and insurance policy referral services. There can be no assurance that the Company will successfully introduce or generate sufficient revenues from such services. The Company had an accumulated deficit as of December 31, 1996 of \$7.1 million. In addition, the Company expects to incur operating losses in future periods. The Company's prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in the early stages of development, particularly companies in new and rapidly evolving markets, such as the market for Internet commerce. To address these risks, the Company must, among other things, continue to send vehicle purchase requests to dealers that result in sales in sufficient numbers to support the marketing fees charged by the Company to its subscribing dealerships, respond to competitive developments, increase its brand name visibility, successfully introduce new services, continue to attract, retain and motivate qualified personnel, and continue to upgrade and enhance its technologies to accommodate expanded service offerings and increased consumer traffic. There can be no assurance that the Company will be successful in addressing such risks. In addition, although the Company has experienced revenue growth in recent periods, historical growth rates are not sustainable and are not indicative of future operating results, and there can be no assurance that the Company will achieve or maintain profitability. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

POTENTIAL FLUCTUATIONS IN QUARTERLY RESULTS

As a result of the Company's limited operating history, the Company lacks sufficient historical financial and operating data on which to adequately base future operating results. The Company's costs are based, in part, on fees paid to companies that maintain Web sites which allow consumers to submit purchase requests. Agreements with such companies generally have fixed terms ranging from one to five years, although certain of these agreements are terminable on short notice. Under such agreements, fees may be fixed or may vary depending on the number of purchase requests submitted through other companies' Web sites, or may be a combination thereof. Accordingly, increases in the number of purchase requests received will increase the Company's operating costs, which may not result in increased revenues to the Company. In addition, the Company incurs significant expenses to market its services on other Web sites and online services. Such expenses are generally fixed and are paid pursuant to marketing agreements which have terms of up to one year. The Company's expense levels are based in part on its expectations as to future revenues, which may vary in relation to increases or decreases in the number of dealerships that subscribe to the Company's marketing programs. Currently, less than half of subscribing dealerships are subject to written marketing agreements and these subscribing dealerships may cancel their agreements with 30 days' prior notice. As a result, quarterly revenues and operating results may vary significantly in response to any significant change in the number of

subscribing dealerships. The Company's inability to adjust spending in a timely manner to compensate for any unexpected revenue shortfall would have a material adverse effect on the Company's business, results of operations and

6

financial condition. In addition, the Company anticipates significant increases in expenses as a result of planned increases in its marketing and advertising programs, development of affiliate programs relating to vehicle insurance and financing, and the introduction of a used vehicle marketing service. To the extent that such expenses exceed, precede or are not subsequently followed by increased revenues, the Company's business, results of operations and financial condition will be materially adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

POTENTIAL SEASONALITY AND CHANGES IN GENERAL ECONOMIC CONDITIONS

Significant fluctuations in future quarterly operating results may also be caused by traditional seasonality in the automotive and light duty truck markets and other changes in general economic conditions, which may result in fluctuations in the level of purchase requests completed by consumers or adversely affect demand for the Company's existing and planned services. As a result of the Company's limited operating history and the significant growth in operations since inception, the Company has not to date experienced significant seasonality in its business. However, the automotive and light truck markets historically experience weakest sales in the fourth calendar quarter. In addition, unit sales of motor vehicles, particularly new vehicles, historically have been cyclical, fluctuating with general economic cycles. During economic downturns, the automotive retailing industry tends to experience similar periods of decline and recession as the general economy. The Company believes that the automotive and light truck industry is influenced by general economic conditions and particularly by consumer confidence, the level of personal discretionary spending, interest rates and credit availability. There can be no assurance that the automotive and light truck industry will not experience sustained periods of decline in vehicle sales in the future. Such a decline could have a material adverse effect on the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

FLUCTUATIONS RESULTING FROM THE INTRODUCTION OF NEW SERVICES BY THE COMPANY OR COMPETITORS

The introduction by the Company of new services or the introduction of new services by the Company's competitors may also result in significant fluctuations in quarterly operating results. In addition, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing or marketing decisions or establish strategic relationships that could have a material adverse effect on the Company's business, results of operations or financial condition. In particular, the Company may need to revise the marketing fees it charges to subscribing dealerships. There can be no assurance that subscribing dealerships will continue to participate in the Company's marketing programs or agree to future fee increases. In addition, there can be no assurance that marketing fees derived from subscribing dealerships will be sufficient to cover the Company's expenses. The foregoing factors make it likely that in some future quarters the Company's operating results will be below the expectations of the Company, securities analysts or investors. In such event, the trading price of the Common Stock would likely be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

REGULATORY UNCERTAINTIES AND GOVERNMENT REGULATION

The Company believes that its dealer marketing service does not qualify as a brokerage activity and, therefore, that the Company does not need to comply with state broker licensing requirements. In Texas, however, the Company was required to modify its marketing program to include a pricing model under which subscribing dealerships are charged uniform fees based on the population density of their particular geographic area and to make its program open to all dealerships who wish to apply. In the event that individual state regulatory requirements change or additional requirements are imposed on the Company, the Company may be required to modify its marketing programs in such states in a manner which may undermine the program's attractiveness to

consumers or dealers. In addition, in the event that a state deems that the Company is acting as a broker, the Company may be required to comply with burdensome licensing requirements of such state or terminate operations in such state. In each case, the Company's business, results of operations or financial condition could be materially and adversely affected.

7

The Company's marketing service may result in changes in the way new and used vehicles are sold which may be deemed to be threatening by new and used vehicle dealerships which do not subscribe to the Auto-By-Tel program. Such businesses are often represented by influential lobbying organizations, and such organizations may seek to introduce legislation which may impact the evolving marketing and distribution model which the Company's service promotes. Should legislative or legal challenges be brought successfully by such organizations, the Company's business, results of operations or financial condition could be materially and adversely affected.

As the Company introduces new services, the Company may need to comply with additional licensing regulations and regulatory requirements. For example, the Company recently obtained an insurance brokerage license in California and has begun procuring insurance brokerage licenses in other states to ensure compliance with applicable insurance regulations, if any, of such states. In addition, the Company is currently in the process of applying for financial brokers' licenses in those states in which the Company believes such licenses are required. Becoming licensed may be an expensive and time-consuming process which could divert the efforts of management. In the event that the Company does not successfully become licensed under applicable state insurance or lending rules or otherwise comply with regulations necessitated by changes in current regulations or the introduction of new services, the Company's business, results of operations or financial condition could be materially and adversely affected.

Additionally, there are currently few laws or regulations directly applicable to access to or commerce on the Internet. However, due to the increasing popularity and use of the Internet, it is likely that a number of laws and regulations may be adopted at the local, state, national or international levels with respect to commerce over the Internet, potentially covering issues such as pricing of services and products, advertising, user privacy and expression, intellectual property, information security, anti-competitive practices or the convergence of traditional distribution channels with Internet commerce. In addition, tax authorities in a number of states are currently reviewing the appropriate tax treatment of companies engaged in Internet commerce. New state tax regulations may subject the Company to additional state sales and income taxes. The adoption of any such laws or regulations may decrease the growth of Internet usage or the acceptance of Internet commerce which could, in turn, decrease the demand for the Company's services and increase the Company's costs or otherwise have a material adverse effect on the Company's business, results of operations or financial condition. See "Business--Government Regulation."

DEPENDENCE ON AUTOMOTIVE INFORMATION PROVIDERS

The Company receives a significant number of purchase requests from certain automotive information providers, including Edmund's, Microsoft CarPoint and AutoSite. The Company's agreements with automotive information providers typically have terms ranging from one to three years, but some are cancellable with 30 days notice. Under the agreements, Auto-By-Tel typically pays the automotive information provider a monthly fee based on the number of users who submit Auto-By-Tel purchase requests. In 1996, the Company incurred expenses to automotive information providers of approximately \$630,000. The termination of any of these relationships, or any significant reduction in traffic to the Web sites on which the Company's services are advertised or offered, could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company has established a relationship with Edmund's, a leading source of online automobile and light truck price and model information. Consumers are sometimes referred to Auto-By-Tel from Edmund's. At other times, consumers will begin at the Auto-By-Tel Web site and will be hyperlinked to the Edmund's Web site to obtain price and model information, before returning to Auto-By-Tel to submit a purchase request. The Company pays Edmund's a fee based on the aggregate number of referred and returning consumers submitting a purchase request. In 1996, approximately 170,000 consumers who eventually submitted

purchase requests with Auto-By-Tel either were referred to the Company's Web site from Edmund's, or went to the Edmund's site and then returned to Auto-By-Tel. While the Company expects the number of referrals and returning consumers from the Edmund's Web site to remain significant, the percentage of consumers entering from or visiting Edmund's during an Auto-By-Tel session has decreased in the past several months due to (i) the availability of other automobile

8

information Web sites, (ii) Auto-By-Tel's new practice of referring consumers to an alternate automobile information provider, and (iii) the Company's marketing efforts to encourage consumers to begin their automobile purchasing sessions at the Company's Web site. Nevertheless, given the current level of consumers accessing the Company from Edmund's, a change or termination in the Edmund's arrangement could have a material adverse effect on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business--Strategy" and "--Marketing and Sales."

REQUIREMENT TO STRENGTHEN THE AUTO-BY-TEL BRAND NAME

The Company believes that enhancing its national brand name recognition is critical to its efforts to maintain and increase the number of purchase requests and subscribing dealerships. The growing number of Web sites which offer competing services and the relatively low barriers to entry in providing Internet services increase the importance of establishing and maintaining brand name recognition. In order to achieve this objective, the Company will need to continue to maintain high quality services and incur considerable costs to enhance and expand brand name recognition and improve its competitive position. Much of the Company's advertising is placed on Web sites maintained by (i) online service providers (like America Online's Digital Cities, CompuServe and Prodigy which offer proprietary online content to their subscribers, as well as Internet access) and (ii) search engine companies (like Excite, Magellan and Webcrawler which allow Internet users to navigate the Internet by searching for key words or topics of interest). Advertising agreements with these online service providers and search engine companies are generally short-term contracts or are otherwise cancelable on short notice. Payments under none of these agreements have been material to date. While no single online or search engine company has individually accounted for material leads to the Company, these companies as a group are a material source of Internet referrals to the Auto-By-Tel Web site and the Company believes an inability to continue advertising on online service provider or search engine web sites would adversely affect the Company. There can be no assurance that such online service providers or search engine companies will not cancel such contracts, or that competitors will not be able to displace Auto-By-Tel from its preferred advertising arrangements with such companies. See "Business--Strategy" and "--Marketing and Sales." In addition, the Company receives a significant number of Internet referrals from automotive information providers, such as Edmund's and Microsoft CarPoint. See "Dependence on Automotive Information Providers."

HIGH COST OF ADVERTISING AND MARKETING

The intense competition in the sale of Internet advertising with online service providers and search engine companies, including competition from other vehicle marketing services, has resulted in a wide range of rates quoted by different vendors for a variety of advertising services. This makes it very difficult to project future levels of Internet advertising costs and availability of prime advertising space. The Company has also entered into agreements with automotive information services, such as Edmund's and Microsoft CarPoint, to display the Company's services on their Web sites. These agreements require the Company to pay such entities a fee for each user who completes an Auto-By-Tel purchase request. Accordingly, any increase in the volume of purchase requests received from these sites will result in increased advertising costs with no assurance of a corresponding increase in revenues to the Company. The Company is also incurring significant expenses to increase awareness of its nationally branded Internet-based marketing services in print and television media. The Company expects these expenses to increase significantly, particularly in the first half of 1997. There can be no assurance that the Company's efforts to brand the Auto-By-Tel name will be successful or that advertising on the Internet, on television or in other media will attract consumers to the Company's Web site, or that existing marketing or advertising sources will continue to be available on commercially reasonable terms, or at all. See "Dependence on Automotive Information

Providers" and "Requirement to Strengthen the Auto-By-Tel Brand Name," "Business--Strategy" and "--Sales and Marketing."

COMPETITION

The Company's vehicle buying services compete against a variety of Internet and traditional vehicle buying services and automobile brokers. In the Internet-based market, the Company competes for attention with other

9

entities which maintain similar commercial Web sites. The Company also competes indirectly against automobile brokerage firms and affinity programs offered by several companies, including Price Costco and Wal-Mart. Like the Company's services, the services offered by competing Web sites, vehicle brokerage firms and affinity programs seek to increase consumer satisfaction and reduce vehicle purchasing costs.

Although the Company does not currently compete directly with vehicle dealers and manufacturers, such competition would arise in the future if dealers and manufacturers introduced competing Web sites or developed cooperative relationships among themselves or with online vehicle information providers. Moreover, the Company's ability to achieve its objectives would be adversely affected if dealers and manufacturers adopted a low cost, firm price sales model similar to that facilitated by the Auto-By-Tel program.

The market for Internet-based commercial services is new and competition among commercial Web sites is expected to increase significantly in the future. The Internet is characterized by minimal barriers to entry, and current and new competitors can launch new Web sites at relatively low cost. Potential competitors could include, but are not limited to, automotive information service providers, manufacturers and new and used vehicle dealers. In order to compete successfully as an Internet commercial entity, the Company must significantly increase awareness of the Company and its brand name, effectively market its services and successfully differentiate its Web site. Many of the Company's current and potential competitors have longer operating histories, greater name recognition and significantly greater financial and marketing resources than the Company. Such competitors could undertake more aggressive and costly marketing campaigns than the Company which may adversely affect the Company's marketing strategies which could have a material adverse effect on the Company's business, results of operations or financial condition.

In addition, as the Company introduces new services, it will compete directly with a greater number of companies, including vehicle insurers and lenders as well as used vehicle superstores, such as CarMax and Auto Nation. Such companies may already maintain or may introduce Web sites which compete with that of the Company. There can be no assurance that the Company can continue to compete successfully against current or future competitors nor can there be any assurance that competitive pressures faced by the Company will not result in increased marketing costs, decreased Internet traffic or loss of market share or otherwise will not materially adversely affect its business, results of operations and financial condition. See "Business--Strategy" and "--Competition."

DEPENDENCE ON DEALERSHIP NETWORK; RESISTANCE TO WRITTEN AGREEMENTS

To date, substantially all of the Company's revenues have been derived from fees paid by subscribing dealerships. Currently, less than half of subscribing dealerships have entered into written marketing agreements with the Company, and such agreements are cancelable at the option of either party with 30 days' notice. Accordingly, subscribing dealers may terminate their affiliation with the Company for any reason, including an unwillingness to accept the Company's subscription terms or to join other marketing programs. Some of the Company's dealers have resisted signing written agreements. As of March 11, 1997, approximately 48% and 26% of all subscribing dealerships had signed a revised marketing agreement and a financing agreement, respectively. Among the reasons cited by dealerships in resisting entering into written agreements are: (i) the exclusivity provision of the revised form of marketing agreement which requires that dealerships not participate in any other Internet-based or online program with attributes similar to those of the Auto-By-Tel program, (ii) the indemnification provisions which require dealerships to indemnify Auto-By-Tel under certain circumstances, (iii) concerns by dealerships that by signing a written agreement they will surrender control of the rates they will

be charged by Auto-By-Tel, and (iv) concerns over the California choice of law and venue provisions in the agreement.

There can be no assurance that the Company will be able to convince all of its subscribing dealerships to enter into written agreements with the Company or revise existing agreements or that the Company's efforts to cause subscribing dealerships to revise their agreements will not result in subscribing dealerships terminating their relationship with Auto-By-Tel. In addition, should the volume of purchase requests increase, the Company

10

anticipates that it will need to reduce the size of the exclusive territories currently allocated to dealerships in order to serve consumers more effectively. Dealerships may be unwilling to accept reductions in the size of their territories and may, therefore, terminate their Auto-By-Tel relationship, refuse to execute formal agreements with the Company or decide not to join the Company's marketing programs. A material decrease in the number of subscribing dealerships, or slower than expected growth in the number of subscribing dealerships, could have a material adverse effect on the Company's business, results of operations or financial condition. The Company may also become unable to refer an adequate number of consumers to participating dealerships. There can be no assurance that the Company will be able to continue to attract additional dealerships and retain existing dealerships. See "Business--Strategy" and "--Dealership Network and Training."

FAILURE OF PARTICIPATING DEALERSHIPS TO ADHERE TO AUTO-BY-TEL SALES PRACTICES

The success of the Company's business strategy depends on its participating dealerships' adherence to the Company's consumer oriented sales practices. The Company devotes significant efforts to train participating dealerships in such practices which are intended to increase consumer satisfaction. The Company's inability to train dealerships effectively, or the failure by participating dealerships to adopt such practices, respond rapidly and professionally to vehicle purchase requests, or sell vehicles in accordance with the Company's marketing strategies, could result in low consumer satisfaction, damage the Company's brand name and materially adversely affect the Company's business, results of operations or financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Business--Strategy" and "--Dealership Network and Training."

RAPID TECHNOLOGICAL CHANGE AND SYSTEM DISRUPTIONS

The Internet is characterized by rapidly changing technology. The Company believes that its future success is significantly dependent on its ability to continuously improve the speed and reliability of its Web site, enhance communications functionality with its consumers and dealers and maintain the highest-level of information privacy and ensure transactional security. The Company recently migrated its Web site platform to a more robust enterprise network (a large communications and data exchange system created by physically connecting telephone lines or other communication media to link computers separated by thousands of miles), internalized all Web server hosting functions and, to accelerate connectivity, has installed higher bandwidth telecommunications lines, consisting of two 1.54 Mbps (millions of bits per second) T-1 lines for outbound traffic and a 6 Mbps fractional DS/3 line (a very high bandwidth telephone trunk line capable of transferring 44.21 Mbps) for inbound traffic. The Company has also recently upgraded its routers (for faster data transmission routing through its computer network) and has installed firewall technology (security software and hardware placed between the Company's private network and the Internet to prevent corruption of the private network). System enhancements entail the implementation of sophisticated new technology and system processes and there can be no assurance that such continuous enhancements may not result in unanticipated system disruptions. For example, since April 1, 1996, the Company has experienced three periods of system downtime (with an average downtime of approximately three hours) due to power loss and telecommunications failures, and there can be no assurance that future interruptions will not recur. Although the Company maintains redundant local offsite backup servers, all of the Company's primary servers are located at its corporate headquarters and are vulnerable to interruption by damage from fire, earthquake, power loss, telecommunications failure and other events beyond the Company's control. The Company is in the process of developing comprehensive out-of-state disaster recovery plans to safeguard dealer and consumer information. The Company's business interruption insurance may not be sufficient to compensate the

Company for all losses that may occur. In the event that the Company experiences significant system disruptions, the Company's business, results of operations or financial condition could be materially and adversely affected. See "Business--Operations and Technology; Facilities."

In addition, the Company is currently in the process of completing a conversion to a redundant client/server (a network of multiple computers consisting of end user or "client" computers connected to controlling or "server" computers) SQL database (an organized collection of data) platform which involves the integration of several different internal databases used to handle the Company's consumer and dealer information and

11

transmission requirements, as well as the Company's financial, accounting and record-keeping requirements. No assurance can be given that the implementation of this new platform will not result in disruptions to the Company's business, such as the loss of data, errors in purchase request transmissions, delays in the Company's ability to effect periodic closings of its accounting records and other similar problems. Any such disruptions or any failure to successfully implement this new information system in a timely manner could have a material adverse effect on the Company's business, results of operations or financial condition. See "Business--Operations and Technology; Facilities."

POTENTIAL SECURITY BREACHES

The Company's services may be vulnerable to break-ins and similar disruptive problems caused by Internet users. Further, weaknesses in the Internet may compromise the security of confidential electronic information exchanged across the Internet. This includes, but is not limited to, the security of the physical network and the security of the physical machines used for the information transfer. Any such flaws in the Internet, the end-user environment, or weaknesses or vulnerabilities in the Company's services or the licensed technology incorporated in such services could jeopardize the confidential nature of information transmitted over the Internet and could require the Company to expend significant financial and human resources to protect against future breaches, if any, and alleviate or mitigate problems caused by such security breaches. Concerns over the security of Internet transactions and the privacy of users may also inhibit the growth of the Internet generally, particularly as a means of conducting commercial transactions. To the extent that activities of the Company, or third party contractors, involve the storage and transmission of proprietary information (such as personal financial information or credit card numbers), security breaches could expose the Company to a risk of financial loss, litigation and other liabilities. The Company does not currently maintain insurance to protect against such losses. Any such occurrence could reduce consumer satisfaction in the Company's services and could have a material adverse effect on the Company's business, results of operations or financial condition. See "Business--Operations and Technology; Facilities."

RISKS ASSOCIATED WITH INTRODUCTION OF NEW SERVICE OFFERINGS

In order to generate additional revenues, to attract more consumers to its Web site and dealerships to its programs and remain competitive, the Company must successfully develop, market and introduce new services. The Company believes that to achieve its objectives it will need to generate a substantial portion of its future revenues from new services. The Company recently introduced an Internet-based insurance service with certain member companies of American International Group ("AIG"), one of the largest international insurance organizations. Consumers can currently link to the specific Web site for such AIG member companies to submit requests for quotes and, when the service is fully implemented, will be able to receive real-time, online quotes. The Company also recently entered into an agreement with Chase Manhattan Automotive Finance Corporation ("Chase Manhattan") under which Chase Manhattan, together with its affiliates, will receive credit applications for new vehicle financing who access Auto-By-Tel's Web Site. The agreement with Chase Manhattan has a term of three years but may be terminated sooner by Chase Manhattan with six months' notice or in the event Auto-By-Tel fails to refer to Chase Manhattan a prescribed percentage of loan application requests submitted through the Auto-By-Tel Web site, or the referred loan applications do not result in a prescribed percentage of loans generated by Chase Manhattan, or Auto-By-Tel otherwise breaches the agreement.

In addition, the Company is developing client/server database applications and user interfaces which will enable the Company to provide consumers access to vehicles currently listed by dealerships who participate in the Company's used vehicle program. None of these new services has been fully developed and, in some cases, their introduction has recently been delayed due to difficulties encountered by the Company's partners in developing their software systems. There can be no assurance that the Company will successfully develop or introduce these new services, that such services will achieve market acceptance or that subscribing dealerships will not view such new services as competitive to services already offered by such dealerships. For example, consumers may be reticent to purchase vehicle insurance or procure vehicle financing online. Also, it may be

12

more difficult to educate consumers as to the value of locating used vehicles for purchase through the Internet since used vehicle purchases are generally thought to require a greater level of hands-on involvement. The Company expects to incur additional expenses to develop and successfully market such services. To the extent that revenues generated by such additional services are insufficient to cover increased expenses, the Company's operating results would be adversely affected. Should the Company fail to develop and successfully market these services, or should competitors successfully introduce competing services, the Company's business, results of operations and financial condition may be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Business--Products and Services."

DEPENDENCE ON THIRD PARTIES FOR NEW SERVICES

As a part of its overall strategy, the Company plans to develop new services by entering into alliances with other companies engaged in complementary businesses, such as vehicle financing and leasing, and insurance providers. For example, the Company recently entered into agreements with Chase Manhattan to provide vehicle financing and AIG to provide vehicle insurance services to its consumers. Strategic relationships involve numerous risks, including difficulties in the introduction and marketing of new services, diversion of management's attention from other business requirements, and the risks of entering markets in which the Company has no or limited direct prior experience and where competitors in such markets have stronger market positions. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such strategic alliances or that such transactions will not adversely affect the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Business--Strategy" and "--Products and Services."

UNCERTAIN ACCEPTANCE OF INTERNET-BASED MARKETING SERVICES

The market for the Company's Internet-based marketing service has only recently begun to develop and is rapidly evolving. As is typical for a new and rapidly evolving industry, demand and market acceptance for recently introduced services and products over the Internet are subject to a high level of uncertainty and there exist few proven services and products. Moreover, since the market for the Company's services is new and evolving, it is difficult to predict the future growth rate, if any, and size of this market.

The success of the Company's service will depend upon the adoption of the Internet by consumers and dealers as a mainstream medium for commerce. There can be no assurance that widespread acceptance of Internet commerce in general, or of the Company's services in particular, will occur. Consumers and dealers who have historically relied upon traditional means of commerce to purchase vehicles and vehicle insurance, or to procure vehicle financing, must accept novel ways of conducting business and exchanging information. In addition, dealers must be persuaded to adopt new selling models and be trained to use and invest in developing systems and technologies. Moreover, critical issues concerning the commercial use of the Internet (including ease of access, security, reliability, cost, and quality of service) remain unresolved and may impact the growth of Internet use or the attractiveness of conducting commerce online. There can be no assurance that consumers will use the Internet for commerce or that the market for the Company's services will develop successfully or achieve widespread market acceptance. If the market for Internet-based vehicle marketing services fails to develop, develops more slowly than expected or becomes saturated with competitors, or if the

Company's services do not achieve market acceptance, the Company's business, results of operations and financial condition will be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Business--Strategy."

INABILITY TO MANAGE GROWTH

The rapid execution necessary for the Company to establish itself as a leader in the evolving market for Internet-based vehicle marketing services requires an effective planning and management process. The Company's rapid growth has placed, and is expected to continue to place, a significant strain on the Company's

13

managerial, technical, sales and marketing and administrative personnel and financial resources. As of December 31, 1996, the Company had 73 employees (including two employees located in Canada), compared to 17 employees as of December 31, 1995. The Company is also in the process of testing, introducing or developing new services. The Company anticipates that to effectively develop, introduce and maintain such new services, it will need to hire a significant number of qualified managerial, technical and sales and marketing personnel in the future. Competition for such qualified individuals is intense and there can be no assurance that the Company will be able to recruit and retain such employees.

To manage its growth, the Company must continue to implement and improve its operational and financial systems, and expand, train and manage its employee base and subscribing dealerships. There can be no assurance that the Company will be able to successfully implement these changes on a timely basis. Further, the Company is required and will continue to be required to manage multiple relationships with consumers, dealers, strategic partners and other third parties. There can be no assurance that the Company's systems, procedures or controls will be adequate to support the Company's current or future operations or that Company management will be able to achieve the rapid execution necessary to establish itself as a leader in the evolving market for Internet-based vehicle marketing services. For example, to date the Company has been able to enter into written marketing agreements with less than half of its subscribing dealership base. The Company's future operating results will also depend on its ability to expand its sales and marketing organizations, implement and manage new services to penetrate broader markets and further develop and expand its organization and technology infrastructure, to support an increased number of services. If the Company is unable to manage growth effectively, the Company's business, results of operations and financial condition will be materially adversely affected. See "Business--Employees."

The Company's growth strategy is predicated in part on its ability to successfully identify, acquire and integrate companies that complement or expand the Company's service offerings. While the Company is not currently negotiating any acquisitions and does not have any commitments or agreements with respect to any acquisitions, the Company anticipates that potential acquisition opportunities may arise. The Company intends to actively pursue any attractive acquisition opportunities. In the event that the Company were to issue Common Stock to consummate such potential acquisitions, such additional issuance could dilute the holdings of investors purchasing the Common Stock offered hereby. Additionally, the Company may utilize cash to consummate such acquisitions. There can be no assurance that the Company will have adequate resources to consummate any acquisition, that any acquisition will or will not occur, that any target company can be successfully integrated into the Company, and that, if any acquisition does occur, it will not be dilutive to the Company's earnings per share or otherwise have a material adverse affect on the Company's business, results of operations and financial condition.

DEPENDENCE ON KEY PERSONNEL

The Company's performance is substantially dependent on the performance of its executive officers and key employees, all of whom are employed on an at-will basis and many of whom have worked together for only a short period of time. Given the Company's early stage of development, the Company is dependent on its ability to retain and motivate highly qualified personnel, especially its management, technical and business development teams. The Company maintains "key person" life insurance in the amount of \$7.5 million on the

life of Peter R. Ellis, the Company's President and Chief Executive Officer. However, the loss of the services of Mr. Ellis, or one or more of the Company's other executive officers or key employees would likely have a material adverse effect on the business, results of operations or financial condition of the Company. Certain Company officers have been involved in legal matters prior to the formation of Auto-By-Tel. While management believes that these matters have been resolved, future proceedings, if any, could interfere to some extent with the officers' services for the Company. See "Management."

The Company's future success also depends on its ability to identify, hire, train and retain other highly qualified sales and marketing, managerial and technical personnel. In addition, the Company anticipates the need to hire a significant number of personnel as it introduces new services. Competition for such personnel is intense,

14

and there can be no assurance that the Company will be able to attract, assimilate or retain such personnel in the future. The inability to attract and retain the necessary managerial, technical and sales and marketing personnel could have a material adverse effect upon the Company's business, results of operations or financial condition. See "Business--Employees."

RISKS ASSOCIATED WITH INTERNATIONAL EXPANSION

The Company intends to expand its new vehicle marketing service to foreign jurisdictions by establishing relationships with vehicle dealers and strategic partners located in foreign jurisdictions in which similar challenges and inefficiencies in the market for new vehicles exist. In addition, there are certain risks inherent in doing business in international markets, such as changes in regulatory requirements, tariffs and other trade barriers, fluctuations in currency exchange rates, potentially adverse tax consequences, difficulties in managing or overseeing foreign operations, and educating consumers and dealers who may be unfamiliar with the benefits of online marketing and commerce. There can be no assurance that one or more of such factors will not have a material adverse effect on the Company's current or future international operations and, consequently, on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations--Revenues."

DEPENDENCE ON THE INTERNET; CAPACITY CONSTRAINTS

The Company's ability to efficiently process purchase requests for vehicles received through the Company's Internet-based marketing service will depend, in large part, upon a robust communications industry and infrastructure for providing Internet access and carrying Internet traffic. The Internet may not prove to be a viable commercial marketplace because of inadequate development of the necessary infrastructure (e.g., reliable network backbone), timely development of complementary products (e.g., high speed modems (devices that enable computers to send and receive information via telephone lines)), delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity or increased government regulation. In addition, to the extent that the Internet continues to experience significant growth in the number of users and the level of use, there can be no assurance that the Internet infrastructure will continue to be able to support the demands placed on it by such potential growth. Because global commerce and exchange of information on the Internet is new and evolving, it is difficult to predict with any assurance whether the Internet will prove to be a viable commercial marketplace. If the necessary infrastructure or complementary products are not developed, or if the Internet does not become a viable commercial marketplace, the Company's business, results of operations and financial condition will be materially adversely affected. See "Business--Operations and Technology; Facilities."

DEPENDENCE ON PROPRIETARY SYSTEMS AND TECHNOLOGY

The Company's success and ability to compete is dependent in part upon its proprietary systems and technology. While the Company relies on trademark, trade secret and copyright law to protect its proprietary rights, the Company believes that the technical and creative skills of its personnel, continued development of its proprietary systems and technology, brand name recognition and reliable Web site maintenance are more essential in establishing and maintaining a leadership position and strengthening its brand. Despite the

Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's services or to obtain and use information that the Company regards as proprietary. Policing unauthorized use of the Company's proprietary rights is difficult. In addition, litigation may be necessary in the future to enforce or protect the Company's intellectual property rights or to defend against claims of infringement or invalidity. Misappropriation of the Company's intellectual property or potential litigation could have a material adverse effect on the Company's business, results of operations or financial condition. See "Business--Operations and Technology; Facilities."

15

SUBSTANTIAL CONTROL BY OFFICERS AND DIRECTORS AND THEIR AFFILIATES

Following the Offering, the Company's officers and directors and their affiliates will beneficially own or control approximately 72.5% of the outstanding shares of Common Stock (after giving effect to the conversion of all outstanding Preferred Stock and the exercise of all outstanding options and assuming no exercise of the Underwriter's over-allotment option). The Company's officers, directors and their affiliates will have the ability to control the election of the Company's Board of Directors and the outcome of corporate actions requiring stockholder approval. See "Principal and Selling Stockholders."

ANTI-TAKEOVER PROVISIONS

Certain provisions of the Company's Amended and Restated Articles of Incorporation and Bylaws could make it difficult for a third party to acquire, and could discourage a third party from attempting to acquire, control of the Company. Certain of these provisions allow the Company to issue Preferred Stock with rights senior to those of the Common Stock without any further vote or action by the stockholders and impose various procedural and other requirements which could make it more difficult for stockholders to effect certain corporate actions. Such charter provisions could limit the price that certain investors might be willing to pay in the future for shares of the Company's Common Stock or Preferred Stock and may have the effect of delaying or preventing a change in control of the Company. The issuance of Preferred Stock also could decrease the amount of earnings and assets available for distribution to the holders of Common Stock or could adversely affect the rights and powers, including voting rights, of the holders of the Common Stock. See "Description of Capital Stock--Common Stock" and "--Preferred Stock."

NO PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

There has been no public market for the Company's Common Stock prior to this offering. Although application will be made to the Nasdaq National Market for listing of the Common Stock, there can be no assurance that an active trading market will develop or be sustained or that the market price of the Common Stock will not decline below the initial public offering price. The initial public offering price will be determined through negotiations between the Company and the Underwriters and may not be indicative of the market price for the Common Stock following the Offering. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. Even if an active trading market does develop, the market price of the Common Stock following this offering may be highly volatile. Factors such as variations in the Company's revenue, earnings and cash flow, announcements of new service offerings, technological innovations or price reductions by the Company, its competitors or providers of alternative services, changes in financial estimates by securities analysts or other events or factors could cause the market price of the Common Stock to fluctuate substantially. In addition, the stock markets recently have experienced significant price and volume fluctuations that have particularly affected companies in the technology sector and that have been unrelated to the operating performance of those companies. Such broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of the Common Stock following this offering.

DILUTION

Investors participating in the Offering will incur immediate, substantial dilution. To the extent that outstanding options to purchase the Company's

Common Stock are exercised, there will be further dilution. See "Dilution."

ABSENCE OF DIVIDENDS

The Company intends to retain all future earnings for use in the development of its business and does not currently anticipate paying any cash dividends in the foreseeable future. See "Dividend Policy."

16

SHARES ELIGIBLE FOR FUTURE SALE; REGISTRATION RIGHTS

Sale of substantial numbers of shares of Common Stock in the public market could adversely affect the market price of the Common Stock and make it more difficult for the Company to raise funds through equity offerings in the future. A substantial number of outstanding shares of Common Stock and other shares of Common Stock issuable upon exercise of outstanding stock options will become available for resale in the public market at prescribed times. Of the 19,495,136 shares to be outstanding after the Offering, the 4,000,000 shares offered hereby will be eligible for immediate sale in the public market without restriction. All other outstanding shares of Common Stock are subject to 180-day lock-up agreements with the Underwriters. Upon the expiration of the 180-day lock-up agreements, such shares of Common Stock will become eligible for sale in the public market, subject to the provisions of Rules 144(k), 144 and 701 under the Act and any contractual restrictions on their transfer. Montgomery Securities may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements. Upon completion of the Offering, the holders of approximately 15,322,248 shares of Common Stock will be entitled to certain registration rights with respect to such shares. In addition, the Company intends to register the shares of Common Stock reserved for issuance under the Company's 1996 Stock Option Plan, 1996 Stock Incentive Plan and 1996 Employee Stock Purchase Plan following the date of this Prospectus. See "Shares Eligible for Future Sale" and "Description of Capital Stock--Registration Rights."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares of Common Stock offered hereby at an assumed initial public offering price of \$10.25 per share, after deducting estimated underwriting discounts and estimated offering expenses, are estimated to be approximately \$33.0 million (approximately \$38.7 million if the Underwriters' over-allotment is exercised in full). The Company will not receive any proceeds from the sale of shares of Common Stock by the Selling Stockholder. See "Principal and Selling Stockholders."

The principal purposes of the Offering are to increase the Company's equity capital, create a public market for the Common Stock and to facilitate future access to public equity markets. The Company intends to use approximately \$12 million of the net proceeds from the Offering to fund online and traditional advertising programs designed to strengthen the Auto-By-Tel brand name and \$6 million to fund information technology investments required to support the transition to a real-time online communications platform and to develop new products and services. The Company intends to use the remainder of the net proceeds from the Offering for other working capital and general corporate purposes. In addition, a portion of the proceeds from the Offering also may be used for possible acquisitions of or investments in businesses, products or technologies that expand, complement or are otherwise related to the Company's current or planned services, although no specific acquisitions are currently in negotiation. Pending such uses, the proceeds will be invested in short-term, investment grade, interest-bearing securities. The Company may require additional financing in the future to finance continuing growth. No assurance can be given that such financing will be available on favorable terms or at all.

DIVIDEND POLICY

The Company has never declared or paid cash dividends on its capital stock. The Company currently intends to retain all of its future earnings, if any, for use in its business and does not anticipate paying any cash dividends in the foreseeable future.

17

CAPITALIZATION

The following table sets forth (i) the actual capitalization of the Company derived from its financial statements as of December 31, 1996, (ii) pro forma capitalization of the Company, giving effect to (a) the authorization of 967,915 shares of Series B Preferred Stock and the sale and issuance on January 30, 1997 of 967,915 shares of Series B Preferred Stock at a price of \$9.35 per share and (b) the restatement of the Company's Amended and Restated Certificate of Incorporation to provide for authorized capital stock of 50,000,000 shares of Common Stock and 5,000,000 shares of undesignated Preferred Stock, and (c) the conversion of all outstanding shares of Preferred Stock into 3,467,915 shares of Common Stock immediately prior to the closing of the Offering, and (iii) the pro forma as adjusted capitalization of the Company to reflect the sale by the Company of 3,600,000 shares of Common Stock pursuant to the Offering at an assumed public offering price of \$10.25 and the receipt by the Company of the estimated net proceeds therefrom, after deducting estimated underwriting discounts and estimated offering expenses. The capitalization information set forth in the table below is qualified by the more detailed Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus and should be read in conjunction with such Consolidated Financial Statements and Notes.

	DECEMBER 31, 1996		
	ACTUAL	PRO FORMA PRO FORMA AS ADJUSTED	
	-----	-----	-----
	(IN THOUSANDS)		
Cash and cash equivalents.....	\$ 9,062	\$18,112	\$51,129
	=====	=====	=====
Stockholders' equity (1):			
Convertible preferred stock, \$0.001 par value; 1,500,000 shares authorized, 1,500,000 shares issued and outstanding, actual; 5,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted.....	2	--	--
Common stock, \$0.001 par value; 16,666,666 shares authorized, 12,427,221 shares issued and outstanding, actual; 50,000,000 shares authorized, 15,895,136 shares outstanding, pro forma; 50,000,000 shares authorized, 19,495,136 shares issued and outstanding, pro forma as adjusted.....	12	16	19
Additional paid-in capital.....	15,073	24,121	57,135
Deferred compensation.....	(26)	(26)	(26)
Accumulated deficit.....	(7,065)	(7,065)	(7,065)
	-----	-----	-----
Total stockholders' equity.....	7,996	17,046	50,063
	-----	-----	-----
Total capitalization.....	\$ 7,996	\$17,046	\$50,063
	=====	=====	=====

(1) Gives effect to a five-for-three stock split approved by the Board of Directors on November 24, 1996 and effected January 30, 1997. Excludes as of December 31, 1996: (i) 2,280,815 shares of Common Stock reserved for issuance pursuant to options outstanding under the Company's 1996 Stock Option Plan and 1996 Stock Incentive Plan at a weighted exercise price of \$2.21 per share. On October 23, 1996, the Company terminated the 1996 Stock Option Plan and adopted the 1996 Stock Incentive Plan and, on November 24, 1996, amended the 1996 Stock Incentive Plan and adopted the 1996 Employee Stock Purchase Plan and reserved 1,250,000 and 666,666 shares of Common Stock, respectively, for issuance thereunder. Subsequent to December 31, 1996, the Board of Directors granted options to purchase an additional 124,750 shares of Common Stock with an exercise price of \$8.80 per share under the Company's 1996 Stock Incentive Plan. See "Capitalization," "Management--Stock Plans" and Notes 1, 7 and 8 of Notes to Consolidated Financial Statements.

DILUTION

The pro forma net tangible book value of the Company as of December 31, 1996 was \$16.6 million or \$1.04 per share of Common Stock. Pro forma net tangible book value per share is equal to the Company's total tangible assets less its total liabilities, divided by the number of shares of Common Stock outstanding on a pro forma basis after giving effect to (i) the sale and issuance on January 30, 1997 of 967,915 shares of Series B Preferred Stock at a price of \$9.35 per share and (ii) the conversion of all outstanding shares of Preferred Stock into 3,467,915 shares of Common Stock immediately prior to the closing of the Offering. After giving effect to the sale of 3,600,000 shares of Common Stock offered hereby at an assumed initial public offering price of \$10.25 and the receipt by the Company of the estimated net proceeds therefrom, after deducting estimated underwriting discounts and estimated offering expenses, the pro forma net tangible book value of the Company at December 31, 1996 would have been \$49.6 million, or \$2.54 per share. This represents an immediate increase in pro forma net tangible book value of \$1.50 per share to existing stockholders and an immediate dilution of \$7.71 per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....	\$10.25
Pro forma net tangible book value per share before the Offering....	\$1.04
Increase per share attributable to new investors.....	1.50

Pro forma net tangible book value per share after the Offering.....	2.54

Dilution per share to new investors.....	\$ 7.71
	=====

The following table summarizes, on a pro forma basis as of December 31, 1996, the number of shares of Common Stock purchased from the Company, the total consideration paid to the Company and the average price per share paid by existing stockholders and by the investors purchasing shares of Common Stock in this offering (before deducting estimated underwriting discounts and estimated offering expenses):

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE
	NUMBER	PERCENT	AMOUNT	PERCENT	PRICE PER SHARE
	-----	-----	-----	-----	-----
Existing stockholders(1).....	15,895,136	81.5%	\$24,137,000	39.5%	\$ 1.52
New investors(1).....	3,600,000	18.5%	36,900,000	60.5%	10.25
	-----	-----	-----	-----	-----
Total.....	19,495,136	100.0%	\$61,037,000	100.0%	
	=====	=====	=====	=====	=====

(1) The sale of shares by the Selling Stockholder in the Offering will cause the number of shares held by the existing stockholders to be reduced to 15,495,136, or approximately 79.5% of the total number of shares, and will increase the number of shares to be purchased by new stockholders to 4,000,000, or 20.5% of the total number of shares. Assuming full exercise of the Underwriters' over-allotment option, the number of shares held by new stockholders would be increased to 4,600,000 shares or 22.9% of the total number of shares outstanding.

The foregoing tables exclude 2,405,565 shares that are issuable upon exercise of options outstanding as of January 31, 1997 with a weighted average exercise price of \$2.55 per share. See "Management--Stock Plans." To the extent that outstanding options are exercised in the future, there will be further dilution to new investors.

The following selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus. The statement of operations data for the period from January 31, 1995 (date of inception) to December 31, 1995, and the year ended December 31, 1996 and the balance sheet data as of December 31, 1995 and December 31, 1996 are derived from the Consolidated Financial Statements of the Company which have been audited by Arthur Andersen LLP, independent auditors, and are included elsewhere in this Prospectus. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	JANUARY 31, 1995 (DATE OF INCEPTION) TO DECEMBER 31, 1995	THREE MONTHS ENDED				YEAR ENDED
		MARCH 31, 1996	JUNE 30, 1996	SEPTEMBER 30, 1996	DECEMBER 31, 1996	DECEMBER 31, 1996
(IN THOUSANDS, EXCEPT SHARE, PER SHARE AND SUPPLEMENTAL OPERATING DATA)						
STATEMENT OF OPERATIONS						
DATA:						
Revenues.....	\$ 274	\$ 436	\$ 952	\$ 1,434	\$ 2,203	\$ 5,025
Operating expenses:						
Marketing and advertising.....	476	475	678	1,247	2,039	4,439
Selling, training and support.....	454	362	563	851	1,417	3,193
Technology development.	99	67	78	294	954	1,393
General and administrative.....	275	134	258	740	1,027	2,159
Total operating expenses.....	1,304	1,038	1,577	3,132	5,437	11,184
Loss from operations....	(1,030)	(602)	(625)	(1,698)	(3,234)	(6,159)
Other income (expense), net.....	--	--	(6)	22	108	124
Net loss.....	\$ (1,030)	\$ (602)	\$ (631)	\$ (1,676)	\$ (3,126)	\$ (6,035)
Net loss per common and common equivalent shares (1).....	\$ (.07)	\$ (.04)	\$ (.04)	\$ (.11)	\$ (.19)	\$ (.38)
Weighted average common and common equivalent shares outstanding (1).	15,262,262	15,262,262	15,262,262	15,892,576	16,761,962	15,792,293
SUPPLEMENTAL OPERATING DATA:						
Purchase requests received.....	42,600	44,900	73,700	102,700	123,700	345,000
Paying franchises of subscribing dealerships.....	253	546	728	978	1,206	1,206

DECEMBER 31,

1995 1996

(IN THOUSANDS)

BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 48	\$ 9,062
Working capital (deficit).....	(1,099)	5,960
Total assets.....	285	12,298
Total liabilities.....	1,275	4,302
Accumulated deficit.....	(1,030)	(7,065)
Stockholders' equity (deficit).....	(990)	7,996

(1) See Note 1.0 of Notes to Consolidated Financial Statements for an explanation of the determination of shares used in computing net loss per share.

20

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following discussion of the results of operations and financial condition of the Company should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus. This discussion contains forward-looking statements based on current expectations which involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in such forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

Auto-By-Tel is establishing a nationally branded Internet-based marketing service for new and used vehicle purchasing and related consumer services. The Company's Web site (www.autobytel.com) enables consumers to gather valuable automotive information and shop for vehicles and related consumer services from the convenience of their home or office. Monthly vehicle purchase requests increased from 10,700 in January 1996 to 40,000 in December 1996. During the same period, the number of paying franchises of subscribing dealerships increased from 253 franchises as of December 31, 1995 to 1,206 franchises as of December 31, 1996. The Company believes that the growth rates experienced by the Company since inception are not indicative of future growth rates and that growth will be slower in the future. Auto-By-Tel LLC was formed in January 1995 and began operations in March 1995. In July 1995, it introduced its Web site. Effective as of May 31, 1996, the interests of the members of Auto-By-Tel LLC and ABT Acceptance Company LLC, an affiliate, were transferred to the Company in a tax-free transaction.

To date, substantially all of the Company's revenues have been derived from new vehicle marketing fees paid by franchises of subscribing new vehicle dealerships. As of December 31, 1996 the Company's participating dealership base consisted of (i) 1,206 paying franchises of dealerships, (ii) 509 non-paying franchises affiliated with paying dealerships (collectively, "subscribing dealerships") and (iii) approximately 230 "trial dealers." A subscribing dealership is comprised of one or more franchises with typically high volume vehicle sales (such as Ford or Toyota). A subscribing dealership may sell vehicles from multiple manufacturers and therefore have multiple subscribing dealer franchises. Dealerships pay initial, annual and monthly fees per franchise to subscribe to the Company's nationally branded Internet-based marketing program. Non-paying franchises are associated with lower volume vehicle manufacturers (such as Audi, Saab or Suzuki) and receive purchase request referrals without paying fees to Auto-By-Tel. The Company's 230 trial dealerships have not entered into agreements with the Company. Such dealerships maintain an informal relationship with the Company, whereby the Company directs at its discretion, purchase requests to such potential dealership participants on a trial basis in order to assist the Company and the dealership in evaluating the effectiveness of the Auto-By-Tel program at such dealership. The Company does not collect fees from trial dealerships. Neither the Company nor any trial dealership is obligated to continue this relationships nor is any trial dealership obligated to respond to purchase requests which it receives.

In order to generate additional revenues, attract more consumers to its Web site and dealerships to its program and remain competitive, the Company must successfully develop, market and introduce new services. The Company believes that to achieve its objectives it will need to generate a majority of its future revenues from new services. These new services will leverage the Company's existing network of dealerships. The Company's used vehicle marketing program is expected to commence in the first quarter of 1997. The Company will charge each new vehicle dealership which participates in the Company's used vehicle program separate signup and annual fees. See "Business--Products and Services--Used Vehicle Marketing Service." In addition, the Company intends to charge daily listing fees for each used vehicle marketed through the used vehicle program. In October 1996, the Company entered into an agreement with Chase Manhattan pursuant to which Chase

Manhattan will offer vehicle loans to consumers referred by the Company and pay the Company and the related subscribing dealership an origination fee on each loan. The Company's financing program with Chase Manhattan is expected to become available to purchasers of new vehicles in the first quarter of 1997 and is

21

intended for consumers with prime (higher quality) credit ratings. Additionally, the Company expects to begin offering financing to purchasers with sub-prime (lower quality) credit ratings in the second quarter of 1997. Finance program revenues will be recognized in the month the loan is originated. The Company also plans to offer leasing through a major financial institution in the second quarter of 1997. In August 1996, the Company began offering an insurance service to its consumers through certain member companies of AIG, one of the largest international insurance organizations, and, as part of such service, recently began offering a direct hyperlink (text on a Web site that, when selected, links a user to another Web site) to the specific Web site of such AIG member companies. In October 1996, the Company received an insurance brokerage license from the State of California. Subsequent to receipt of this license, the Company became eligible to receive referral fees from AIG member companies. Fees due the Company under the insurance program are calculated as a percentage of the net premiums collected by AIG member companies and revenues are recognized by the Company as premiums on the underlying policies are earned by AIG member companies.

The Company first recognized revenues from operations in March 1995. Accordingly, the Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. In addition, the Company believes that, in order to achieve its objectives, it will need to significantly increase revenues from existing services and generate revenues from new services, such as the planned used vehicle buying service and the planned vehicle financing, leasing and insurance policy referral services. See "Risk Factors--Limited Operating History and Accumulated Deficit" and "--Risks Associated with Introduction of New Service Offerings."

As a result of the Company's limited operating history, the Company lacks sufficient historical financial and operating data on which to base operating results. The Company's expense levels are based in part on its expectations as to future revenues, which may vary in relation to increases or decreases in the number of dealerships which subscribe to the Company's marketing program. The Company's inability to adjust spending in a timely manner to compensate for any unexpected revenue shortfall would have a material adverse effect on the Company's business, results of operations and financial condition. In addition, the Company anticipates significant increases in costs and expenses as a result of planned increases in its marketing and advertising efforts, dealership training and support, development of affiliate programs relating to vehicle insurance and financing, and the introduction of a used vehicle buying program. The Company also anticipates significant additions to its managerial, technical, sales and marketing, and administrative personnel in order to support the Company's growth and business objectives. To the extent that such expenses exceed, precede or are not subsequently followed by increased revenues, the Company's business, results of operations and financial condition will be materially adversely affected. See "Risk Factors--Potential Fluctuations in Quarterly Results."

Significant fluctuations in future quarterly operating results may also be caused by general economic conditions or traditional seasonality in the automobile and light duty truck markets, which may result in fluctuations in the level of purchase requests completed by consumers or adversely affect demand for the Company's existing and planned services. The foregoing factors make it likely that, in some future quarters, the Company's operating results will be below the expectations of the Company, securities analysts or investors. In such event, the trading price of the Common Stock would likely be materially and adversely affected.

22

RESULTS OF OPERATIONS

The following tables set forth certain unaudited quarterly financial information for the eight quarters ended December 31, 1996. In the opinion of

management, this information has been prepared substantially on the same basis as the financial statements appearing elsewhere in this Prospectus, and all necessary adjustments (consisting only of normal recurring adjustments and certain non-recurring adjustments) have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and related notes thereto appearing elsewhere in this Prospectus. The operating results for any quarter are not necessarily indicative of the operating results for any future period.

	QUARTER ENDED							
	MAR. 31, 1995 (1)	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996
	(IN THOUSANDS)							
Revenues.....	\$ 3	\$ 18	\$ 77	\$ 176	\$ 436	\$ 952	\$ 1,434	\$ 2,203
Operating expenses:								
Marketing and advertising.....	6	38	130	302	475	678	1,247	2,039
Selling, training and support.....	13	98	136	207	362	563	851	1,417
Technology development.	6	28	44	21	67	78	294	954
General and administrative.....	14	73	83	105	134	258	740	1,027
Total operating expenses.....	39	237	393	635	1,038	1,577	3,132	5,437
Loss from operations....	(36)	(219)	(316)	(459)	(602)	(625)	(1,698)	(3,234)
Other income (expense), net.....	--	--	--	--	--	(6)	22	108
Net loss.....	\$(36)	\$(219)	\$(316)	\$(459)	\$(602)	\$(631)	\$(1,676)	\$(3,126)

(1) Period from the Company's inception on January 31, 1995.

REVENUES

Revenues were \$274,000 in 1995 and \$5.0 million in 1996. Revenues increased each successive quarter, from \$3,000 in the first quarter of 1995 to \$176,000 in the fourth quarter of 1995 to \$436,000 in the first quarter of 1996 to \$2.2 million in the fourth quarter of 1996. The growth in revenues was primarily due to an increase in the number of paying subscribing dealerships in the Company's new vehicle marketing programs from 253 as of December 31, 1995 to 1,206 as of December 31, 1996, and, to a lesser extent, increases in average dealership fees.

Since its inception in January 1995, the Company has derived substantially all of its revenues from fees paid by its paying subscribing new vehicle dealerships. Currently, these fees typically consist of (i) initial subscription fees ranging from \$2,500 to \$4,500, (ii) annual fees of \$2,500 and (iii) monthly fees ranging from \$250 to \$1,500. These dealership fees are fixed. However, under the Company's marketing agreements, which less than half of subscribing dealerships have signed, the Company may typically increase or decrease dealership fees with 30 or 60 days' prior notice. For example, the average initial and monthly fee paid by the Company's subscribing dealerships increased from approximately \$2,300 and \$250, respectively, in December 1995 to approximately \$3,300 and \$400 in December 1996. Average annual fees increased from \$2,300 in May 1996 to \$2,400 in December 1996. The Company intends to continuously review its pricing structure and adjust dealership fees in a manner commensurate with its ability to reduce a dealership's selling costs but there can be no assurance that dealership fees will continue to increase in the future.

In April 1996, the Company introduced its new vehicle marketing service in Canada and, as of December 31, 1996, the Company had 72 paying franchises of subscribing dealerships located in Canada. In 1996, the Company derived approximately 98% of its revenues from dealership fees paid by subscribing

dealerships located in the United States and 2% of its revenues from dealership fees paid by subscribing dealerships in Canada. Fees from Canadian dealerships are denominated in U.S. dollars. To date, the Company has had limited experience in providing its Internet-based marketing service abroad and there can be no assurance that the Company will be successful in introducing or marketing its service abroad or will not encounter foreign regulation of its operations.

New vehicle marketing revenues derived under subscription agreements are recognized as follows: initial fees are recognized ratably over the first twelve months following receipt, annual fees are recognized ratably over the twelve months commencing when due, and monthly fees are recognized when due. In certain instances, the Company will waive a newly subscribing dealership's monthly fees for several months. Initial fees are typically paid prior to the commencement of services. The Company typically bills its subscribing dealerships prior to the due date of any monthly fees and annual fees. On average, the Company collects outstanding receivables for monthly and annual fees within two to three weeks of the due date. The Company's new vehicle dealer fees are not calculated on a per vehicle basis. See "---Revenues," "Business--Dealership Network and Training," and Note 1.e of Notes to Consolidated Financial Statements.

The introduction of new services by the Company's competitors, market acceptance of Internet-related services in general and, in particular, demand for the Company's services, and the introduction by the Company of new services and market acceptance of such services may also result in significant fluctuations in quarterly operating results. In addition, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing or marketing decisions or establish strategic relationships that could have a material adverse effect on the Company's business, results of operations or financial condition. In particular, the Company may need to revise the marketing fees it charges to subscribing dealers. There can be no assurance that subscribing dealerships will continue to participate in the Company's marketing program or agree to future fee increases. Currently, less than half of subscribing dealerships have entered into written marketing agreements with the Company and these subscribing dealerships may cancel subscriptions on 30 days' prior notice. As a result, quarterly sales and operating results may vary significantly in response to any significant change in the number of subscribing dealerships. In December 1996, the Company commenced an effort to have all subscribing dealerships execute revised marketing agreements with the Company, which have been revised to provide, among other things, that such dealerships will not participate in any other Internet-based or online program with attributes similar to those of the Auto-By-Tel program. At the same time, the Company commenced a program to have all subscribing dealerships enter into written agreements relating to the Auto-By-Tel financing program. As of March 11, 1997, approximately 48% and 26% of all subscribing dealerships had signed the revised marketing agreement and the financing agreement, respectively. Some of the Company's dealers have resisted signing written agreements and there can be no assurance that the Company will be able to convince its subscribing dealers to enter into written agreements with the Company or revise existing agreements or that the Company's efforts to cause subscribing dealers to sign these agreements will not result in the subscribing dealers terminating their relationship with Auto-By-Tel. See "Business--Dealership Network and Training."

MARKETING AND ADVERTISING

Marketing and advertising expenses have historically consisted primarily of referral fees paid to online automotive information providers, online service providers and online search engine companies which recommend and refer consumers to the Auto-By-Tel Web site or allow consumers to complete Auto-By-Tel vehicle purchase requests on their Web sites. Other marketing and advertising expenses include print advertising, public relations expenses, salaries and associated expenses related to the Company's marketing personnel. Marketing and advertising expenses were \$476,000 in 1995 and \$4.4 million in 1996. Marketing and advertising expenses increased each successive quarter, from \$6,000 in the first quarter of 1995 to \$302,000 in the fourth quarter of 1995 to \$475,000 in the first quarter of 1996 to \$2.0 million in the fourth quarter of 1996. Marketing and advertising expenses increased due to increased referral fees paid as a result of increased vehicle purchase requests, increased print advertising, and the addition of marketing and advertising employees as well as national

print and television branding efforts. The marketing and advertising staff grew from two employees as of December 31, 1995 to five employees as of December 31, 1996. The Company anticipates that the overall level of marketing and advertising expenditures will increase significantly in the future, particularly in the first half of 1997 in connection with the Company's efforts to further increase awareness of the Auto-By-Tel brand name. The Company commenced cable television advertising in the fourth quarter of 1996 and launched network television advertising in the first quarter of 1997. Due to seasonal variations in the timing of marketing and advertising expenditures, the Company anticipates that marketing and advertising expenses will vary significantly from quarter to quarter.

Much of the Company's advertising is placed on Web sites maintained by online service providers and online search engine companies. The Company's advertising agreements with online service providers and search engine companies are generally short-term contracts or are otherwise cancelable on short notice. There can be no assurance that these advertisers will not cancel such contracts, or that competitors will not be able to displace Auto-By-Tel from its preferred advertising arrangements with such companies. The intense competition in the sale of Internet advertising, including competition from other vehicle marketing services, has resulted in a wide range of rates quoted by different vendors for a variety of advertising services. This makes it very difficult to project future levels of Internet advertising costs and availability of prime advertising space. The Company has also entered into agreements with automotive information services, such as Edmunds and Microsoft CarPoint, to display the Company's services on their Web sites. These agreements require the Company to pay such entities a fee for each user who submits a vehicle purchase request to Auto-By-Tel from their sites. Accordingly, any increase in the volume of purchase requests will result in increased advertising costs, but revenue from dealers will not necessarily increase thereafter. The Company is also incurring significant expenses to increase awareness of its Internet-based marketing service in print and television media. The Company expects these expenses to increase significantly, particularly in the first half of 1997. In the fourth quarter of 1996, the Company began to advertise on cable television. In the first quarter of 1997, the Company commenced advertising on network television, including a 30 second commercial which aired during the Super Bowl. See "Business--Marketing and Sales."

SELLING, TRAINING AND SUPPORT

Selling, training and support expenses consist primarily of dealer training and support, salaries and related costs for customer service personnel and travel and entertainment. Selling, training and support expenses were \$454,000 in 1995 and \$3.2 million in 1996. Selling, training and support expenses increased each successive quarter, from \$13,000 in the first quarter of 1995 to \$207,000 in the fourth quarter of 1995 to \$362,000 in the first quarter of 1996 to \$1.4 million in the fourth quarter of 1996. Selling, training and support expenses increased primarily as the result of the addition of selling, training, and support staff and the associated overhead and employment costs. Selling, training and support staff grew from 11 employees as of December 31, 1995 to 39 employees (including two in Canada) as of December 31, 1996.

TECHNOLOGY DEVELOPMENT

Technology development expenditures are charged to expense as incurred and consist primarily of personnel and related compensation costs and contract labor to support software development and configuration and implementation of the Company's Internet, telecommunications and support system infrastructure. Technology development expenses have increased significantly since the Company's inception, from \$6,000 in the first quarter of 1995 to \$67,000 in the first quarter of 1996 to \$954,000 in the fourth quarter of 1996. Technology development expenses increased primarily as a result of increased third party software development costs and increased costs associated with the increase in technical headcount from one employee as of April 25, 1996 to 12 employees as of December 31, 1996 and, to a lesser extent, additional indirect costs associated with the Company's expanded technology development efforts. These increased expenditures were necessary to support the Company's development of its Dealer Realtime System, the used vehicle program software and systems, and the rollout of the financing and lease programs.

GENERAL AND ADMINISTRATIVE

General and administrative expenses consist primarily of salaries of financial and administrative personnel, a portion of salaries of other managerial personnel and related travel expenses, as well as legal and accounting expenses. General and administrative expenses increased each successive quarter, from \$14,000 in the first quarter of 1995 to \$105,000 in the fourth quarter of 1995 to \$134,000 in the first quarter of 1996 to \$1.0 million in the fourth quarter of 1996. General and administrative expenses increased primarily as a result of increased accounting and legal expenses, and the addition of administrative and financial staff. The general and administrative staff grew from three employees as of December 31, 1995 to 17 employees as of December 31, 1996. The Company intends to increase the absolute dollar level of general and administrative expenses in future periods. The Company anticipates significant additions to its managerial, technical, sales and marketing and administrative personnel in order to support the Company's growth and business objectives. To the extent that such expenses exceed, precede or are not subsequently followed by increased revenues, the Company's business, results of operations and financial condition will be materially adversely affected.

OTHER INCOME (EXPENSE), NET

Other expense in the second and third quarters of 1996 consisted of interest expense on amounts borrowed from the Company's Chairman, John Bedrosian, and Michael Fuchs, who subsequently became a director of the Company. These amounts were loaned to the Company to allow the Company to meet its liquidity requirements. Following the Company's \$15.0 million financing in August 1996, the Company repaid the amounts borrowed from Mr. Bedrosian, together with \$20,000 of accrued interest expense, and converted the amounts borrowed from Mr. Fuchs, together with accrued interest, into Series A Preferred Stock. The Company realized \$40,000 and \$108,000 of interest income in the third and fourth quarters, respectively, as a result of increased cash balances derived from the issuance of Series A Preferred Stock. See Notes 3 and 5.a of Notes to Consolidated Financial Statements.

INCOME TAXES

No provision for federal and state income taxes has been recorded as the Company incurred operating losses through December 31, 1996. As of December 31, 1996, the Company had approximately \$4.7 million of net operating loss carryforwards which are available to offset future federal and state taxable income; such carryforwards expire in various years through 2011. Under the Tax Reform Act of 1986, the amounts of and the benefits from net operating loss carryforwards may be impaired in certain circumstances. Events which may cause such limitations in the amount of available net operating losses which the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three year period. As of December 31, 1996, the effect of such limitation, if imposed, has not been determined. The Company has provided a full valuation allowance on the deferred tax asset because of the uncertainty regarding its realization. See Note 4 of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1996, the Company had approximately \$9.1 million in cash and short-term investments. Since its inception, the Company has financed its operations primarily through loans from John Bedrosian, the Company's Chairman and co-founder, loans from Mr. Michael Fuchs, who subsequently became a director of the Company, and the issuance of Preferred Stock in August 1996 and January 1997. See "Certain Transactions." For fiscal 1995 and 1996, cash used in operating activities was primarily attributable to the net losses from operations and increases in accounts receivable, prepaid expenses and other assets, offset to some extent by increases in deferred income and other current liabilities. For the year ended December 31, 1996, cash used in investing activities was attributable to purchases of property and equipment consisting primarily of computer hardware, telecommunications equipment, furniture and leasehold improvements.

The Company has no material commitments other than those under the operating lease for its principal executive offices and certain marketing and advertising agreements and arrangements (considered in the aggregate) for the next twelve months. However, the Company anticipates a substantial increase in its capital expenditures and operating lease expenses in 1997. The Company believes that the net proceeds from this offering, along with current cash and cash equivalents, will be sufficient to fund its working capital and capital expenditure requirements for at least the next twelve months. Thereafter, if cash generated from operations is insufficient to satisfy the Company's liquidity requirements, the Company may seek to issue additional equity or debt securities or establish a credit facility. The issuance of additional equity or convertible debt securities could result in additional dilution to the Company's shareholders. There can be no assurance that financing will be available to the Company in amounts or on terms acceptable to the Company. See "Use of Proceeds" and Notes 2, 3, 5, 6, 7 and 8 of Notes to Consolidated Financial Statements.

27

BUSINESS

OVERVIEW

Auto-By-Tel is establishing a nationally branded Internet-based marketing service for new and used vehicle purchasing and related consumer services. The Company's Web site (www.autobytel.com) enables consumers to gather valuable information about automobiles and light duty trucks ("vehicles") and shop for vehicles and related consumer services from the convenience of their home or office. This convenience, coupled with low, haggle-free pricing and quick and courteous service, improves consumers' overall buying experiences. The Company's Internet-based alternative to traditional vehicle retailing dramatically reduces participating dealerships' selling costs per vehicle and increases sales volumes by channeling a large number of ready-to-buy, well-informed consumers to Auto-By-Tel dealerships. The Company's Internet-based services are free to consumers and, to date, the Company has derived substantially all of its revenues from fees paid by subscribing dealerships. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Revenues."

Consumers wishing to purchase new vehicles through the Company's services complete a request available on the Company's and its partners' Web sites which specifies the type of vehicle and accessories desired, along with the consumer's phone number, e-mail address and zip code. The purchase request is then forwarded to the Auto-By-Tel participating dealership located in the consumer's geographic area. Typically, consumers are contacted by dealers within 48 hours with a firm, competitive quote for the vehicle, eliminating the unwelcome and time-consuming task of negotiating with the dealer and thus facilitating completion of the sale. As of December 31, 1996 the Company's Internet-based dealership base consisted of (i) 1,206 paying franchises of dealerships, (ii) 509 non-paying franchises affiliated with paying dealerships (collectively, "subscribing dealerships"), and (iii) approximately 230 "trial dealers." Non-paying franchises are typically franchises of lower-volume manufacturers affiliated with paying franchises participating in the Auto-By-Tel program. The Company enters into agreements with non-paying franchises to ensure that it is able to serve the broadest base of customers and increase its geographic coverage for the make of vehicle represented by the non-paying franchise. Accommodating non-paying franchises allows Auto-By-Tel to offer additional benefit to its dealership network and represents a potential source of additional financing and insurance revenue. In addition, the Company may begin charging marketing fees to a non-paying franchise which begins to receive a sufficient number purchase requests. From the commencement of operations in March 1995 to December 31, 1996, the Company received more than 385,000 new vehicle purchase requests. See "Dealership Network and Training."

INDUSTRY BACKGROUND

Information and Commerce on the Internet

The Internet is a network of computers which enables users to access and share information and conduct business transactions. Much of the recent growth in the use of the Internet by businesses and individuals has been driven by the emergence of the World Wide Web (the "Web") which enables non-technical users to exploit the resources of the Internet. International Data Corporation

("IDC") estimates that the number of Web users increased from 16.1 million at the end of 1995 to 34.6 million at the end of 1996 and that this number will increase to 163 million by the end of the year 2000.

The emergence of the Internet as a significant communications medium is driving the development and adoption of Web content and commerce applications that offer convenience and value to consumers, as well as unique marketing opportunities and reduced operating costs to businesses. By hosting information about products and services on the Web, a company can enable potential customers in any geographical area to gather relevant, in-depth information about products and services at their convenience and according to their preferences. A growing number of consumers have begun to transact business electronically, such as paying bills, booking airline tickets, trading securities and purchasing consumer goods, including personal computers, consumer electronics, compact disks, books and vehicles. Moreover, online transactions can be faster, less expensive and more convenient than transactions conducted through a human intermediary. In addition, Web commerce

28

applications enable businesses to rapidly target and economically manage a broad customer base and establish and maintain ongoing direct customer relationships. IDC estimates that the dollar value of goods and services purchased over the Web will increase from approximately \$318 million in 1995 to \$95 billion in the year 2000.

The increasing use of the Internet has encouraged information providers to post their automotive information on the Internet. For example, Kelley Blue Book (www.kbb.com), Edmund Publications (www.edmund.com), AutoSite (www.autosite.com), IntelliChoice (www.intellichoice.com) and Microsoft's CarPoint (carpoint.msn.com) all maintain Web sites that allow consumers to conduct comprehensive automotive research online. The marketing capabilities of the Web, combined with the easy availability of automotive information, have enabled the establishment of Web-based vehicle marketing services. Many of these services may be characterized as either online services sponsored by technology providers with little understanding of the automobile and light duty truck markets, or Web sites published by traditional vehicle dealers or manufacturers which do not effectively utilize the capabilities of the Internet to provide an effective buying solution.

New Vehicle Retailing

Buying a new vehicle is the second largest purchase an average consumer makes. According to the National Automobile Dealers Association ("NADA"), the industry's largest dealer organization, \$293 billion was spent by consumers in the United States in 1995 on new vehicles, representing 14.8 million new units. Although it attracts significant consumer dollars, the vehicle sales process has not changed significantly in the last 25 years. In the United States, new vehicles are sold almost exclusively by approximately 22,000 dealerships franchised by manufacturers.

The excitement of purchasing a new vehicle is often muted by the fear of being misled, intimidated or pressured into making a purchase decision. Dealerships typically retain multiple levels of sales personnel trained in sales, deal closing, finance and insurance. As a result, a consumer is often faced with the prospect of negotiating with numerous individuals, all of whom receive compensation based on a percentage of the profits on each sale. This makes it difficult for a consumer to receive clear information or a fair price without protracted and unpleasant negotiation. These dynamics often result in low consumer satisfaction as consumers view sales tactics utilized by some dealers as self serving, unfair, intimidating or overbearing.

Notwithstanding the magnitude of the new vehicle market, the automotive dealer infrastructure is under pressure and consolidating. The new vehicle retailing business is fiercely competitive due to an overabundance of dealers. A significant number of dealers not only compete against dealers franchised by other manufacturers, but against dealers located in the same geographical area who are affiliated with the same manufacturer. In addition, the typical business model of a new vehicle dealership is capital intensive, requiring significant investments in inventory, and is characterized by an expensive sales cost structure and significant pressure to increase per unit gross profit. These factors have fostered industry consolidation resulting in a 27% decrease in the number of dealerships in the last 25 years. According to J.D. Power and Associates, a recognized automobile industry market research firm,

this consolidation trend is likely to continue in the future.

The historic abundance of dealerships and the resulting intense competition have led to the development of high-pressure sales methods designed not only to complete the sale of new vehicles, but also to increase per unit gross profit from additional product sales to the same consumer, such as vehicle accessories, financing, insurance and extended service contracts. These high-pressure sales methods have resulted in low consumer satisfaction and low sales productivity. The Company believes that the productivity of a typical retail salesperson has essentially remained unchanged over the past 10 years. In order to overcome this low productivity, a dealership must generate more sales leads by spending significant amounts to market its franchise, maintain a large selection of vehicles and improve the physical premises to attract consumers. These efforts are often accompanied by high priced print and television advertising. These factors, combined with the high cost of attracting and retaining the numerous sales personnel required to effect vehicle sales utilizing current sales methods, have significantly increased the average cost per new vehicle sold. According to NADA, average labor and overhead costs (exclusive of floor plan and prorated rent expenses) incurred per vehicle sold in 1995 totaled approximately

29

\$1,120 and average marketing and advertising cost per vehicle sold in 1995 totaled \$219. Increased costs contributed to an average loss to dealers of \$22 per new vehicle sold in 1995.

Low consumer satisfaction and the inefficient nature of traditional vehicle retailing have left both consumers and retailers seeking an alternative means of buying and selling automobiles and light duty trucks.

THE AUTO-BY-TEL SOLUTION

Auto-By-Tel is establishing a nationally branded Internet-based marketing service for new and used vehicle purchasing and related consumer services. Using the Internet, consumers in the United States and Canada submit purchase requests on the Company's and its partners' Web site. Each purchase request is then forwarded to the Auto-By-Tel dealership located in the consumer's geographic area. The dealership then telephones the consumer with a firm, competitive price. By providing an Internet-based alternative to traditional vehicle retailing, Auto-By-Tel provides the following benefits:

Benefits to Consumers. Using Auto-By-Tel's Internet-based marketing program, consumers benefit from the convenience and privacy of shopping from their home or office; online access to a wide range of up-to-date information about vehicle models, options and dealer costs; receipt of a competitive price without the need to haggle; and quick and courteous delivery of the vehicle.

Benefits to Dealers. One of the goals of the Auto-By-Tel program is to significantly reduce dealers' labor and marketing costs attributable to a vehicle sale. The Company provides participating dealers a high-volume of quality purchase requests at a low cost. These requests are submitted by consumers who have indicated their level of purchase commitment and who, in most cases, have already conducted research on their desired vehicle. As a result, dealers can complete the sales process more quickly and efficiently under the Auto-By-Tel program than via traditional sales methods, thereby reducing a dealer's labor costs. In addition, participating dealers can reduce their average per vehicle marketing costs by gaining access to a large number of serious purchasers without incurring the expense of incremental advertising.

STRATEGY

The Company is committed to being the premier nationally branded, Internet-based marketing service for new and used vehicles and related consumer services. Key elements of the Company's strategy include:

Enhancing the Strength of Auto-By-Tel Brand Name. The Company believes that enhancing the strength of the Auto-By-Tel brand name and positioning itself as the industry standard for Internet-based, consumer friendly, low cost vehicle purchasing and related consumer services is critical in its efforts to attract vehicle buyers and to increase the size of its subscribing dealership base. The Company further believes that the early stage of Internet commerce and the Company's leadership in the development of the Internet-based vehicle

purchasing market provide it with an opportunity to establish a level of branding not typically available to newer companies. A key element of the Company's strategy is to devote significant management and financial resources to brand name-building activities, including advertising in online and traditional print and television media, public relations initiatives and participation in industry conferences and trade shows. The Company aggressively promotes awareness of its brand name primarily through (i) strategic marketing relationships with Internet-based automotive information providers including AutoSite, Edmund's and Microsoft CarPoint, (ii) Internet advertising (sometimes on an exclusive or preferred basis) on online search engines, such as Excite, Magellan, and WebCrawler, (iii) online service providers, such as America Online's Digital Cities, CompuServe and Prodigy and (iv) in popular automotive and Internet related magazines. Recently, the Company began to place advertisements in a number of additional leading magazines and on television in order to reach a wider audience, strengthen the awareness of the Auto-By-Tel brand name and drive consumer traffic to the Company's Web site.

Maintaining, Strengthening and Expanding Online and Internet Relationships. Contractual agreements with online services, Internet search engine companies, and other service providers which recommend and refer

30

consumers to the Company or allow consumers to complete purchase requests on their Web sites are critical to increasing the Company's visibility on the Internet, enhancing the strength of its brand name and generating a high volume of purchase requests. For example, the Company has exclusive or preferred position on Web sites maintained by AutoSite, Edmund's and Microsoft CarPoint. The Company intends to strengthen its relationships with existing Internet referral sources and continue to seek exclusive or preferred arrangement with such sources. In addition, the Company continues to seek opportunities to promote its services on other Web sites or to enter into strategic alliances with or acquisitions of complementary service providers. See "Marketing and Sales."

Continuing to Expand and Upgrade Technology Infrastructure. The Company believes that its future success is significantly dependent on its ability to continuously improve the speed and reliability of its Web site, accommodate increasing traffic and enhance communication functionality with its consumers and dealers. The Company has recently added the capability to communicate with dealers online and upload information, including photographs, on a weekly basis, about their used vehicle inventory to the Company's used vehicle database. The Company plans to continue to expand its technological infrastructure, enhance the security and reliability of the Company's Web site and develop additional sophisticated software applications and user interfaces to accommodate planned services.

Expanding Dealership Base and Improving Dealer Service. The Company believes that the size and quality of its participating dealership base is critical to the success of its business. The Company intends to capitalize on its marketing and advertising programs to further the expansion of its dealership base. This expansion would provide the Company with the ability to increase its geographic penetration and improve its ability to service the purchase requests of a greater number of consumers. In addition, the Company believes that increased consumer satisfaction with the vehicle purchasing experience is essential to the success and differentiation of its services. Accordingly, the Company maintains an extensive training program for its participating dealerships which includes the initial and ongoing training of dealership representatives and emphasizes rapid response times, a firm competitive price quote and fair and honest treatment of its consumers. The Company regularly solicits consumer feedback and monitors dealership compliance with the Auto-By-Tel program.

Leveraging Existing Auto-By-Tel Brand Name and Marketing Model with Additional Services. The Company continually evaluates opportunities to leverage the Auto-By-Tel brand name and its Internet-based vehicle purchasing model by introducing new and complementary services. For example, the Company has an alliance with AIG to offer the Company's consumers high-quality and price competitive vehicle insurance and an agreement with Chase Manhattan to provide competitive new and used vehicle financing to consumers with prime credit ratings. The Company is negotiating similar relationships with several leading financial institutions to provide new and used vehicle leasing services and vehicle loans to sub-prime credit consumers. The Company also

plans to introduce used vehicle marketing services and an affinity program to further penetrate its potential consumer base. The Company currently expects these new service offerings to be launched in the first half of 1997.

Pursuing International Growth Opportunities. The Internet and online service providers enable the Company to market its services internationally. The Company believes that its vehicle purchasing model can be adapted for use in countries in which the vehicle retailing industry faces structural inefficiencies and consumer dissatisfaction similar to that experienced in the United States. The Company recently introduced its service in Canada and as of December 31, 1996, had a subscribing dealership base of 72 Canadian franchises and, in the fourth quarter of 1996, processed over 3,000 purchase requests from Canadian consumers.

Leveraging Proprietary Consumer Information. The Company's growing database may, in the future, have the potential to provide dealers and manufacturers with improved information regarding consumer preferences which they may utilize to streamline purchasing and production decisions.

PRODUCTS AND SERVICES

The Company's existing and currently planned Internet-based services include:

EXISTING SERVICES -----	LAUNCH DATE -----	DESCRIPTION -----
New vehicle marketing service	March 1995	This service offers a cost-effective new vehicle purchasing method which allows consumers to submit purchase requests to local dealers who promptly contact the consumer with a firm, competitive price over the telephone.
Insurance marketing service	August 1996	The Company entered into a marketing agreement with AIG in August 1996, to provide a vehicle insurance service through the Company's Web site. This service allows users to submit insurance requests for quotes online in order to more rapidly arrange for their personal automobile insurance at competitive rates.
PLANNED SERVICES -----	ANTICIPATED LAUNCH DATE -----	DESCRIPTION -----
Used vehicle marketing service	Q2 1997	This service will allow consumers to purchase high-quality used vehicles available at local area dealerships by searching an extensive database of used vehicles which have been certified to meet certain Auto-By-Tel standards.
Financing and leasing services		In October 1996, the Company entered into an agreement with Chase Manhattan, pursuant to which
New vehicles		Chase Manhattan will receive online credit applications from consumers referred by the Company. In addition, the Company is negotiating with several leading financial institutions to
. Prime credit	Q1-Q2 1997	offer financing to new and used vehicle consumers
. Sub-prime credit	Q2 1997	with sub-prime credit ratings, as well as new and used vehicle leasing services.
. Leasing	Q2 1997	The Company intends to launch a customized marketing service to credit unions to assist their members in purchasing new and used vehicles through
Used vehicles		Auto-By-Tel participating dealerships.
. Prime credit	Q2 1997	Consumers may join the Company's affinity program, which will provide discounted services, including
. Sub-prime credit	Q2 1997	roadside assistance programs, discounted travel products and special credit card programs.
. Leasing	Q2 1997	
Credit union program	Q2 1997	
Affinity program (ABT Mobilist)	Q3 1997	

New vehicle marketing service. Consumers who purchase new vehicles through the Company's Web site complete a purchase request over the Internet which specifies the type of vehicle and accessories the consumer desires, along with the consumer's phone number, e-mail address and zip code. The purchase request

is then forwarded to the Auto-By-Tel participating dealership located in the consumer's geographic area and the Company promptly returns an e-mail message to the consumer informing the consumer of the dealership's name and phone number and the name of the Auto-By-Tel manager at the dealership. Typically, the consumer is contacted by the dealership by telephone within 48 hours with a firm, competitive quote for the vehicle, eliminating the unwelcome and time consuming task of negotiating with the dealer and thus facilitating completion of the sale. Consumers usually complete their purchase and take delivery of their vehicles at the dealership showroom. Generally, within 10 days of the submission of the consumer's purchase request, the Company contacts the consumer by e-mail requesting completion of a quality assurance survey on the Company's Web site that is used by the Company and its dealers to improve the quality of dealer service and allows the Company to evaluate the sales process at participating dealerships.

32

The Auto-By-Tel network of subscribing dealerships has grown from 367 franchises as of December 31, 1995 to 1,715 franchises as of December 31, 1996. 230 dealers were participating in the Auto-By-Tel program on a non-paying trial basis as of December 31, 1996. Subscribing dealerships are charged initial fees, annual fees and monthly fees to participate in the Auto-By-Tel marketing program. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Revenues."

Insurance marketing services. According to Best Executive Data Service, the United States' market for total written personal auto insurance premiums totalled \$104 billion in 1995. In August 1996, the Company began offering vehicle insurance to its consumers through an online program with certain member companies of AIG. Pursuant to its agreement with certain member companies of AIG, the Company may make automobile insurance available online in all states other than New Jersey, Massachusetts, North Carolina, South Carolina, New Hampshire and the District of Columbia. Additionally, the Company has agreed not to market, or offer Web site access to, any other insurance underwriter for an initial term of 18 months. This initial term may be automatically renewed for additional 12 month periods. The Company's Web site currently offers a direct hyperlink to the specific Web site for such AIG member companies which enables consumers to submit requests for quotes and, when the service is fully implemented, be approved for insurance online. The Company's agreement with AIG provides for fees to the Company to be calculated as a percentage of the net premiums earned and collected by AIG on policies issued to Auto-By-Tel consumers.

Used vehicle marketing service. The market for used vehicles in the United States was estimated by NADA to be \$370 billion in 1995, of which \$182 billion represented sales of used vehicles by new vehicle franchised dealers. This market has been growing rapidly, due primarily to increasing prices for new vehicles and the large supply of high-quality, late model used vehicles created by the recent trend toward short-term leasing. Used vehicle departments at many dealers are more profitable than new vehicle departments.

The Company intends to leverage its brand name and new vehicle dealership network by launching similar marketing services for used vehicles during the first half of 1997. Unlike existing Internet services which act as unwieldy electronic classified ads, the Auto-By-Tel used vehicle program will display to consumers a wide selection of vehicles available in the consumer's specific locale, tailored to their individualized search parameters. This display will eventually provide warranty and price information on the used vehicle, including updated retail and wholesale prices and the Auto-By-Tel dealership price, and, when available, a digital photograph of the used vehicle. Consumers could then place a purchase request for the used vehicle and would be contacted by the dealer to conclude the sale.

To ensure that the used vehicles being sold through the service are of the highest quality, used vehicles must meet Auto-By-Tel certification standards and dealers must provide a nationwide, limited 90 day warranty. The Company has contracted with Integrated Warranty Services, Inc. ("IWS") to certify that each used vehicle meets Auto-By-Tel's minimum certification standards. Such standards require that a used vehicle's odometer not exceed 75,000 miles, that there be no visually obvious body damage and that no modifications to the used vehicle's body or suspension have been made. During the term of its agreement, IWS has agreed not to provide similar services to most other entities engaged in marketing or facilitating the sale of used vehicles on the Internet. Consumers also receive a 72-hour, money-back guarantee on their purchases

which any dealership in the Auto-By-Tel used vehicle program will be required to honor. Only dealers participating in the new vehicle program will be eligible to participate in the used vehicle program.

The Company will charge each new vehicle subscribing dealership that wishes to participate in the Company's used vehicle program a separate and additional sign-up and annual fee per franchise. The Company anticipates that these fees would initially be lower than those charged in the new vehicle program and is currently considering charging additional sign-up fees ranging from \$1,500 to \$2,500, annual fees ranging from \$1,500 to \$2,500. In addition, the Company intends to charge daily listing fees (typically ranging from \$1.25 to \$2.00) for each used vehicle marketed on the service which will be priced according to the number of used vehicles a dealer lists with the Auto-By-Tel program.

Finance and leasing services. The Company intends to make financing available to consumers purchasing new and used vehicles through the Auto-By-Tel programs. The Auto-By-Tel financing program will be economical, convenient and private. Vehicle buyers will be able to apply for a loan online at the time they submit

33

their purchase request for either a new or used vehicle. The Company believes that the loans and leases offered through its service will be competitive with those currently available through major financial institutions.

The Auto-By-Tel financing program will benefit lenders, lessors, consumers, and dealers. Finance companies and dealers will benefit from reduced paperwork and processing costs. Consumers will be able to arrive at the dealership with their loan pre-approved, their credit verification documents in hand, and the loan paperwork waiting for them. This will enable immediate delivery and allow the dealer to be more rapidly paid by the lender, thereby accelerating the dealer's cash flow. The Company believes that the convenience of attractive financing, combined with a firm, competitive price, will increase the closing rates on sales attributable to Auto-By-Tel purchase request referrals.

In October 1996, the Company entered into an agreement with Chase Manhattan to receive credit application for new vehicle financing from consumers who submit purchase requests. This arrangement is intended for consumers with prime credit ratings. The agreement has a term of three years but may be terminated sooner by Chase Manhattan with six months' notice or in the event that Auto-By-Tel fails to refer to Chase Manhattan a prescribed percentage of loan application requests received by Auto-By-Tel, or the referred loan applications do not result in a prescribed percentage of loans generated by Chase Manhattan, or Auto-By-Tel otherwise breaches the agreement. The Company anticipates that, when the service is implemented, consumers will be able to access Chase Manhattan's credit applications through the Company's Web site, submit their loan applications online and, depending on the creditworthiness of the consumer, have their loan requests approved electronically while they wait. All responses will be routed simultaneously to the subscribing dealership. The Auto-By-Tel financing program will enable consumers to receive up front, competitive loans from the privacy of their home or office, eliminating the need to negotiate a loan with the traditional car dealership's F&I (finance and insurance) department or visit their local bank or credit union. Chase Manhattan will pay the Company an origination fee for most loans and the dealership will be compensated for each loan made to an Auto-By-Tel consumer. The Company anticipates that this service will be implemented during the first half of 1997.

The Company is negotiating with several financial institutions to offer new and used vehicle leasing programs and financing programs for new and used vehicle purchasers with sub-prime credit ratings. The Company believes that origination fees will vary depending on the credit qualifications of applicants. The Company currently expects to launch a financing program for consumers with sub-prime credit ratings in the second quarter of 1997. The Company expects to begin offering leasing for new and used vehicles by the end of the second quarter of 1997.

Credit Union Program. Auto-By-Tel believes that credit unions, which assist their members in acquiring and financing new and used vehicles, represent an attractive market for its marketing services. There are presently about 11,800 credit unions in the U.S. with about 70 million members according to Callahan and Associates, a recognized authority on the credit union industry. Credit unions account for \$80 billion in vehicle loans outstanding as of June 30,

1996. The Company intends to launch a customized program for credit unions to assist their members in purchasing new and used vehicles through Auto-By-Tel participating dealers.

The Company's program is designed to ensure that credit union members receive the same competitive price and courteous service as the Company's direct Internet customers, through access to Auto-By-Tel's participating dealers, while allowing credit unions to provide for the financing needs of their members. The Company's program will offer several Internet-based solutions targeted toward credit union members.

Affinity program (ABT Mobilist). In order to offer Auto-By-Tel consumers additional services and encourage them to regularly revisit the Auto-By-Tel Web site after purchasing their vehicles, the Company intends to begin offering an Internet-based affinity program during the third quarter of 1997. This program, which has been developed in conjunction with an affinity consulting organization, may include various services, including an affinity credit card, discount travel products, concierge services, discount cellular phone service, entertainment services and special promotional offerings on items such as auto parts. Members will accumulate credits to be applied towards the purchase of automobiles or trucks through an Auto-By-Tel subscribing dealer. The Company currently expects that consumers will pay an annual fee for such programs as well as a small commission each time certain services are utilized. The Company currently anticipates that the annual fee to subscribers will range from approximately \$39 to \$59 depending upon the level of membership.

34

In order to generate additional revenues, attract more consumers to its Web site and dealerships to its program and remain competitive, the Company must successfully develop, market and introduce new services. The Company believes that to achieve its objectives it will need to generate a substantial portion of its future revenues from new services. None of these new services has been fully developed and, in some cases, their introduction has been delayed due to difficulties in software development encountered by the Company's Internet partners. For example, the development of an Internet-based system to receive and respond to loan applications was delayed due to difficulties in installing desired encryption (a method by which information is coded and decoded during transmission to prevent misappropriation) hardware and difficulties experienced when testing the financing program with older Internet browser software and the older Windows version 3.11 operating environment. There can be no assurance that the Company will successfully develop or introduce these new services, that such services will achieve market acceptance or that subscribing dealerships will not view such new services as competitive to services already offered by such dealerships. For example, consumers may be reticent to purchase insurance or procure vehicle financing online. Also, it may be more difficult to educate consumers as to the value of locating used vehicles for purchase through the Internet since used vehicle purchases are generally thought to require a greater level of hands-on involvement in the inspection and purchase of a used vehicle. The Company intends to incur additional expenses to develop and successfully market such services. To the extent that revenues generated by such additional services are insufficient to cover such expenses, the Company's operating results would be adversely affected. Should the Company fail to develop and successfully market these services, or should competitors successfully introduce competing services, the Company's business, results of operations, and financial condition may be materially and adversely affected.

MARKETING AND SALES

The Company believes that enhancing its national brand name recognition and position as a leading Internet-based marketing service is critical to its efforts to increase the number of purchase requests and subscribing dealerships. The growing number of Web sites which offer competing services and the relatively low barriers to entry in providing Internet services increase the importance of establishing and maintaining brand name recognition.

In order to enhance brand name awareness, the Company aggressively markets its services to vehicle consumers and Internet users by advertising on the Internet, in print media and on television. The Company has established marketing programs with many of the leading automotive information providers on the Internet, including AutoSite, Edmund's and Microsoft CarPoint. The

Company's agreements with automotive information providers typically have terms ranging from one to three years, but some are cancellable with 30 days notice. Microsoft may terminate its marketing agreement with the Company at any time if it determines, in its sole discretion, that the Company's or its dealers' services jeopardize Microsoft's good name or expose it to unacceptable legal risks. In addition, Microsoft may terminate such agreement without cause upon 30 days' prior written notice. Under the agreements, Auto-By-Tel typically pays the automotive information provider a monthly fee based on the number of users who submit Auto-By-Tel purchase requests. In 1996, the Company incurred expenses related to automotive information providers of approximately \$630,000. The Company has established a relationship with Edmund's, a leading source of online automobile and light truck price and model information. Consumers are sometimes referred to Auto-By-Tel from Edmund's. At other times, consumers will begin at the Auto-By-Tel Web site and will be hyperlinked to the Edmund's Web site to obtain price and model information, before returning to Auto-By-Tel to submit a purchase request. The Company pays Edmund's a fee based on the aggregate number of referred and returning consumers submitting a purchase request. In 1996, approximately 170,000 consumers who eventually submitted purchase requests with Auto-By-Tel either were referred to the Company from Edmund's, or went to the Edmund's site and then returned to Auto-By-Tel. Edmund's may terminate its agreement with the Company if fees payable to Edmund's are less than \$500,000 in fiscal 1997. While the Company expects the number of referrals and returning consumers from the Edmund's Web site to remain significant, the percentage of consumers entering from or visiting Edmund's during an Auto-By-Tel session has decreased in the past several months due to (i) the availability of other automobile information web sites, (ii) Auto-By-Tel's new practice of referring consumers to an alternate automobile information provider, and (iii) the Company's marketing efforts to encourage consumers beginning their automobile purchasing

35

sessions at the Company's Web site. Nevertheless, given the current level of consumers accessing the Company from Edmund's, a change or termination in the Edmund's arrangement could have a material adverse effect on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Strategy."

Auto-By-Tel continues to position itself as the leading vehicle and related consumer services marketing program with major online services, such as America Online's Digital Cities, CompuServe and Prodigy, and major Internet search engine companies such as Excite, Magellan, and Web Crawler. The Company believes that its comprehensive coverage of these Internet sites helps to increase purchase request volume and will remain a critical element of the Company's future business. Advertising agreements with these online service providers and search engine companies are generally short-term contracts or are otherwise cancelable on short notice. Payments under these agreements have not been material to date. While no single online or search engine company has individually accounted for material leads to the Company, these companies as a group are a material source of Internet referrals's to the Auto-By-Tel web site and the Company believes an inability to continue advertising on online service provider or search engine websites would adversely affect the Company.

The Company supplements its coverage of Internet referral sources with traditional print advertising. The Company has historically focused on computer user and hobbyist publications and major automotive magazines. The Company advertises in publications such as Car & Driver, Motor Trend, Road & Track, and their respective buyers guides, as well as magazines such as Internet World, OnLine Access and CompuServe to direct traffic to its Web site. The Company has begun to expand this marketing with a campaign to accelerate awareness of the Auto-By-Tel brand name and drive traffic to its Web site through television ads featured on the CNN and MSNBC networks and C/NET television programs. In the fourth quarter of 1996, the Company commenced advertising on cable television and, in the first quarter of 1997, launched national network television advertising (including a 30 second commercial during the broadcast of the Super Bowl).

The revolutionary nature of the Company's program compared to traditional vehicle sales methods has also resulted in a significant amount of unpaid media coverage. To date, the Company has been the subject of over 500 newspaper, magazine, radio and television stories. Articles about the

Company's new vehicle program have appeared in BusinessWeek, Fortune, Time, and the Wall Street Journal. Television stories featuring the Company have been aired on the NBC Nightly News and CNN. The Company believes that the initial media coverage has been an important element in creating consumer awareness of the Auto-By-Tel program and contributed to early dealership subscriptions to the program.

In addition to its consumer-oriented marketing activities, which help to attract participating dealerships, the Company also markets its programs directly to dealerships by soliciting targeted dealerships, participating in trade shows, advertising in trade publications, and encouraging subscribing dealerships to recommend the Auto-By-Tel program to other dealerships.

DEALERSHIP NETWORK AND TRAINING

[CHART APPEARS HERE]

Paying Franchises	0	38	111	253	546	728	978	1,206
Non-Paying Franchises	0	15	43	114	308	380	474	509
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*Total Subscribing	0	53	154	367	854	1,108	1,452	1,715
	===	===	===	===	===	=====	=====	=====

* Does not include dealers who were participating on a trial basis. As of December 31, 1996, the Company had approximately 230 non-paying, trial dealers.

As of December 31, 1996 the Company's participating dealership base consisted of (i) 1,206 paying franchises of subscribing dealerships, (ii) 509 non-paying franchises affiliated with paying subscribing dealerships and (iii) approximately 230 "trial dealers." A subscribing dealership is comprised of one or more franchises with typically high volume vehicle sales (such as Ford or Toyota). A subscribing dealership may sell vehicles from multiple manufacturers and therefore have multiple subscribing dealer franchises. Dealerships pay initial, annual and monthly fees per franchise to subscribe to the Company's online marketing program. Non-paying franchises are typically associated with lower-volume vehicle manufacturers (such as Audi, Saab or Suzuki) and receive purchase request referrals without paying fees to Auto-By-Tel. The non-paying franchise is typically affiliated with a paying franchise participating in the Auto-By-Tel program. (For example, a paying Ford dealership may also have a Volvo franchise at the same premises and this Volvo franchise would be enrolled as a non-paying franchise and receive Auto-By-Tel referrals without paying an additional fee.) The Company enters into agreements with non-paying franchises to ensure that it is able to serve the broadest base of customers and its geographic for the make of vehicle represented by the non-paying franchise. Accommodating non-paying franchises also allows Auto-By-Tel to offer additional benefit to its dealership network and represents a potential source of additional financing and insurance revenue. In addition, the Company may begin charging marketing fees to a non-paying franchise which begins to receive a sufficient

number of purchase requests. The Company enters into informal arrangements with potential dealership participants on a trial basis in order to assist the Company and the dealership in evaluating the effectiveness of the Auto-By-Tel program at such dealerships. The Company refers consumers to trial dealerships but does not collect fees. As of December 31, 1996, approximately 230 dealerships were participating on a trial basis. In order to better serve consumers, the Company intends to significantly increase the number of participating North American dealership franchises by the end of fiscal 1998, but there can be no assurance that it will be able to do so.

Although the number of the Company's subscribing dealerships has increased in every quarter since the Company's inception, the Company periodically terminates agreements or relationships with subscribing dealerships when the Company receives repeated complaints from consumers regarding dealer sales practices that conflict with the Auto-By-Tel marketing program. Currently, less than half of subscribing dealerships have entered into written agreements with the Company. Dealership marketing agreements have a five year term but are cancelable by either party with 30 days notice. From inception through

February 28, 1997, the loss of paying dealerships due to terminations by the Company and cancellations by dealerships totaled 85 and 145 franchises respectively. This represented a termination attrition rate of 6.8% from inception through February 28, 1997 (85 terminated paying dealerships divided by a high of 1,256 paying dealerships during the period) and a cancellation attrition rate of 11.5% from inception through February 28, 1997 (145 cancelling paying dealerships divided by a high of 1,256 paying dealerships during the period). These losses were more than offset by new subscribing dealerships during the same period.

In December 1996, the Company commenced an effort to have all subscribing dealerships execute written marketing agreements with the Company which have been revised to provide, among other things, that such dealerships will not participate with any other program with attributes similar to those of the Auto-By-Tel program. At the same time, the Company has begun a program to have all subscribing dealerships enter into written marketing agreements relating to the Auto-By-Tel financing program. As of March 11, 1997, approximately 48% and 26% of all subscribing dealerships had signed the revised marketing agreement and the financing agreement, respectively. Some of the Company's dealers have resisted signing written agreements. Among the reasons cited by dealerships in resisting entering into written agreements are: (i) the exclusivity provision of the revised form of agreement which requires that dealerships not participate in any other Internet-based or online program with attributes similar to those of the Auto-By-Tel program, (ii) the indemnification provisions which require dealerships to indemnify Auto-By-Tel under certain circumstances, (iii) concerns by dealerships that by signing a written agreement they will surrender control of the rates they will be charged by Auto-By-Tel, and (iv) concerns over the California choice of law and venue provisions in the agreement. There can be no assurance that the Company will be able to convince subscribing dealerships to enter into written agreements with the Company or revise their existing agreements or that the Company's efforts to cause subscribing dealerships to revise their agreements will not result in subscribing dealerships terminating their relationship with Auto-By-Tel.

In addition, should the volume of purchase requests increase, the Company anticipates that it will need to reduce the size of the exclusive territories currently allocated to dealerships in order to serve consumers more effectively. Dealers may be unwilling to accept reductions in the size of their territories and may, therefore, terminate their relationship, refuse to execute formal agreements with the Company or decide not to join the Company's marketing program. A material decrease in the number of subscribing dealerships, or slower than expected growth in the number of subscribing dealerships, could have a material adverse effect on the Company's business, results of operations or financial condition. The Company may also become unable to refer an adequate number of consumers to participating dealerships. There can be no assurance that the Company will be able to continue to attract additional dealerships and retain existing dealerships.

Auto-By-Tel dealerships are located in every major metropolitan area in the United States and Canada. In December 1996, the Company's computer systems were able to match and electronically route 92% of total purchase requests to participating dealerships. The remaining 8% of purchase requests were received from consumers in unassigned territories and were manually assigned and subsequently electronically routed to

dealers. Auto-By-Tel dealerships are often leaders in their respective markets. Of the ten largest dealership holding companies (according to the Automotive News 1996 Data Book), eight participate in the Company's new vehicle marketing program at some level. Size is not always a sufficient criterion, however, in the selection of Auto-By-Tel participating dealers. Auto-By-Tel is only interested in establishing relationships with dealers which share the Company's commitment to improving consumer service in the vehicle retailing industry. To meet this goal, the Company requests that participating dealerships have their representatives trained in the Auto-By-Tel marketing program, dedicate electronic and human resources to the Auto-By-Tel system and comply with the Auto-By-Tel guidelines of rapid consumer response, full disclosure, competitive and up-front pricing communicated by telephone and the selection of an employee to be the dedicated Auto-By-Tel manager. To further increase consumer satisfaction and reduce dealership costs, the Company discourages dealerships from using commissioned salespersons and the accompanying layers of personnel to interface with Auto-

By-Tel consumers.

The Company trains Auto-By-Tel dealers over the telephone, via satellite seminars, at the Company's headquarters in Irvine, California, at regional training centers and at dealerships' premises. The Company's staff strives to shift dealer salespersons away from traditional vehicle selling techniques and to the Auto-By-Tel approach. Special emphasis is placed upon telephone skills and addressing consumer questions and concerns. Generally, within ten days of the submission of a vehicle purchase request, the Company contacts the consumer by e-mail requesting completion of a quality assurance survey on the Company's Web site that is used by the Company and dealers to improve the quality of dealer service and allows the Company to evaluate the sales process at participating dealers. Dealerships that fail to abide by the Auto-By-Tel program or who receive repeated consumer complaints are terminated from the Auto-By-Tel program.

Auto-By-Tel participating dealerships are assigned exclusive territories based upon specific zip codes. Auto-By-Tel assigned regions tend to be larger than the traditional dealership region assigned by automobile manufacturers, in order to allow the Company to generate sufficiently high volume to the subscribing dealership to make participation in the Auto-By-Tel program attractive. Pursuant to an agreement with the Texas Department of Transportation, Auto-By-Tel cannot effectively guarantee exclusive territories to dealerships located in Texas, and dealership sign-up and annual fees in Texas are required to be uniform while monthly fees are based solely on population density in a given zip code.

COMPETITION

The Company's vehicle purchasing services compete against a variety of Internet and traditional vehicle buying services and automotive brokers. In the Internet-based market, the Company competes for attention with other entities which maintain similar commercial Web sites. The Company also competes indirectly against vehicle brokerage firms and affinity programs offered by several companies, including Price Costco and Wal-Mart. Like the Company's services, the services offered by competing Web sites, automotive brokerage firms and affinity programs seek to increase consumer satisfaction and reduce vehicle purchasing costs.

Although the Company does not currently compete directly with vehicle dealers and manufacturers, such competition would arise in the future if dealers and manufacturers introduced competing Web sites or developed cooperative relationships among themselves or with online automotive information providers. Moreover, the Company's ability to achieve its objectives would be adversely affected if dealers and manufacturers adopted a low cost, firm price sales model similar to that facilitated by the Auto-By-Tel program.

The market for Internet-based commercial services is new and competition among commercial Web sites is expected to increase significantly in the future. The Internet is characterized by minimal barriers to entry, and current and new competitors can launch new Web sites at relatively low cost. Potential competitors could include, but are not limited to, automotive information service providers, vehicle manufacturers and new and used vehicle dealers. In order to compete successfully as an Internet commerce entity, the Company must significantly increase awareness of the Company and its brand name, effectively market its services and successfully differentiate its Web site. Many of the Company's current and potential competitors have longer operating histories, greater name recognition and significantly greater financial and marketing resources than the

Company. Such competitors could undertake more aggressive and costly marketing campaigns than the Company which may adversely affect the Company's marketing strategies which could have a material adverse effect on the Company's business, results of operations or financial condition.

In addition, as the Company introduces new services, it will compete directly with a greater number of companies, including vehicle insurers, lenders and lessors as well as used vehicle superstores, such as CarMax and Auto Nation. Such companies may already maintain or may introduce Web sites which compete with that of the Company. There can be no assurance that the Company can continue to compete successfully against current or future

competitors nor can there be any assurance that competitive pressures faced by the Company will not result in increased marketing costs, decreased Internet traffic or loss of market share or otherwise will not materially adversely affect its business, results of operations and financial condition.

The Company believes that the principal competitive factors affecting the market for Internet-based vehicle marketing services are the speed and quality of service execution, the size and effectiveness of the participating dealership base, competitive dealer pricing, successful marketing and establishment of national brand name recognition, positioning itself as a leading Internet-based marketing service, the volume and quality of traffic to and purchase requests from a Web site and the ability to introduce new services in a timely and cost-effective manner. Although the Company believes that it currently competes favorably with respect to such factors, there can be no assurance that the Company will be able to compete successfully against current or future competitors with respect to any of these factors.

OPERATIONS AND TECHNOLOGY; FACILITIES

The Company believes that its future success is significantly dependent on its ability to continuously improve the speed and reliability of its Web site, enhance communications functionality with its consumers and dealers and maintain the highest-level of information privacy and transactional security. The Company maintains all of its own Web server hosting functions and, to accelerate connectivity, has installed two 1.54 Mbps T-1 lines for outbound traffic and a 6 Mbps fractional DS/3 line for inbound traffic. The Company has also recently upgraded its routers and has installed firewall technology to protect its private network. Continuous system enhancements are primarily intended to accommodate increased traffic across the Company's Web site, improve the speed with which purchase requests are processed and heighten Web site security which will be increasingly important as the Company offers new services such as vehicle insurance and financing. System enhancements entail the implementation of sophisticated new technology and system processes and there can be no assurance that such continuous enhancements may not result in unanticipated system disruptions. For example, since April 1, 1996, the Company has experienced three periods of system downtime with an average downtime of approximately three hours due to power loss and telecommunications failures, and there can be no assurance that interruptions will not recur. Although the Company maintains redundant local offsite backup servers, all of the Company's primary servers are located at its corporate headquarters and are vulnerable to interruption by damage from fire, earthquake, power loss, telecommunications failure and other events beyond the Company's control. The Company is in the process of developing comprehensive out-of-state disaster recovery plans to safeguard dealer and consumer information. The Company maintains business interruption insurance which pays up to \$1,000,000 (\$333,333 monthly limit) for the actual loss of business income sustained due to the suspension of operations as a result of direct physical loss of or damage to property at the Company's offices. However, in the event of a prolonged interruption, it is probable that this business interruption insurance will not be sufficient to fully compensate the Company. In the event that the Company experiences significant system disruptions, the Company's business, results of operations or financial condition could be materially and adversely affected.

The Company recently implemented its proprietary Dealer Realtime System, a personal computer-based network which allows participating dealers to receive consumer purchase requests online shortly after submission by consumers. Historically, all purchase requests were transmitted through the Company's fax server to dealers. By complementing the fax server (a computer which transmits and routes facsimile transmissions) process, the Dealer Realtime System, is designed to shorten dealer response time to consumers. The successful implementation of the Dealer Realtime System requires the active support of the Company's dealership base. To

40

receive consumer purchase requests online, dealers must purchase or lease the Dealer Realtime System and train, under the Company's guidance, their personnel. There can be no assurance that all or most dealerships will acquire the Dealer Realtime System or adopt the skills necessary to effectively use this system.

In addition, the Company has developed and intends to further develop its proprietary client/server database applications which allow consumers to

search and display used vehicle information. Such database applications allow Auto-By-Tel dealerships to upload their inventory, including digitized photographs of vehicles, to the Company's used vehicle database. Dealerships participating in the Company's Dealer Realtime System will already have acquired the equipment necessary to participate in the used vehicle marketing program. As of January 30, 1997, 118 subscribing dealerships have acquired the Dealer Realtime System. There can be no assurance that Auto-By-Tel dealerships will agree to invest in the Dealer Realtime System, or pay the associated monthly maintenance charges on a timely basis, or at all.

The Company has developed and intends to further enhance systems which allow consumers to complete and securely transmit online loan applications which will be forwarded by the Company to the appropriate lender. The Company anticipates launching these services during the first quarter of 1997.

In addition, the Company is currently in the process of completing a conversion to a redundant client/server SQL database platform which involves the integration of several different internal databases used to handle the Company's consumer and dealer information and transmission requirements as well as the Company's financial, accounting and record-keeping requirements. In addition to increasing the overall efficiency of the Company's operations, the Company anticipates that these new integrated systems could enable Auto-By-Tel to develop and market new and strategically targeted database services. No assurance can be given that the implementation of this new platform will not result in disruptions to the Company's business, such as the loss of data, errors in purchase request transmissions, delays in the Company's ability to effect periodic closings of its accounting records and other similar problems. Any such disruptions or any failure to successfully implement this new information system in a timely manner could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, interruptions at the Company's Internet referral sources could reduce the level of referrals to the Company's Web site. For example, in the Company's agreement with AutoSite, AutoSite expressly disclaims any representation that their referral will be uninterrupted or error free.

The Company's services may be vulnerable to break-ins and similar disruptive problems caused by Internet users. Further, weaknesses in the Internet may compromise the security of confidential electronic information exchanged across the Internet. This includes, but is not limited to, the security of the physical network and security of the physical machines used for the information transfer. Any such flaws in the Internet or the end-user environment, or weaknesses or vulnerabilities in the Company's services or the licensed technology incorporated in such service, would jeopardize the confidential nature of information transmitted over the Internet and could require the Company to expend significant financial and human resources to protect against future breaches, if any, in order to alleviate or mitigate problems caused by such security breaches. Concerns over the security of Internet transactions and the privacy of users may also inhibit the growth of the Internet generally, particularly as a means of conducting commercial transactions. To the extent that activities of the Company, or third party contractors, involve the storage and transmission of proprietary information (such as personal financial information or credit card numbers), security breaches could expose the Company to a risk of financial loss or litigation or other liabilities. Any such occurrence could reduce consumer satisfaction in the Company's services and could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company's success and ability to compete is dependent in part upon its proprietary systems and technology. While the Company relies on trademark, trade secret and copyright laws to protect its proprietary rights, the Company believes that the technical and creative skills of its personnel, continued development of its proprietary systems and technology, brand name recognition and reliable Web site maintenance are more essential in establishing and maintaining a leadership position. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's services or to obtain and use information that the Company regards as proprietary. Policing unauthorized use of the Company's

proprietary rights is difficult. In addition, litigation may be necessary in the future to enforce or protect the Company's intellectual property rights or to defend against claims of infringement or invalidity. Misappropriation of the Company's intellectual property or potential litigation could have a

material adverse effect on the Company's business, results of operations or financial condition.

All of the Company's operations are centrally located in approximately 13,700 square feet of office space in Irvine, California. Approximately 12,300 square feet is leased through August 1, 2001, and the Company has the option to renew this lease for an additional five-year period. Approximately 1,400 square feet is separately leased under a sublease through April 30, 1997.

GOVERNMENT REGULATION

The Company believes that its dealer marketing service does not qualify as a brokerage activity and, therefore, that the Company does not need to comply with state broker licensing requirements. In Texas, however, the Company was required to modify its marketing program to include a pricing model under which subscribing dealerships are charged uniform fees based on the population density of their particular geographic area and to make its program open to all dealerships who wish to apply. In the event that individual state regulatory requirements change or additional requirements are imposed on the Company, the Company may be required to modify its marketing programs in such states in a manner which may undermine the program's attractiveness to consumers or dealers. In addition, in the event that a state deems that the Company is acting as a broker, the Company may be required to comply with burdensome licensing requirements of such state or terminate operations in such state. In each case, the Company's business, results of operations or financial condition could be materially and adversely affected.

The Company's marketing service may result in changes in the way new and used vehicles are sold which may be deemed to be threatening by new and used vehicle dealers who do not subscribe to the Auto-By-Tel program. Such businesses are often represented by influential lobbying organizations, and such organizations may seek to introduce legislation which may impact the evolving marketing and distribution model which the Company's service promotes. Should legislative or legal challenges be brought successfully by such organizations, the Company's business, results of operations or financial condition could be materially and adversely affected.

As the Company introduces new services, the Company may need to comply with additional licensing regulations and regulatory requirements. For example, the Company recently obtained an insurance brokerage license in California and has begun procuring insurance brokerage licenses in other states to ensure compliance with applicable insurance regulations, if any, of such states. In addition, the Company is currently in the process of applying for financial brokers' licenses in those states in which the Company believes such licenses are required. Becoming licensed may be an expensive and time-consuming process which could divert the efforts of management. In the event that the Company does not successfully become licensed under applicable state insurance or lending rules or otherwise comply with regulations necessitated by changes in current regulations or the introduction of new services, the Company's business, results of operations or financial condition could be materially and adversely affected.

Additionally, there are currently few laws or regulations directly applicable to access to or commerce on the Internet. However, due to the increasing popularity and use of the Internet, it is likely that a number of laws and regulations may be adopted at the local, state, national or international levels with respect to commerce over the Internet, potentially covering issues such as pricing of services and products, advertising, user privacy and expression, intellectual property, information security, anti-competitive practices or the convergence of traditional distribution channels with Internet commerce. In addition, tax authorities in a number of states are currently reviewing the appropriate tax treatment of companies engaged in Internet commerce. New state tax regulations may subject the Company to additional state sales and income taxes. The adoption of any such laws or regulations may decrease the growth of Internet usage or the acceptance of Internet commerce which could, in turn, decrease the demand for the Company's services and increase the Company's costs or otherwise have a material adverse effect on the Company's business, results of operations or financial condition.

The Company experienced significant growth in employment during 1996, and as of December 31, 1996, the Company had a total of 73 employees (including two in Canada), compared to 17 employees as of December 31, 1995. Employees as of December 31, 1996 included nine in management, 41 in marketing, selling, training and support, 11 engaged in technical activities and 12 administrative employees. The Company also employs independent contractors for software and hardware development, which totaled 17 people as of December 31, 1996. None of the Company's employees is represented by a labor union. The Company has not experienced any work stoppages and considers its relations with its employees to be good.

The Company's rapid growth has placed, and is expected to continue to place, a significant strain on the Company's managerial and technical resources. The Company's future success depends in significant part upon the continued service of its key technical and senior management personnel and its continuing ability to attract and retain qualified sales, marketing, technical and managerial personnel. As the Company introduces new services, it will need to hire a significant number of additional managerial, sales, marketing and technical personnel. Competition for qualified personnel is intense and there can be no assurance that the Company will be able to retain its key employees or that it will be able to attract and retain additional highly qualified personnel in the future.

The Company's performance is substantially dependent on the performance of its executive officers and key employees, all of whom are employed on an at-will basis and many of whom have worked together for only a short period of time. The Company maintains "key person" life insurance in the amount of \$7.5 million on the life of Peter R. Ellis, the Company's President and Chief Executive Officer. However, the loss of the services of Mr. Ellis or one or more of the Company's other executive officers or key employees would likely have a material adverse effect on the business, results of operations and financial condition of the Company. See "Management."

MANAGEMENT

EXECUTIVE OFFICERS, DIRECTORS AND OTHER KEY EMPLOYEES

The following table sets forth certain information with respect to the executive officers, directors and other key employees of the Company.

EXECUTIVE OFFICERS AND DIRECTORS	AGE	POSITION
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Peter R. Ellis.....	50	President, Chief Executive Officer and Director
John C. Bedrosian.....	62	Chairman of the Board
W. Randolph Ellspermann.	50	Senior Vice President of the Company and Chief Operating Officer of Auto-By-Tel Acceptance Corporation
Robert S. Grimes.....	53	Executive Vice President and Director
Mark W. Lorimer.....	37	Vice President, General Counsel and Secretary
Michael J. Lowell.....	38	Senior Vice President of the Company and Chief Operating Officer of Auto-By-Tel Marketing Corporation
Brian B. MacDonald.....	39	Vice President Finance and Treasurer
John M. Markovich.....	40	Senior Vice President Finance and Chief Financial Officer
Jeffrey H. Coats (1)(2).	39	Director
Michael Fuchs (1)(2).....	51	Director

OTHER KEY EMPLOYEES

Thomas J. Ciresa.....	55	Director of Used Vehicle Development and Canada Operations
Jacqueline A. Dufort....	35	Chief Technology Officer
John P. Honiotes.....	49	National Sales Director

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.

Peter R. Ellis co-founded the Company and has been President and Chief Executive Officer since its inception. Mr. Ellis has extensive experience in

the automobile retailing industry. From June 1993 to December 1993, Mr. Ellis served as Chairman of PEAC Corporation, a retail used vehicle business. From August 1973 to May 1991, Mr. Ellis was a controlling stockholder and served as President of P.R. Ellis Corp. (formerly known as CAJ Corporation), a holding corporation for several companies which owned and operated automobile dealerships and related businesses in Northern and Southern California and Arizona. Mr. Ellis' corporations guaranteed in the ordinary course of business loans made to vehicle purchasers, and, in 1985, the principal amount outstanding under such guaranteed loans reached an aggregate of approximately \$80 million. As a result of higher than industry standard defaults by vehicle purchasers in subsequent years, Mr. Ellis' corporations, which then owned three dealerships, were required to expend significant cash to satisfy these guarantees. In the early 1990's, vehicle sales decreased significantly as a result of the then ongoing recession in California. The effects of the recession, when combined with poor working capital, had a severe impact on Mr. Ellis' dealership operations. During this period, Mr. Ellis personally guaranteed additional capital and inventory loans with an aggregate principal amount in excess of \$40 million on behalf of three dealerships. In 1991, Mr. Ellis closed the three remaining dealerships due to ongoing financial difficulties. As a result, certain company loans were defaulted. Subsequently, in response to a creditor's proceedings, Mr. Ellis declared personal bankruptcy under Chapter 7 of the United States Bankruptcy Code in January 1994. All outstanding debts were discharged in August 1994 by order of the Bankruptcy Court.

John C. Bedrosian co-founded the Company and has been Chairman of the Board since its inception. Since September 1993, Mr. Bedrosian has been engaged in personal investing activities. From August 1985 to September 1993, Mr. Bedrosian was Senior Executive Vice President of National Medical Enterprises ("NME"), a hospital management company. Mr. Bedrosian holds a B.S. from the University of California, Los Angeles and an LL.B. from the University of Southern California. Mr. Bedrosian also served on the Board of

44

NME from 1976 to September 1994. In 1992, the U.S. Attorney's office commenced an investigation of a subsidiary of NME for alleged Medicare and Medicaid billing improprieties. In June 1994, NME reached an out of court settlement with the U.S. Department of Justice paying fines and penalties of \$379 million. Mr. Bedrosian was not involved in these proceedings. In addition, in 1995, the Securities and Exchange Commission (the "SEC") commenced an examination into potential improper disclosures made by NME in its periodic reports filed in 1991. Mr. Bedrosian and eight former employees appeared before the SEC to give testimony relating to the exercise of employee stock options and disposition of the underlying shares during this period. To date, the SEC has taken no further action.

W. Randolph Ellspermann joined the Company in July 1996 as Chief Operating Officer of Auto-By-Tel Acceptance Corporation and, in January 1997, was appointed a Senior Vice President of the Company. Mr. Ellspermann also serves as Chief Operating Officer of Auto-By-Tel Insurance Services, Inc. From November 1993 to June 1996, Mr. Ellspermann was employed by Mark III Industries, a van conversion company, where he last served as Chief Operating and Financial Officer. From June 1986 to June 1993, Mr. Ellspermann served at subsidiaries of Security Pacific Corporation, including five years as Chief Executive Officer of Security Pacific Information Services and two years as Chief Financial Officer of Security Pacific Auto Finance. Mr. Ellspermann's background also includes 13 years with Ford Motor Company and Ford Motor Credit Company in a variety of finance and management positions. Mr. Ellspermann holds a B.S. in Industrial Management from Purdue University and a Masters of Business Administration from the University of Michigan.

Robert S. Grimes has been a director of the Company since inception and has served as Executive Vice President since July 1996. Since September 1987, Mr. Grimes has been President of R.S. Grimes & Co., Inc., an investment company. From April 1981 to March 1987, Mr. Grimes was a partner with the investment firm of Cowen & Company. Mr. Grimes holds a B.S. from the Wharton School of Commerce and Finance at the University of Pennsylvania and an LL.B. from the University of Pennsylvania Law School.

Mark W. Lorimer joined the Company in December 1996 as Vice President, General Counsel and Secretary. From January 1996 to November 1996, Mr. Lorimer was a partner and, from March 1989 to January 1996, was an associate with the law firm of Dewey Ballantine. Mr. Lorimer holds a B.S. in Speech from

Northwestern University and a J.D. from the Fordham University School of Law.

Michael J. Lowell joined the Company in October 1996 as Chief Operating Officer of Auto-By-Tel Marketing Corporation and, in January 1997, was also appointed a Senior Vice President of the Company. From March 1995 to November 1996, Mr. Lowell served as Vice President and Chief Financial Officer of Alpha Microsystems, a publicly-held computer hardware and software developer. From February 1990 to March 1995, Mr. Lowell held various financial and management positions, most recently as Vice President and Chief Financial Officer, with Wahlco Environmental Systems, Inc. ("Wahlco"), a publicly-held manufacturer of environment control equipment. From February 1987 to February 1990, Mr. Lowell served in various management and financial positions, most recently as Vice President and Treasurer, with Pacific Diversified Capital Company, a diversified holding company, the investments of which included a controlling interest in Wahlco. Prior to working with Wahlco, Mr. Lowell held various positions with Ducommun, Inc., a publicly-held manufacturer and distributor of electronic components. Mr. Lowell holds a B.S. in Finance from California State University at Long Beach and a Masters of Business Administration from the University of San Diego.

Brian B. MacDonald joined the Company in October 1995 as Chief Financial Officer and Manager, was appointed Vice President in May 1996 and was appointed Vice President Finance and Treasurer in January 1997. From April 1990 to October 1994, Mr. MacDonald served as Controller for all of the subsidiaries of Long Beach Bank, F.S.B. and from December 1992 to October 1994 also managed the operations of the bank's insurance subsidiary. From September 1983 to January 1990, Mr. MacDonald worked at Price Waterhouse L.L.P. in a variety of divisions, including their audit and high-technology divisions. Mr. MacDonald holds a B.S. in Business from the University of Southern California.

John M. Markovich joined the Company in January 1997 as Senior Vice President Finance and Chief Financial Officer. From April 1995 to January 1997, Mr. Markovich served as Vice President Finance and Chief

45

Financial Officer of Optical Coating Laboratory, Inc., a publicly-held manufacturer of thin film coated optical products. From May 1993 to February 1995, Mr. Markovich served as Vice President Finance and Chief Financial Officer of Electrosoci, Inc., an early stage environmental technology company, and from July 1992 to May 1993, he was Vice President and Chief Financial Officer of the Norden Fruit Company. From August 1987 to February 1992, Mr. Markovich served as Vice President and Treasurer of Western Digital Corporation, a publicly-held multinational electronics manufacturer. Previously, Mr. Markovich worked for Citibank, N.A. as a corporate banking officer in the bank's high technology group. Mr. Markovich holds a B.S. in General Business from Miami University and a Masters of Business Administration from Michigan State University.

Jeffrey H. Coats was elected a director of the Company on August 27, 1996. Mr. Coats has served as Managing Director of GE Equity Capital Group, Inc., a wholly-owned subsidiary of General Electric Capital Corporation, a significant shareholder in the Company, since April 1996. He was also a Managing Director of GE Capital Corporate Finance Group, Inc., a wholly-owned subsidiary of General Electric Capital Corporation, from June 1987 to April 1993. From March 1994 to April 1996, Mr. Coats served as President of Maverick Capital Equity Partners, LLC, and from April 1993 to January 1994, Mr. Coats was a partner with Veritas Capital, Inc., both of which are investment firms. Mr. Coats holds a B.B.A. in Finance from the University of Georgia and a Masters in Industrial Management in Finance from the American Graduate School of International Management. Mr. Coats is a director and Chairman of the Board of The Hastings Group, Inc., a privately held clothing retailer, which on October 23, 1995, filed a voluntary petition under Chapter 11 of the Bankruptcy Code and is currently in the process of formulating a plan of reorganization. Mr. Coats is a member of the board of directors of Krause's Furniture, Inc., a publicly-held company.

Michael Fuchs was elected as a director of the Company on September 25, 1996. Mr. Fuchs was Chairman and Chief Executive Officer of Home Box Office ("HBO"), the world's largest pay-television company, from October 1984 until November 1995, and Chairman and Chief Executive Officer of Warner Music Group from May 1995 to November 1995. Mr. Fuchs holds a B.A. from Union College and a J.D. from the New York University School of Law. Mr. Fuchs is a member of the Board of Directors of Marvel Entertainment Group, an entertainment and

publishing company, and IMAX Corp., an entertainment film and technology company. On December 27, 1996, Marvel Entertainment Group filed a voluntary petition under Chapter 11 of the Bankruptcy Code and is currently in the process of formulating its plan of reorganization.

Thomas J. Ciresa joined the Company in May 1995 as a regional director and subsequently launched the customer service and training departments. Since March 1996 Mr. Ciresa has served as Director of Used Vehicle Development and Canada Operations. From March 1993 to June 1994, Mr. Ciresa served as Western Regional Operations Manager for Kia Motors America. From November 1991 to March 1993, Mr. Ciresa worked as National Sales Manager of Agency Rent-A-Car and from September 1988 to November 1991 owned and operated a Toyota franchised vehicle dealership in Eugene, Oregon. From June 1965 to September 1988, Mr. Ciresa served in senior management positions with a variety of vehicle manufacturers, including Hyundai Auto Canada, Porsche Cars, N.A. and Toyota Motor Sales, U.S.A., Inc. Mr. Ciresa holds a B.E. from the University of Miami, Florida.

Jaqueline A. Dufort joined the Company in April 1996 as Director of Information Technology. Since October 1996, Ms. Dufort has served as Chief Technology Officer of the Company. From September 1990 to April 1996, Ms. Dufort served as Director of Information Technology Strategic Planning for Long Beach Mortgage Company, formerly known as Long Beach Bank, F.S.B. From November 1986 to August 1990, Ms. Dufort served as Senior Project Manager for Salomon Brothers Inc. Ms. Dufort holds a B.S. in Computer Science from Embry-Riddle Aeronautical University and a Masters of Business Administration from New York University.

John P. Honiotes joined the Company in May 1995 as National Sales Director. From October 1993 to October 1994, Mr. Honiotes served as regional director of ABAC, a sub-par lender and from October 1994 to April 1995 as an independent consultant, in each case developing sub-par programs and systems for use by automobile dealerships to determine more efficiently the eligibility of sub-prime credit consumers under the rules

46

of a large number of financing institutions. From June 1991 to October 1993, Mr. Honiotes served as Director of Sales at Cush Automotive Group, Escondido, California, an automotive dealership group, and, from June 1990 to June 1991, as Chief Executive Officer and President of Presidential/AMS. From August 1988 to May 1990, Mr. Honiotes served as President of After-Market Profit Plus, Inc., prior to which he served as Senior Vice President, National Sales Director of AutoMax, an automotive affinity card program. Mr. Honiotes holds a B.S. in Marketing from Northern Illinois University.

The Board of Directors has currently authorized five members. Members of the Board of Directors are elected each year at the Company's annual meeting of stockholders, and serve until the following annual meeting of stockholders or until their respective successors have been elected and qualified. In connection with the Series A Preferred Stock financing, Mr. Coats was elected to the Board of Directors pursuant to the Company's Amended and Restated Certificate of Incorporation. The provision providing for the Series A Preferred Stock nominee to the Board of Directors will terminate upon the closing of the Offering.

Director Compensation

The Company's non-employee directors do not currently receive any cash compensation for service on the Company's Board of Directors or any committee thereof, but directors may be reimbursed for certain expenses incurred in connection with attendance at Board and committee meetings. The Company's 1996 Stock Incentive Plan provides for automatic grants of stock options to non-employee directors commencing upon the closing of this offering. See "Stock Plans--1996 Stock Incentive Plan."

Officers of the Company are appointed by the Board of Directors and serve at its discretion. The Company has entered into indemnification agreements with each member of the Board of Directors and certain of its officers providing for the indemnification of such person to the fullest extent authorized, permitted or allowed by law.

EXECUTIVE COMPENSATION

Summary Compensation. The following table sets forth in summary form the compensation paid by the Company during the year ended December 31, 1996 to the Company's Chief Executive Officer and the four most highly paid executive officers (the "Named Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION	
		SALARY (\$)	(1) BONUS (\$)	SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION (\$)
Peter R. Ellis.....	1996	\$122,502	\$321,167	--	\$11,301
W. Randolph Ellspermann.	1996	50,000	--	125,000	--
Robert S. Grimes.....	1996	90,000	--	250,000	--
Michael J. Lowell.....	1996	15,000	--	166,666	--
Brian B. MacDonald.....	1996	85,000	50,000	125,000	1,776

(1) Salary data reflect amounts paid for the year ended December 31, 1996 for the Chief Executive Officer and the Named Officers. Mr. Grimes began receiving cash compensation on August 1, 1996. The current annualized base salaries of the Chief Executive Officer and the Named Officers are as follows: Mr. Ellis--\$275,000; Mr. Ellspermann--\$120,000; Mr. Grimes--\$180,000; Mr. Lowell--\$120,000; and Mr. MacDonald--\$120,000.

(2) Includes the following amounts: Mr. Ellis--\$3,150 in health benefits, \$369 in life insurance payments and \$7,782 in automobile expenses; and Mr. MacDonald--\$1,776 in health benefits.

OPTION GRANTS DURING FISCAL 1996

The following table sets forth for the Chief Executive Officer and the Named Officers and certain information concerning stock options granted during fiscal 1996. The Company did not grant SARs during fiscal 1996.

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(5)	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1) (#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1996(2)	EXERCISE PRICE (\$/SHARE) (3)	EXPIRATION DATE(4)	5% (\$)	10% (\$)
Peter R. Ellis.....	--	--	--	--	--	--
W. Randolph Ellspermann.	125,000	5.3%	\$ 0.60	7/03/06	\$ 47,167	\$ 119,531
Robert S. Grimes.....	250,000	10.7	0.60	7/03/06	94,334	239,062
Michael J. Lowell.....	166,666	7.1	3.00	10/23/06	314,446	796,868
Brian B. MacDonald	125,000	5.3	0.60	7/03/06	47,167	119,531

(1) Represent options granted under the Company's 1996 Stock Option Plan and the 1996 Stock Incentive Plan. On October 23, 1996, the Board of Directors terminated the 1996 Stock Option Plan, and no further options may be granted thereunder.

(2) Based on an aggregate 2,352,066 shares subject to options granted to employees during fiscal 1996.

- (3) Options were granted at an exercise price equal to the estimated fair market value of the Company's Common Stock at the date of grant. In determining the fair market value of the Company's Common Stock, the Board of Directors considered various factors, including the Company's financial condition and business prospects, its operating results, the absence of a market for its Common Stock and the risks normally associated with investments in companies engaged in similar businesses. For accounting purposes only, the Company recorded deferred compensation expense in connection with the grant of the options to Mr. Grimes. See Note 7 of Notes to Consolidated Financial Statements.
- (4) The term of each option granted under the 1996 Stock Option Plan is generally ten years from the date of grant. Options may terminate before their expiration dates, however, if the optionee's status as an employee or a consultant is terminated or upon the optionee's death or disability. Options granted under the Company's 1996 Stock Option Plan and 1996 Stock Incentive Plan must generally be exercised within 30 days of the termination of the optionee's status as an employee or consultant of the Company, or within twelve months after such optionee's death or disability.
- (5) The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of the Company's future Common Stock prices.

AGGREGATED OPTION/SAR EXERCISES IN 1996 AND FISCAL YEAR-END OPTION/SAR VALUES

The following table sets forth for each of the Named Officers certain information concerning options exercised during fiscal 1996 and the number of shares subject to both exercisable and unexercisable stock options as of December 31, 1996. Also reported are values for "in-the-money" options that represent the positive spread between the respective exercise prices of outstanding options and the fair market value of the Company's Common Stock as of December 31, 1996. The Company has never issued stock appreciation rights ("SARs").

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE (#)		NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT DECEMBER 31, 1996 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT DECEMBER 31, 1996 (\$ (2))	
	EXERCISE (#)	VALUE REALIZED (\$) (1)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Peter R. Ellis.....	--	--	--	--	--	--
W. Randolph Ellspermann.	41,666	\$308,328	0	83,333	\$ 0	\$616,656
Robert S. Grimes.....	--	--	125,000	125,000	925,000	925,000
Michael J. Lowell.....	--	--	0	166,666	0	833,330
Brian B. MacDonald	--	--	41,666	83,333	308,328	616,656

- (1) The amount set forth represents the difference between the fair market value of the shares at the time of exercise, as determined by the Board of Directors, and the exercise price of the option, multiplied by the applicable number of options.
- (2) Calculated by determining the difference between the fair market value of the securities underlying the option as of December 31, 1996 (\$8.00 per share as determined by the Board of Directors) and the exercise price of the Named Officer's options. In determining the fair market value of the Company's Common Stock, the Board of Directors considered various factors, including the Company's financial condition and business prospects, its operating results, the absence of a market for its Common Stock and the risks normally associated with technology companies.

STOCK PLANS

1996 Stock Option Plan. The Company's 1996 Stock Option Plan (the "Option Plan") was approved by the Board of Directors and the stockholders on May 18, 1996. The Option Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and for the grant to employees, consultants and directors of nonstatutory stock options. Under the Option Plan, the

exercise price of all incentive stock options granted under the Option Plan cannot be lower than the fair market value of the Common Stock on the date of grant. With respect to any participants who, at the time of grant, own stock possessing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any stock option granted to such person must be at least 110% of the fair market value on the grant date, and the maximum term of such option is five years. The term of all other options granted under the 1996 Option Plan may be up to 10 years. The Option Plan may be administered by the Board of Directors or a committee of the Board (the "Administrator"). Any options granted under the Option Plan are exercisable at such times as determined by the Administrator, but in no case at a rate of less than 20% per year over five years from the grant date. A majority of the outstanding options vest and become exercisable as to one-third of the grant on October 31, 1996, and as to an additional one third of the grant at each successive October 31. Options granted under the Option Plan must be exercised within 30 days following termination of the optionee's status as an employee or consultant of the Company, or within 12 months following such optionee's termination by death or disability. The Board of Directors may at anytime amend, suspend or discontinue the Option Plan, but no amendment, suspension or discontinuation shall be made which would impair the rights of any optionee, without his or her consent. If so requested by the Company or any representative of the underwriters, the optionee shall not sell or transfer any shares of the Company during the 180-day period following the effective date of the registration statement relating to an initial public offering of securities filed pursuant to the Securities Act of 1933 (the "Securities Act"). On October 23, 1996, the Board of Directors terminated the Option Plan and no further options may be granted thereunder. On October 23, 1996, options to purchase an aggregate of 1,305,833 shares of Common Stock at an exercise price of \$0.60 per share were outstanding under the Option Plan.

49

1996 Stock Incentive Plan. The Company's 1996 Stock Incentive Plan (the "Incentive Plan") provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Code, and for the granting to employees, directors and consultants of nonstatutory stock options and stock purchase rights ("SPRs"). The Incentive Plan was approved by the Board of Directors on October 23, 1996, amended by the Board of Directors on November 24, 1996 and approved by the stockholders on January 16, 1997. A total of 2,268,333 shares of Common Stock are currently reserved for issuance under the Incentive Plan. Shares available for future grant under the Incentive Plan will be increased as of the first day of each new fiscal year during the term of the Incentive Plan by the number of shares issuable upon exercise of options granted thereunder in the previous fiscal year, net of returns. This increase may not exceed 1,250,000 in any fiscal year. No option holder may be granted options to purchase more than 500,000 shares in any fiscal year; provided, however, that an option holder may be granted an additional 500,000 shares in connection with his or her initial service with the Company.

The Incentive Plan may be administered by the Board of Directors or a committee of the Board (the "Committee"), which Committee will, in the case of options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, consist of two or more "outside directors" within the meaning of Section 162(m) of the Code. The Committee has the power to determine the terms of the options or SPRs granted, including the exercise price, the number of shares subject to each option or SPR, the exercisability thereof, and the form of consideration payable upon such exercise. In addition, the Committee has the authority to amend, suspend or terminate the Incentive Plan, provided that no such action may affect any share of Common Stock previously issued and sold or any option previously granted under the Incentive Plan.

Options and SPRs granted under the Incentive Plan are not generally transferable by the optionee, and each option and SPR is exercisable during the lifetime of the optionee only by such optionee. Options granted under the Incentive Plan must generally be exercised within three months of the end of optionee's status as an employee or consultant of the Company, or within twelve months after such optionee's termination by death or disability, but in no event later than the expiration of the option's ten year term. In the case of SPRs, unless the Committee determines otherwise, the Restricted Stock Purchase Agreement will grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or disability). The purchase price for Shares repurchased pursuant to the Restricted Stock Purchase Agreement

will be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at a rate determined by the Committee. The exercise price of all incentive stock options granted under the Incentive Plan must be at least equal to the fair market value of the Common Stock on the date of grant. The exercise price of nonstatutory stock options and SPRs granted under the Incentive Plan is determined by the Committee, but with respect to nonstatutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the exercise price must at least be equal to the fair market value of the Common Stock on the date of grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of the Company's outstanding capital stock, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the term of such incentive stock option must not exceed five years. The term of all other options granted under the Incentive Plan may not exceed ten years.

The Incentive Plan provides that in the event of a merger of the Company with or into another corporation, a sale of substantially all of the Company's assets or a like transaction involving the Company, each option will be assumed or an equivalent option substituted by the successor corporation. If the outstanding options are not assumed or substituted as described in the preceding sentence, the Committee shall provide for the Optionee to have the right to exercise the option or SPR as to all of the optioned stock, including shares as to which it would not otherwise be exercisable. If the Administrator makes an option or SPR exercisable in full in the event of a merger or sale of assets, the Administrator will notify the optionee that the option or SPR will be fully exercisable for a period of 15 days from the date of such notice, and the option or SPR will terminate upon the expiration of such period.

50

Non-employee directors are entitled to participate in the Company's Incentive Plan. The Incentive Plan provides for an automatic grant of an option to purchase 16,666 shares of Common Stock (the "First Option") to each non-employee director on the date on which the Incentive Plan becomes effective or, if later, on the date on which the person first becomes a non-employee director. After the First Option is granted to the non-employee director, he or she will automatically be granted an option to purchase 4,166 shares (a "Subsequent Option") on November 1 of each subsequent year provided he or she is then a non-employee director and, provided further, that on such date he or she has served on the Board for at least six months. First Options and each Subsequent Option will have a term of ten years. Twenty-five percent of the shares subject to the First Option shall vest on the date twelve months after the grant date of the option, and 1/48 of the shares subject to the First Option and each Subsequent Option shall become exercisable each month thereafter, provided that the optionee continues to serve as a director on such dates. The exercise price of the First Option and each Subsequent Option cannot have an exercise price lower than 100% of the fair market value per share of the Company's Common Stock on the date of the grant of the option.

1996 Employee Stock Purchase Plan. The Company's 1996 Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors on November 18, 1996 and approved by the stockholders on January 16, 1997. The Company has reserved a total of 666,666 shares of Common Stock for issuance under the Purchase Plan. Shares available for future issuance under the Purchase Plan will be increased as of the first day of each new fiscal year during the term of the Purchase Plan by the number of shares issued thereunder in the prior fiscal year. The Purchase Plan, which is intended to qualify under Section 423 of the Code, as amended, permits eligible employees of the Company to purchase shares of Common Stock through payroll deductions of up to ten percent of their compensation, up to a maximum of \$21,250 for all purchase periods ending within any calendar year. The Purchase Plan will be implemented in a series of successive 6-month offering periods. However, the initial offering period will begin on the effective date of this offering and will end on the last trading day in the period ending June 1997.

Individuals who are eligible employees on the start day of any offering period may enter the Purchase Plan on that start date or on any subsequent quarterly entry date (January 1, April 1, July 1 or October 1). Individuals who become eligible employees after the start date of the offering period may join the Purchase Plan on any subsequent quarterly entry date within that period. Employees are eligible to participate if they are customarily employed

by the Company or any designated subsidiary for at least 20 hours per week and for more than five months in any calendar year.

The price of Common Stock purchased under the Purchase Plan will be 85% of the lower of the fair market value of the Common Stock on the first or last day of each six month purchase period. Employees may end their participation in the Purchase Plan at any time during an offering period, and they will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with the Company. Rights granted under the Purchase Plan are not transferable by a participant other than by will, the laws of descent and distribution, or as otherwise provided under the plan.

The Purchase Plan will be administered by the Board of Directors or by a committee appointed by the Board. The Board may amend or modify the Purchase Plan at any time. The Purchase Plan will terminate on the last business day in October 2006, unless sooner terminated by the Board.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No interlocking relationship exists between the Company's Board of Directors or Compensation Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past. The Compensation Committee of the Board of Directors currently consists of Messrs. Coats and Fuchs.

51

EMPLOYMENT AGREEMENTS

The Company does not presently have any employment contracts in effect with the Chief Executive Officer or any of the Named Officers, except for Mr. Lowell. Mr. Lowell has an employment offer letter which provides that he is entitled to continue to receive his salary for a period of six months as severance if he is terminated without cause within one year from the commencement of his employment. Mr. Markovich also has an offer letter which entitles him to receive a severance payment equal to six months' salary if he is terminated without cause within one year of the commencement of his employment. In addition, Mr. Lorimer has an offer letter which entitles him to receive a severance payment equal to one year's salary (payable monthly) and an acceleration of all outstanding options, if he is terminated without cause, dies, becomes disabled or there occurs a change in control of the Company.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

The Company's Amended and Restated Certificate of Incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that a corporation's certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director for monetary damages for breach of their fiduciary duties as directors, except for liability (i) for any breach of their duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit.

The Company's Restated Bylaws provide that the Company shall indemnify its directors and officers and may indemnify its employees and agents to the fullest extent permitted by law. The Company believes that indemnification under its Restated Bylaws covers at least negligence and gross negligence on the part of indemnified parties.

The Company has entered into agreements to indemnify its directors and officers, in addition to the indemnification provided for in the Company's Restated Bylaws. These agreements, among other things, indemnify the Company's directors and officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person's services as a director or officer of the Company, any subsidiary of the Company or any other company or enterprise to which the person provides services at the request of the Company. The Company believes that these provisions and agreements are necessary to attract and retain qualified directors and officers.

CERTAIN TRANSACTIONS

Pursuant to a Contribution Agreement and Plan of Reorganization dated May 31, 1996 among the Company, Auto-By-Tel, LLC, ABT Acceptance Company, LLC, Peter R. Ellis, John C. Bedrosian, the John C. Bedrosian and Judith D. Bedrosian Revocable Trust (the "Trust"), and Robert S. Grimes, the Company issued to the Trust, Mr. Ellis and Mr. Grimes 5,354,166, 6,187,500 and 833,333 shares of Common Stock of the Company, respectively, in exchange for the transfer to the Company of their respective membership interests in Auto-By-Tel, LLC and ABT Acceptance Company, LLC. See Note 5.b of Notes to Consolidated Financial Statements.

On July 31, 1996, the Company issued to Robert S. Grimes, a director, officer and significant stockholder of the Company, an option to purchase 250,000 shares of Common Stock of the Company at an exercise price of \$0.60 per share, which option vests over two years.

From time to time, the Company has advanced funds to Peter R. Ellis, the Company's President and Chief Executive Officer. At no time did Mr. Ellis' indebtedness to the Company exceed \$30,000. The advances did not accrue interest and were unsecured. The advances were made without a specific due date. Advances were approved by Mr. Bedrosian, the Company's Chairman and controlling stockholder. The advances were used to pay personal expenses of Mr. Ellis and were retired by subsequent offsets to Mr. Ellis' salary and bonus. The Company believes that these advances were in the best interest of the Company and its stockholders because they allowed Mr. Ellis to meet his personal needs without requiring an increase in salary or a larger bonus. As of January 30, 1997, no advances to Mr. Ellis were outstanding. In the future, the Company will not grant loans to officers or other key employees without the prior approval of the Compensation Committee of the Board of Directors.

On May 31, 1996 and June 28, 1996, John C. Bedrosian, a director and significant stockholder of the Company made unsecured loans to the Company in the amounts of \$910,863 and \$170,000, respectively. The loans accrued interest at a simple rate of 8% per annum. These principal and all outstanding and accrued interest outstanding under loans was repaid in full in a single repayment on August 28, 1996 and all promissory notes evidencing such debt were canceled. The Company believes that such loans were on terms more favorable than the Company would have received from disinterested parties.

In connection with the Company's lease of its principal offices, the Company was required to establish a \$175,000 letter of credit. On June 19, 1996, Mr. Bedrosian co-signed this letter of credit and pledged a certificate of deposit as collateral. Mr. Bedrosian has also personally guaranteed the Company's Merchant Card Agreement, and has provided a personal guarantee to the financial institution that issued the Company's corporate credit cards, guaranteeing the payment of all outstanding indebtedness under these credit facilities.

On August 26, 1996, the Company issued 1,500,000 shares of Series A Preferred Stock at \$10.00 per share in a private placement for an aggregate consideration of \$15.0 million in cash and cancellation of indebtedness. The holders of such Series A Preferred Stock are entitled to certain registration rights with respect to the shares of Common Stock issued or issuable upon conversion thereof. See "Description of Capital Stock--Registration Rights." Each share of Series A Preferred Stock will convert on a five-for-three basis into an aggregate of 2,500,000 shares of Common Stock (at a conversion price of \$6.00 per share) on or immediately prior to the closing of this offering. In connection with such financing, the Company issued (i) 200,000 shares to ContiTrade Services L.L.C. in exchange for \$2,000,000 in cash, (ii) 400,000 shares to National Union Fire Insurance Company of Pittsburgh in exchange for \$4,000,000 in cash, (iii) 800,000 shares to General Electric Capital Corporation in exchange for \$8,000,000 in cash, and (iv) 100,000 shares to Michael Fuchs in exchange for \$1,000,000 in cash and cancellation of indebtedness. Sales of Series A Preferred Stock were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

On July 9, 1996 and August 13, 1996, Michael Fuchs, made unsecured loans to the Company in the principal amount of \$250,000 and \$250,000, respectively. These loans accrued interest at a simple rate of 10% per annum. All principal and accrued interest under these loans was converted into Series A Preferred

August 26, 1996 at \$10.00 per share. No cash repayments of principal or interest were made on such loans prior to their conversion. The Company believes that such loans were on terms more favorable than the Company could have received from disinterested parties. In September 1996, Mr. Fuchs was appointed to the Company's Board of Directors.

On January 30, 1997, the Company issued 967,915 shares of Series B Preferred Stock at \$9.35 per share in a private placement or an aggregate consideration of \$9.05 million in cash. The holders of such Series B Preferred Stock are entitled to certain registration rights with respect to the shares of Common Stock issued or issuable upon conversion thereof. See "Description of Capital Stock--Registration Rights." Each share of Series B Preferred Stock will convert on a one-for-one basis into an aggregate of 967,915 shares of Common Stock on or immediately prior to the closing of the Offering. In connection with such financing, the Company issued (i) 133,690 shares to ContiTrade Services L.L.C. in exchange for \$1.25 million in cash, (ii) 267,380 shares to National Union Fire Insurance Company of Pittsburgh in exchange for \$2.5 million in cash, (iii) 534,760 shares to General Electric Capital Corporation in exchange for \$5.0 million in cash, and (iv) 32,085 shares to Michael Fuchs in exchange for \$300,000 in cash. Sales of Series B Preferred Stock were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

In 1996, the Company paid approximately \$89,000 in legal fees and expenses to Dewey Ballantine. Mr. Lorimer was a partner at Dewey Ballantine during fiscal 1996. Mr. Lorimer joined Auto-By-Tel as Vice President, General Counsel and Secretary in December 1996.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of January 31, 1997 and as adjusted to reflect the sale of Common Stock offered hereby for (i) each person or entity who is known by the Company to beneficially own five percent or more of the outstanding Common Stock of the Company, (ii) each of the Company's directors, (iii) each of the Named Officers, and (iv) all directors and executive officers of the Company as a group:

NAME OR GROUP OF BENEFICIAL OWNERS	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1)		NUMBER OF SHARES OFFERED	SHARES BENEFICIALLY OWNED AFTER OFFERING(1)	
	NUMBER	PERCENT		NUMBER	PERCENT
Peter R. Ellis(2)..... c/o Auto-By-Tel Corporation 18872 MacArthur Boulevard, Suite 200 Irvine, California 92612-1400	6,075,167	38.2%	400,000	5,675,167	29.1%
John C. Bedrosian(3)..... c/o Auto-By-Tel Corporation 18872 MacArthur Boulevard, Suite 200 Irvine, California 92612-1400	5,354,166	33.7	--	5,354,166	27.5
Jeffrey H. Coats(4)..... General Electric Capital Corporation 260 Long Ridge Road Stamford, Connecticut 06927	1,868,093	11.8	--	1,868,093	9.6
Robert S. Grimes(5)..... 152 West 57th Street New York, NY 10019	958,333	6.0	--	958,333	4.9
National Union Fire Insurance..... Company of Pittsburgh 70 Pine Street 19th Floor New York, New York 10270	934,046	5.9	--	934,046	4.8
W. Randolph Ellspermann.....	41,666	*	--	41,666	*
Mark W. Lorimer(6).....	0	0	--	0	0

Michael J. Lowell(6).....	0	0	--	0	0
Brian B. MacDonald(6).....	41,666	*	--	41,666	*
John M. Markovich(6).....	0	0	--	0	0
Michael Fuchs(7).....	198,751	1.3	--	198,751	*
All directors and executive officers as a group (8 persons)(8).....	14,537,842	91.5	400,000	14,137,842	72.5

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* Less than 1%

- (1) Assumes no exercise of the Underwriters' over-allotment option. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are currently exercisable or exercisable within 60 days of January 31, 1997 are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of each other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name.
- (2) Includes 33,333 shares held by certain irrevocable trusts established for family members of Mr. Ellis as to which Mr. Ellis' spouse maintains sole voting power. Excludes 108,333 shares held by family members of Mr. Ellis as to which Mr. Ellis disclaims beneficial ownership.
- (3) All shares are held in The John C. Bedrosian and Judith D. Bedrosian Revocable Trust in which Mr. Bedrosian maintains shared voting powers.
- (4) Shares held by General Electric Capital Corporation. Mr. Coats is a managing director of GE Equity Capital Group, Inc., an affiliate thereof, and is a director of the Company. Excludes 16,666 shares subject to options granted to Mr. Coats, and subsequently assigned to General Electric Capital Corporation, none of which are exercisable within 60 days of January 31, 1997.
- (5) Includes 125,000 shares subject to options exercisable within 60 days of January 31, 1997. Includes an aggregate of 8,333 shares held in irrevocable trusts as to which Mr. Grimes' spouse maintains sole voting power.
- (6) Represents shares subject to options exercisable within 60 days of January 31, 1997. Excludes 93,333, 500,000, 166,666, 83,333, and 200,000 shares subject to outstanding options granted to Messrs. Ellspermann, Lorimer, Lowell, MacDonald and Markovich, respectively, none of which are exercisable within 60 days of January 31, 1997.
- (7) Excludes 16,666 shares subject to options granted to Mr. Fuchs, none of which are exercisable within 60 days of January 31, 1997.
- (8) Includes 166,666 shares subject to options exercisable within 60 days of January 31, 1997.

55

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, the outstanding Common Stock of the Company will consist of 19,495,136 shares, \$0.001 par value. As of January 31, 1997, there were 15,895,136 shares of Common Stock outstanding (assuming the conversion of all outstanding shares of Preferred Stock) held of record by approximately 26 stockholders.

COMMON STOCK

A total of 50,000,000 shares of Common Stock of the Company will be authorized upon the closing of the Offering. Holders of Common Stock are entitled to one vote per share in all matters to be voted on by the stockholders. Subject to the preferences of the Preferred Stock, holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available for payment. See "Dividend Policy." In the event of a liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of Preferred Stock then outstanding, if any. The Common Stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of Common Stock are fully paid and non-assessable, and the shares of Common Stock to be issued upon completion of the Offering will be fully paid and non-assessable.

PREFERRED STOCK

Pursuant to the Company's Amended and Restated Certificate of Incorporation, the Board of Directors has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of Preferred Stock in one or more series and to fix the designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the Common Stock. The Board of Directors, without stockholder approval, can issue Preferred Stock with voting, conversion or other rights that could adversely affect the voting power and other rights of the holders of Common Stock. Preferred Stock could thus be issued quickly with terms calculated to delay or prevent a change in control of the Company or make removal of management more difficult. Additionally, the issuance of Preferred Stock may have the effect of decreasing the market price of the Common Stock, and may adversely affect the voting and other rights of the holders of Common Stock. Upon the closing of the Offering, no shares of Preferred Stock will be outstanding and the Company has no plans to issue any of the Preferred Stock.

REGISTRATION RIGHTS

Pursuant to an agreement between the Company and the holders (the "Holders") of approximately 15,322,248 shares of Common Stock and securities convertible into Common Stock (collectively, and as converted, the "Registrable Securities"), the Holders are entitled to certain rights with respect to the registration of such shares under the Act. If the Company proposes to register any of its securities under the Act, either for its own account or for the account of other Holders exercising registration rights, the Holders are entitled to notice of such registration and are entitled to include shares of Registrable Securities therein. Additionally, the Holders are also entitled to certain demand registration rights pursuant to which they may require the Company to file a registration statement under the Act at the Company's expense with respect to their shares of Registrable Securities, and the Company is required to use its best efforts to effect such registration. All of these registration rights are subject to certain conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in such registration and the right of the Company not to effect a requested registration within one year of an initial public offering of the Company's securities, such as the Offering made hereby, or if such requested registration would have an anticipated aggregate offering to the public of less than \$30,000,000.

56

DELAWARE ANTI-TAKEOVER LAW AND CERTAIN CHARTER PROVISIONS

Anti-Takeover Law

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner or unless the interested stockholder acquired at least 85% of the corporation's voting stock (excluding shares held by certain designated stockholders) in the transaction in which it became an interested stockholder. For purposes of Section 203, a "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within the previous three years did own, 15% or more of the corporation's voting stock.

Limitation of Director and Officer Liability

The Company's Amended and Restated Certificate of Incorporation and Bylaws contain certain provisions relating to the limitation of liability and indemnification of directors and officers. The Company's Amended and Restated Certificate of Incorporation provides that directors of the Company may not be held personally liable to the Company or its stockholders for a breach of fiduciary duty, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not

in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the Delaware General Corporation Law, relating to prohibited dividends, distributions and repurchases or redemptions of stock, or (iv) for any transaction from which the director derives an improper benefit. In addition, the Company's Amended and Restated Certificate of Incorporation and Bylaws provide that the Company shall indemnify its directors and officers to the fullest extent authorized by Delaware law.

No Stockholder Action by Written Consent

Prior to the closing of the Offering, the Company's Amended and Restated Certificate of Incorporation will provide that the stockholders can take action only at a duly called annual or special meeting of stockholders. Accordingly, stockholders of the Company will not be able to take action by written consent in lieu of a meeting. This provision may have the effect of deterring hostile takeovers or delaying changes in control or management of the Company.

TRANSFER AGENT AND REGISTRAR

ChaseMellon Shareholder Services, L.L.C. has been appointed as the transfer agent and registrar for the Company's Common Stock. Its telephone number for such purposes is (818) 971-4758.

57

SHARES ELIGIBLE FOR FUTURE SALE

Prior to the Offering, there has been no market for the Common Stock of the Company. Future sales of substantial amounts of Common Stock in the public market could adversely affect market prices prevailing from time to time. Upon completion of the Offering, based upon shares outstanding as of January 31, 1997, the Company will have outstanding an aggregate of 19,495,136 shares of Common Stock, assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options. Of these shares, the 4,000,000 shares sold in the Offering will be freely tradeable without restriction or further registration under the Securities Act, except that any shares purchased by "affiliates" of the Company, as that term is defined in Rule 144 of the Securities Act ("Affiliates"), may generally only be sold in compliance with the limitations of Rule 144 described below.

SALES OF RESTRICTED SHARES

The remaining 15,495,136 shares of Common Stock held by existing stockholders are "restricted securities" under Rule 144 ("Restricted Shares"). The number of shares of Common Stock available for sale in the public market is limited by restrictions under the Securities Act and lock-up agreements under which the holders of such shares have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this Prospectus (the "lock-up period") without the prior written consent of Montgomery Securities. On the date of this Prospectus, no shares other than the 4,000,000 offered hereby will be eligible for sale. In addition, following the expiration of the lock-up period, none of the Restricted Shares will become available for sale in the public market until the expiration of their two year holding periods.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this Prospectus, a person (or persons whose shares are aggregated) who has beneficially owned Restricted Shares for at least two years (including the holding period of any prior owner, except if the prior owner was an Affiliate) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: (i) one percent of the number of shares of Common Stock then outstanding (which will equal approximately 194,951 shares immediately after the Offering); or (ii) the average weekly trading volume of the Common Stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about the Company. Under Rule 144(k), a person who is not deemed to have been an Affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least three years (including the holding period of any prior owner except an Affiliate), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions

of Rule 144; therefore, unless otherwise restricted, "144(k) shares" could be sold immediately upon the completion of the Offering. All of the Restricted Shares, however, will have been held for less than one year upon completion of the Offering.

Upon completion of the Offering, the holders of 15,322,248 shares of Common Stock, or their transferees, will be entitled to certain rights with respect to the registration of such shares under the Securities Act. See "Description of Capital Stock--Registration Rights." Registration of such shares under the Securities Act would result in such shares becoming freely tradeable without restriction under the Securities Act (except for shares purchased by Affiliates) immediately upon the effectiveness of such registration.

OPTIONS

The Company intends to file a registration statement under the Securities Act covering shares of Common Stock reserved for issuance for options outstanding under the Option Plan and the Incentive Plan and reserved for issuance under the Purchase Plan. See "Management--Stock Plans." Such registration statement is expected to be filed and become effective as soon as practicable after the effective date of this offering. Accordingly, shares registered under such registration statement will, subject to Rule 144 volume limitations applicable to Affiliates, be available for sale in the open market, unless such shares are subject to vesting restrictions with the

58

Company or the lock-up agreements described above. A total of 4,197,500 shares have been reserved for issuance under the Option Plan, the Incentive Plan and the Purchase Plan. As of January 31, 1997, options to purchase 2,405,565 shares of Common Stock were issued and outstanding under the Option Plan and no options had been granted under the Incentive Plan. See "Management--Stock Plans."

In addition, under Rule 701 of the Securities Act as currently in effect, any employee, consultant or advisor of the Company (other than an affiliate) who purchased shares from the Company in connection with a compensatory stock or option plan or other written agreement is eligible to resell such shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144.

LOCK-UP AGREEMENTS

All officers, directors, and other stockholders of the Company have agreed not to sell, offer, contract or grant any option to sell, make any short sale, pledge, transfer, establish an open "put equivalent position" within the meaning of the Rule 16a-1(h) under the Securities Exchange Act of 1934, as amended, or otherwise dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock for a period of 180 days after the date of this Prospectus, without the prior written consent of Montgomery Securities. In addition, under the terms of the Option Plan and Incentive Plan, holders of options to purchase Common Stock are obligated not to sell or transfer any shares of the Company during such 180-day period if so requested by the Company or the underwriters. See "Underwriting."

59

UNDERWRITING

The Underwriters named below, represented by Montgomery Securities, Cowen & Company and Robertson, Stephens & Company LLC (the "Representatives"), have severally agreed, subject to the terms and conditions set forth in the Underwriting Agreement, to purchase from the Company the number of shares of Common Stock indicated below opposite their respective names at the initial public offering price less the underwriting discount set forth on the cover page of this Prospectus. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and that the Underwriters are committed to purchase all of such shares, if any are purchased.

UNDERWRITER

NUMBER OF SHARES

Montgomery Securities.....	
Cowen & Company.....	
Robertson, Stephens & Company LLC.....	

Total.....	4,000,000
	=====

The Representatives have advised the Company that the Underwriters initially propose to offer the Common Stock to the public on the terms set forth on the cover page of this Prospectus. The Underwriters may allow to selected dealers a concession of not more than \$ per share, and the Underwriters may allow, and such dealers may reallow, a concession of not more than \$ per share to certain other dealers. After the initial public offering, the offering price and other selling terms may be changed by the Representatives. The shares of Common Stock are offered subject to receipt and acceptance by the Underwriters, and to certain other conditions, including the right to reject orders in whole or in part.

The Company has granted an option to the Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to a maximum of 600,000 additional shares of Common Stock to cover over-allotments, if any, at the same price per share as the initial shares of Common Stock to be purchased by the Underwriters. To the extent the Underwriters exercise this option, each of the Underwriters will be committed to purchase such additional shares in approximately the same proportion as set forth in the above table. The Underwriters may purchase such shares only to cover over-allotments made in connection with the offering.

The Underwriting Agreement provides that the Company will indemnify the Underwriters against certain liabilities, including civil liabilities under the Securities Act, or will contribute to payments the Underwriters may be required to make in respect thereof.

The shares of Common Stock offered hereby have not been and will not be qualified for distribution under the securities legislation of any of the provinces of Canada. Accordingly, the shares of Common Stock offered hereby may not be distributed in Canada, except pursuant to a prospectus exemption under applicable securities legislation. Each Underwriter has agreed that it will not distribute any shares of Common Stock in Canada except in accordance with a prospectus exemption under applicable securities legislation.

All of the Company's officers, directors and stockholders have agreed that they will not, without the prior written consent of Montgomery Securities (which consent may be withheld in its sole discretion) and subject to certain limited exceptions, directly or indirectly, sell, offer, contract or grant any option to sell, make any short sale, pledge, transfer, establish an open "put equivalent position" within the meaning of the Rule 16a-1(h) under the Securities Exchange Act of 1934, as amended, or otherwise dispose of any shares of Common Stock, options or warrants to acquire Common Stock, or securities exchangeable or exercisable for or convertible into Common Stock currently owned either of record or beneficially by them for a period commencing on the date of this Prospectus and continuing to a date 180 days after the first date any of the shares of Common Stock offered hereby are released by the Underwriters for sale to the public. Montgomery Securities may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to these lock-up agreements. In

addition, the Company has agreed that, for a period of 180 days after the date of this Prospectus, it will not, without the consent of Montgomery Securities, issue, offer, sell or grant options to purchase or otherwise dispose of any equity securities or securities convertible into or exchangeable for equity securities except for (i) the shares of Common Stock offered hereby, (ii) shares of Common Stock issued pursuant to the exercise of outstanding options and (iii) options to purchase shares of Common Stock granted pursuant to the Incentive Plan and shares of Common Stock issued pursuant to the exercise of such options. See "Management--Stock Plans" and "Shares Eligible for Future Sale."

Prior to the Offering, there has been no public market for the Common Stock. Consequently, the initial public offering price will be determined by negotiations between the Company and the Representatives. Among the factors to be considered in such negotiations are the history of, and prospects for, the Company and the industry in which it competes, an assessment of the Company's management, its past and present operations and financial performance, the prospects for future earnings of the Company, the present state of the Company's development, the general condition of the securities markets at the time of the Offering, the market prices of and demand for publicly traded common stocks of companies in recent periods and other factors deemed relevant.

In order to facilitate the offering of the Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may overallocate in connection with the Offering, creating a short position in the Common Stock for their own account. In addition, to cover overallocations or to stabilize the price of the Common Stock, the Underwriters may bid for, and purchase, shares of Common Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Common Stock in the Offering if the syndicate repurchases previously distributed Common Stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters are not required to engage in these activities and may end any of these activities at any time.

The Representatives have informed the Company that the Underwriters do not expect to make sales to accounts over which they exercise discretionary authority in excess of 5% of the number of shares of Common Stock offered hereby.

The Company and the Selling Stockholder have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act.

61

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Wilson Sonsini Goodrich & Rosati, Palo Alto, California. Certain legal matters in connection with the Common Stock offered hereby will be passed upon for the Underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, Los Angeles, California.

EXPERTS

The consolidated financial statements as of and for the period from inception (January 31, 1995) to December 31, 1995 and as of and for the year ended December 31, 1996 appearing in this Prospectus and Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as set forth in their report with respect thereto and are included herein in reliance upon the authority of said firm as experts in giving said report.

ADDITIONAL INFORMATION

A Registration Statement on Form S-1, including amendments thereto, relating to the Common Stock offered hereby has been filed by the Company with the Securities and Exchange Commission (the "Commission"), Washington, D.C. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. For further information with respect to the Company and the Common Stock offered hereby, reference is made to such Registration Statement, exhibits and schedules. A copy of the Registration Statement may be inspected by anyone without charge at the Commission's principal office, 450 Fifth Street, N.W., Washington, D.C. 20549, the New York Regional Office located at 7 World Trade Center, 13th Floor, New York, NY

10048, and the Chicago Regional Office located at Northwestern Atrium Center, 500 West Madison Street, Chicago, IL 60661, and copies of all or any part thereof, including any exhibit thereto, may be obtained from the Commission upon the payment of certain fees prescribed by the Commission. The Commission maintains a World Wide Web Site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the site is <http://www.sec.gov>.

62

AUTO-BY-TEL CORPORATION
AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE

Report of Independent Public Accountants.....	F-2
Consolidated Balance Sheets.....	F-3
Consolidated Statements of Operations.....	F-4
Consolidated Statements of Stockholders' Equity.....	F-5
Consolidated Statements of Cash Flows.....	F-6
Notes to Consolidated Financial Statements.....	F-7

F-1

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Auto-By-Tel Corporation:

We have audited the accompanying consolidated balance sheets of Auto-By-Tel Corporation (a Delaware corporation) and subsidiaries as of December 31, 1995 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the period from inception (January 31, 1995) to December 31, 1995 and the year ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Auto-By-Tel Corporation and subsidiaries as of December 31, 1995 and 1996, and the results of their operations and their cash flows for the period from inception (January 31, 1995) to December 31, 1995 and the year ended December 31, 1996 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Orange County, California
January 22, 1997,
(except Note 8, as to which the date is January 30, 1997)

F-2

AUTO-BY-TEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,		PRO FORMA	
	-----		STOCKHOLDERS' EQUITY	
	1995	1996	DECEMBER 31, 1996	
	-----		-----	
			(UNAUDITED)	
			(NOTE 8.C.)	
ASSETS				
Current assets:				
Cash and cash equivalents, includes restricted amounts of \$0 and \$985,000, respectively.....	\$ 48,000	\$ 9,062,000		
Accounts receivable, net of allowance for doubtful accounts of \$20,000 and \$162,000, respectively.....	14,000	298,000		
Prepaid advertisement.....	--	716,000		
Other.....	114,000	186,000		

Total current assets.....	176,000	10,262,000		
Property and equipment, net....	102,000	1,425,000		
Other assets.....	7,000	611,000		

Total assets.....	\$ 285,000	\$12,298,000		
	=====			
LIABILITIES AND STOCKHOLDERS'				
EQUITY				
Current liabilities:				
Accounts payable.....	\$ 87,000	\$ 651,000		
Deferred revenue.....	356,000	2,326,000		
Customer deposits.....	--	554,000		
Other current liabilities....	16,000	771,000		
Due to shareholder.....	816,000	--		

Total current liabilities..	1,275,000	4,302,000		

Commitments and contingencies				
Stockholders' equity:				
Convertible preferred stock, Series A, \$0.001 par value, 1,500,000 shares authorized; none issued and outstanding at December 31, 1995; 1,500,000 shares issued and outstanding at December 31, 1996, aggregate liquidation preference of \$15,000,000 (5,000,000 shares authorized, none issued and outstanding, pro forma).....	--	2,000	\$ --	
Common stock, \$0.001 par value; 16,666,666 shares authorized; none issued and outstanding at December 31, 1995; 12,427,221 shares issued and outstanding at December 31, 1996 (50,000,000 shares authorized, 15,895,136 shares issued and outstanding, pro forma).....	--	12,000		16,000
Members' interests/additional paid-in capital.....	40,000	15,073,000		24,121,000
Deferred compensation.....	--	(26,000)		(26,000)
Accumulated deficit.....	(1,030,000)	(7,065,000)		(7,065,000)
	-----		-----	
Total stockholders' equity				

interest in ABT for cash.....	--	--	--	--	40,000	--	--	40,000
Net loss.....	--	--	--	--	--	--	(1,030,000)	(1,030,000)

Balance, December 31, 1995.....	--	--	--	--	40,000	--	(1,030,000)	(990,000)

Sale of members' interest in ABTAC for cash.....	--	--	--	--	50,000	--	--	50,000
Issuance of Common Stock in exchange for members' interest.....	--	--	12,374,999	12,000	(12,000)	--	--	--
Issuance of Common Stock options with an exercise price of \$0.60 per share.....	--	--	--	--	87,000	(87,000)	--	--
Issuance of Series A Preferred Stock at \$10.00 per share for cash, net of costs of \$135,000.....	1,450,000	2,000	--	--	14,363,000	--	--	14,365,000
Issuance of Series A Preferred Stock at \$10.00 per share upon conversion of debt....	50,000	--	--	--	500,000	--	--	500,000
Issuance of Common Stock for services in August 1996.....	--	--	10,000	--	20,000	--	--	20,000
Issuance of Common Stock upon exercise of stock options.....	--	--	42,222	--	25,000	--	--	25,000
Amortization of deferred compensation.....	--	--	--	--	--	61,000	--	61,000
Net loss.....	--	--	--	--	--	--	(6,035,000)	(6,035,000)

Balance, December 31, 1996.....	1,500,000	\$2,000	12,427,221	\$12,000	\$15,073,000	\$ (26,000)	\$ (7,065,000)	\$7,996,000
=====								

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

F-5

AUTO-BY-TEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

INCEPTION
(JANUARY 31, 1995) YEAR ENDED
TO DECEMBER 31, 1995 DECEMBER 31, 1996

	INCEPTION (JANUARY 31, 1995) TO DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996
	-----	-----
Cash flows from operating activities:		
Net loss.....	\$ (1,030,000)	\$ (6,035,000)
Adjustments to reconcile net loss to net cash used in operating activities--		
Depreciation and amortization.....	25,000	178,000
Provision for bad debt.....	20,000	145,000
Amortization of deferred compensation.....	--	61,000
Changes in assets and liabilities:		
Increase in accounts receivable...	(34,000)	(429,000)
Increase in prepaid advertisement.	--	(716,000)
Increase in other current assets..	(114,000)	(72,000)
Increase in other assets.....	(7,000)	(604,000)
Increase in accounts payable.....	87,000	564,000
Increase in deferred revenue.....	356,000	1,970,000
Increase in customer deposits.....	--	554,000
Increase in other current liabilities.....	16,000	775,000
	-----	-----
Net cash used in operating activities.....	(681,000)	(3,609,000)
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment...	(127,000)	(1,501,000)
	-----	-----

Cash flows from financing activities:		
Proceeds from sale of common stock....	--	25,000
Proceeds from sale of members' interest in ABT.....	40,000	--
Proceeds from sale of members' interest in ABTAC.....	--	50,000
Proceeds from issuance of Series A Preferred Stock, net.....	--	14,365,000
Proceeds from issuance of notes payable.....	816,000	765,000
Repayments of notes payable.....	--	(1,081,000)
	-----	-----
Net cash provided by financing activities.....	856,000	14,124,000
	-----	-----
Net increase in cash and cash equivalents.....	48,000	9,014,000
Cash and cash equivalents, at beginning of period.....	--	48,000
	-----	-----
Cash and cash equivalents, at end of period.....	\$ 48,000	\$ 9,062,000
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes.....	\$ 2,000	\$ 4,000
	=====	=====
Cash paid during the period for interest.....	\$ --	\$ 24,000
	=====	=====

Supplemental disclosure of noncash activities:

During August 1996, 50,000 shares of Series A Preferred Stock were issued in exchange for \$500,000 previously advanced to the Company under three notes payable.

During September 1996, 10,000 shares of Common Stock with a fair market value of \$20,000 were issued for consulting services

During May 1996, 12,374,999 shares of Common Stock were issued to founding shareholders in exchange for members' interests

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

F-6

AUTO-BY-TEL CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. The Company

Auto-By-Tel Corporation (the Company) is establishing a nationally branded Internet-based marketing service for new and used vehicles and related consumer services. The Company's Web site (www.autobytel.com) enables consumers to gather information on automobiles and light duty trucks (vehicles) and shop for vehicles and related consumer services from their home or office. The Company's services are free to consumers and, to date, the Company has derived substantially all of its revenues from fees paid by subscribing dealerships located in the United States and Canada.

The business commenced operations as a limited liability company (See Note 5.b.).

b. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, its predecessors (See Note 5.b.) and its wholly-owned subsidiaries: Auto-By-Tel Marketing Corporation, Auto-By-Tel Acceptance Corporation, Auto-By-Tel Insurance Services, Inc. and Auto-By-Tel Canada, Inc.. All intercompany transactions and balances have been eliminated.

c. Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents and those with maturities greater than three months are considered to be short-term investments.

d. Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, generally three years. Leasehold improvements are stated at cost. Amortization is provided using the straight-line method over the lesser of the lease term or the estimated useful lives of the respective assets.

e. Revenue Recognition

Substantially all revenues to date have consisted of marketing fees paid by franchises of subscribing dealerships. These marketing fees are comprised of an initial fee, a monthly fee and an annual fee. The initial fee and annual fee are recognized ratably over the service period of 12 months. The monthly fee is recognized in the period the service is provided. Deferred revenue is comprised of unamortized initial and annual fees.

f. Advertising and Promotion Costs

Advertising and promotion costs consist primarily of fees paid to automotive information providers, online services providers, online search engines and print advertising. Advertising and promotion costs are recorded as expense in the period that the advertisement appears or the service is provided.

g. Technology Development

Technology development expenses consist primarily of personnel and related compensation costs and contract labor to support software development and configuration and implementation of the Company's Internet, telecommunications and support system infrastructure. Technology development expenditures are charged to expense as incurred.

F-7

AUTO-BY-TEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

h. Stock-Based Compensation

The Company accounts for stock-based compensation issued to employees using the intrinsic value based method as prescribed by APB Opinion No. 25 "Accounting for Stock Issued to Employees" (APB No. 25). Under the intrinsic value based method, compensation is the excess, if any, of the fair value of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. Compensation, if any, is recognized over the applicable service period, which is usually the vesting period.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). This standard, if fully adopted, changes the methods of accounting for employee stock-based compensation plans to the fair value based method. For stock options, fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock (not applicable for private entities), expected dividends and the risk-free interest rate over the expected life of the option.

Compensation expense, if any, is recognized over the applicable service period, which is usually the vesting period.

The adoption of the accounting methodology of SFAS No. 123 is optional and the Company has elected to continue accounting for stock-based compensation issued to employees using APB No. 25; however, pro forma disclosures as if the Company adopted the cost recognition requirements under SFAS No. 123 are required to be presented (See Note 7).

i. Income Taxes

The Company accounts for income taxes using the asset and liability method as prescribed by SFAS No. 109, "Accounting for Income Taxes" (SFAS No. 109). Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws.

Prior to May 31, 1996, the business operated as limited liability companies taxed as partnerships under the provisions of the Internal Revenue Code of 1986 (Internal Revenue Code). Under those provisions, the Company was not subject to corporate income taxes on its taxable income. Instead, the Company's taxable income or loss prior to May 31, 1996 is includable in the individual income tax returns of its members.

Effective May 31, 1996, as a result the reorganization under the terms of a Contribution Agreement and Plan of Organization, the business was reorganized as a C Corporation under the provisions of the Internal Revenue Code (See Note 5.b.). The reorganization required that the Company record the cumulative tax effect of temporary differences between book income and taxable income as deferred tax assets and deferred tax liabilities (net of valuation allowance) in accordance with SFAS No. 109. At May 31, 1996, the cumulative tax effect of these temporary differences was immaterial.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F-8

AUTO-BY-TEL CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

k. Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments approximates fair value.

l. Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, and accounts receivable. Substantially all of the Company's cash and cash equivalents are invested in one money market fund with underlying assets consisting primarily of commercial paper.

To date, accounts receivable have been derived from marketing fees billed to franchises of subscribing dealerships located in the United States and Canada. The Company generally requires no collateral. The Company maintains reserves for potential credit losses; historically, such losses have been minor and within management's expectations. From inception (January 31, 1995) through December 31, 1996, no subscribing dealership franchise accounted for greater than 10% of the accounts receivable or revenue of the Company.

The Company conducts its business within one industry segment within the United States and Canada. Revenues from customers outside of the United States

were less than 10% of total revenues for all periods presented in the accompanying consolidated statements of operations.

m. Foreign Currency Translation

Assets and liabilities of the Canadian operations are remeasured from Canadian dollars into U.S. dollars in accordance with Financial Accounting Standards Board Statement No. 52. Revenues and expenses are translated at average monthly exchange rates prevailing during the period. Resulting translation adjustments are immaterial.

n. New Accounting Pronouncements

The Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" on January 1, 1996. This standard requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of this standard did not have a material impact on the consolidated financial statements.

o. Net Loss Per Share

Net loss per share is computed based on the weighted average number of shares of common stock outstanding and common equivalent shares from stock options (under the treasury stock method, if dilutive). In accordance with certain SEC Staff Accounting Bulletins, such computations include all common equivalent shares (using the treasury stock method and the anticipated public offering price) issued twelve months prior to the filing of the Initial Public Offering (IPO) as if they were outstanding for all periods presented. Furthermore, common equivalent shares from convertible preferred stock that will automatically convert upon the completion of the Company's proposed IPO are included in the calculation for all periods presented as if converted using the treasury stock method.

AUTO-BY-TEL CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

(2) PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	DECEMBER 31,		
	1995	1996	ASSET LIVES
Computer hardware.....	\$ 88,000	\$1,125,000	3 years
Furniture and equipment.	39,000	412,000	3 years
Leasehold improvements..	--	77,000	5 years or term of lease if shorter
	127,000	1,614,000	
Less--Accumulated depreciation and amortization.....	(25,000)	(189,000)	
	\$102,000	\$1,425,000	

(3) DUE TO SHAREHOLDER

During 1995 and 1996, the Company's Chairman and co-founder advanced funds to the Company totaling \$1,081,000. During 1996, these advances were converted to notes that were payable on demand and bore interest at a rate of 8% per annum. These notes were paid in full using the proceeds of the Series A Preferred Stock offering (See Note 5.a).

(4) INCOME TAXES

No provision for federal and state income taxes has been recorded as the Company incurred net operating losses through December 31, 1996. As of December 31, 1996, the Company had approximately \$4.7 million of federal and state net operating loss carryforwards available to offset future taxable income; such carryforwards expire in various years through 2011. Under the Tax Reform Act of 1986, the amounts of and benefits from net operating losses carried forward may be impaired or limited in certain circumstances. Events which may cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three year period. As of December 31, 1996, the effect of such limitation, if imposed, has not been determined.

Net deferred income tax assets, totaling approximately \$2.0 million at December 31, 1996, consist primarily of the tax effect of net operating loss carryforwards, reserves and accrued expenses which are not yet deductible for tax purposes. The Company has provided a full valuation allowance on these deferred income tax assets because of the uncertainty regarding their realization.

(5) STOCKHOLDERS' EQUITY

a. Series A Convertible Preferred Stock

On August 22, 1996, the Board of Directors of the Company authorized 1,500,000 shares of Series A Convertible Preferred Stock (Series A Preferred). On August 23, 1996, the Company completed the sale of 1,500,000 shares of Series A Preferred at \$10.00 per share through a private placement offering. Of the total shares sold, 50,000 shares were issued to an individual in exchange for \$500,000 previously advanced to the Company under three notes payable. In addition, \$1,081,000 of the proceeds were used to repay notes due to the Company's Chairman and co-founder.

F-10

AUTO-BY-TEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Each share of Series A Preferred will be automatically converted into 1.67 shares of common stock upon the earliest of (i) the closing of an underwritten public offering of the Company's common stock with a minimum per share price of \$9.00 per share, and minimum aggregate proceeds of \$30 million; (ii) the written consent of two-thirds of the holders of Series A Preferred; or (iii) when fewer than 300,000 shares of Series A Preferred remain outstanding. Each share of Series A Preferred is also convertible into 1.67 shares of common stock at the option of the holder. The Company has reserved 2,500,000 shares of common stock to permit the conversion of the Series A Preferred.

Holders of Series A Preferred are entitled to one vote for each share of common stock into which such shares of Series A Preferred may be converted except with respect to election of directors, whereby the holders, voting separately as a class, shall be entitled to elect one director (to be increased to two directors if the authorized number of total directors is increased to greater than five members). Each share of Series A Preferred entitles the holder to receive noncumulative dividends, if and when declared by the Board of Directors, prior to any dividend paid on the common stock. Dividends, if any, on Series A Preferred shall be declared at an annual rate of \$0.80 per share. As of December 31, 1996, no dividends have been declared.

In the event of liquidation, the Series A Preferred has preference over the common stock in the amount of \$10.00 per share, plus declared but unpaid dividends.

b. Common Stock

Auto-By-Tel LLC (ABT), a California limited liability company, was organized in January 1995 and began operations in March 1995. ABT Acceptance Company LLC (ABTAC), an affiliated Company under common control, was formed in February 1996. ABT and ABTAC (the LLC's) were reorganized as of May 31, 1996 pursuant to the terms of a Contribution Agreement and Plan of Organization (the

Agreement) entered into by all of the members of the LLC's. Under the terms of the Agreement, the interests of the members were transferred to Auto-By-Tel Corporation, a Delaware corporation, in a tax-free transaction. As the LLC's were under common control, the reorganization was accounted for in a manner similar to a pooling-of-interests whereby the assets and liabilities of ABT and ABTAC were transferred to the Company at their historical cost. In consideration for their respective ownership interests, the members of ABT and ABTAC received 12,374,999 shares of common stock of the Company.

c. Stock Split and Increase of Authorized Shares

On November 24, 1996, the Board of Directors authorized a 5-for-3 stock split (the Stock Split) of the Company's Common Stock. All references in the financial statements to number of shares, per share amounts and market prices of the Company's common stock have been retroactively restated to reflect the effect of the Stock Split. The Board of Directors has also approved, effective upon the completion of the IPO, a recapitalization that would increase the total of authorized shares of Common Stock to 50,000,000 and an increase in the total number of authorized shares of preferred stock to 7,467,915.

F-11

AUTO-BY-TEL CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

(6) COMMITMENTS

a. Operating Leases

The Company has an operating lease for its corporate office facilities which expires in 2001. At December 31, 1996, future minimum lease payments under this noncancelable, five year operating lease are as follows:

YEAR ENDING DECEMBER 31,	

1997.....	\$142,000
1998.....	184,000
1999.....	204,000
2000.....	218,000
2001.....	150,000

	\$898,000
	=====

Rent expense was \$22,000 and \$92,000 for the period from inception (January 31, 1995) to December 31, 1995 and the year ended December 31, 1996, respectively.

b. Marketing Agreements

The Company has multi-year agreements with automotive information providers that make available to consumers vehicle research data over the Internet. Such agreements are generally for a term of three to five years and require that the Company pay fees to these companies based on the volume of information received by the Company from these services. The minimum annual commitments under these agreements aggregate to \$120,000.

c. Letter of Credit

In connection with the Company's lease of its principal offices, the Company's Chairman co-signed a letter of credit and pledged a personal certificate of deposit as collateral. The Company's chairman has also personally guaranteed the Company's Merchant Card Agreement, and has provided a personal guarantee to the financial institution that issued the Company's corporate credit cards, guaranteeing the payment of all outstanding indebtedness under these credit facilities.

As of December 31, 1996, the Company had total outstanding letters of credit

of approximately \$1.0 million collateralized by restricted cash balances of approximately \$985,000.

d. Advertisement Purchase Commitment

In November 1996, the Company entered into a commitment to purchase approximately \$1.0 million in a television advertisement to be aired during the Super Bowl in January 1997. Such costs will be expensed in the first quarter of 1997, when the advertisement appears.

(7) STOCK PLANS

1996 Stock Option Plan. The Company's 1996 Stock Option Plan (the Option Plan) was approved by the Board of Directors and the stockholders on May 18, 1996. The Option Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and for the grant to employees, consultants and directors of nonstatutory stock options.

F-12

AUTO-BY-TEL CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Under the Option Plan, the exercise price of all incentive stock options granted under the Option Plan cannot be lower than the fair market value of the Common Stock on the date of grant. With respect to any participants who, at the time of grant, own stock possessing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any stock option granted to such person must be at least 110% of the fair market value on the grant date, and the maximum term of such option is five years. The term of all other options granted under the 1996 Option Plan may be up to 10 years. On October 23, 1996, the Board of Directors terminated the Option Plan and no further options may be granted thereunder. Upon termination, options to purchase an aggregate of 1,305,833 shares of Common Stock at an exercise price of \$0.60 per share were outstanding under the Option Plan.

1996 Stock Incentive Plan. The Company's 1996 Stock Incentive Plan (the Incentive Plan) provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Code, and for the granting to employees, directors and consultants of nonstatutory stock options and stock purchase rights (SPRs). The Incentive Plan was approved by the Board of Directors on October 23, 1996, amended by the Board of Directors on November 24, 1996 and approved by the stockholders on January 16, 1997. A total of 2,268,333 shares of Common Stock are currently reserved for issuance under the Incentive Plan. Shares available for future grant under the Incentive Plan will be increased as of the first day of each new fiscal year during the term of the Incentive Plan by the number of shares issuable upon exercise of options granted thereunder in the previous fiscal year, net of returns.

Non-employee directors are entitled to participate in the Company's Incentive Plan. The Incentive Plan provides for an automatic grant of an option to purchase 16,666 shares of Common Stock to each non-employee director on the date on which the Incentive Plan becomes effective or, if later, on the date on which the person first becomes a non-employee director. In each successive year the non-employee director shall automatically be granted an option to purchase 4,166 shares on November 1 of each subsequent year provided the non-employee director has served on the Board for at least six months. Each option shall have a term of ten years. Such options vest at various rates over 36 months and the exercise price per share shall be 100% of the fair market value of the Company's Common Stock on the date of the grant of the option.

1996 Employee Stock Purchase Plan. The Company's 1996 Employee Stock Purchase Plan (the Purchase Plan) was adopted by the Board of Directors on November 18, 1996 and approved by the stockholders on January 16, 1997. The Company has reserved a total of 666,666 shares of Common Stock for issuance under the Purchase Plan. Shares available for future issuance under the Purchase Plan will be increased as of the first day of each new fiscal year during the term of the Purchase Plan by the number of shares issued thereunder in the prior fiscal year. The Purchase Plan, which is intended to qualify under Section 423 of the Code, as amended, permits eligible employees of the

Company to purchase shares of Common Stock through payroll deductions of up to ten percent of their compensation, up to a certain maximum amount for all purchase periods ending within any calendar year.

The price of Common Stock purchased under the Purchase Plan will be 85% of the lower of the fair market value of the Common Stock on the first or last day of each six month purchase period. Employees may end their participation in the Purchase Plan at any time during an offering period, and they will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with the Company. Rights granted under the Purchase Plan are not transferable by a participant other than by will, the laws of descent and distribution, or as otherwise provided under the plan.

During the year ended December 31, 1996, the Company granted options under the aforementioned plans to purchase an aggregate of 2,352,066 shares of Common Stock at various exercise prices ranging from \$0.60 to \$7.50 per share. During the year ended December 31, 1996, the Company has recorded, based upon an

F-13

AUTO-BY-TEL CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

independent appraisal obtained by the Company's Board of Directors, \$87,000 of deferred compensation expense relating to certain options. This amount will be amortized over the vesting periods of the options, which is generally one to three years. Amortization of deferred compensation for the year ended December 31, 1996 was \$61,000.

A summary of the status of the Company's stock options as of December 31, 1996 and changes during the period is presented below:

	OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at December 31, 1995.....	--	--
Granted.....	2,352,066	\$ 2.16
Exercised.....	(42,222)	0.60
Canceled.....	(29,029)	0.60
	-----	-----
Outstanding at December 31, 1996.....	2,280,815	\$ 2.21
	=====	=====
Options exercisable at December 31, 1996.....	586,111	\$ 0.60
	=====	=====
Options available for future grant.....	1,250,000	
	=====	
Weighted-average fair value of options granted during the year whose exercise price is less than the market price of the stock on the grant date (254,167 options).....	\$ 1.63	\$ 0.60
	=====	=====
Weighted-average fair value of options granted during the year whose exercise price exceeds the market price of the stock on the grant date (2,097,899 options).....	\$ 0.77	\$ 2.35
	=====	=====

The fair value of each option granted during 1996 is estimated using the Black-Scholes option-pricing model on the date of grant using the following assumptions: (i) no dividend yield, (ii) volatility of effectively zero (required for public companies only), (iii) weighted-average risk-free interest rate of approximately 6.70%, and (iv) expected life of 6 years.

The following table summarizes information about stock options outstanding at December 31, 1996:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED-AVERAGE CONTRACTUAL LIFE	NUMBER EXERCISABLE	EXERCISE PRICE
\$0.60	1,262,482	9.5 years	586,111	\$0.60
\$3.00	741,667	9.8 years	--	--
\$6.00	12,500	9.9 years	--	--
\$7.50	264,166	9.9 years	--	--

Had compensation cost for the Company's 1996 grants for its stock-based compensation plan been determined consistent with SFAS No. 123, the Company's net loss, and net loss per common share for the year ended December 31, 1996 would approximate the pro forma amounts below:

	AS REPORTED	PRO FORMA
Net loss.....	\$ (6,035,000)	\$ (6,270,000)
Net loss per common share.....	\$ (0.38)	\$ (0.40)

F-14

AUTO-BY-TEL CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts.

(8) SUBSEQUENT EVENTS AND PRO FORMA PRESENTATION

a. Series B Convertible Preferred Stock Sale

On January 24, 1997, the Board of Directors of the Company authorized 967,915 shares of Series B Convertible Preferred Stock (Series B Preferred). On January 30, 1997, the Company completed the sale of 967,915 shares of Series B Preferred at \$9.35 per share through a private placement offering.

Each share of Series B Preferred will be automatically converted into one share of common stock upon the earliest of (i) the closing of an underwritten public offering of the Company's common stock with a minimum per share price of \$9.00 per share, and minimum aggregate proceeds of \$30 million; (ii) the written consent of two-thirds of the holders of Series B Preferred; or (iii) when fewer than 300,000 shares of Series B Preferred remain outstanding. Each share of Series B Preferred is also convertible into one share of common stock at the option of the holder. The Company has reserved 1,309,686 shares of common stock to permit the conversion of the Series B Preferred.

Holder of Series B Preferred are entitled to one vote for each share of common stock into which such shares of Series B Preferred may be converted except with respect to election of directors, whereby the holders, voting separately as a class, shall be entitled to elect one director (to be increased to two directors if the authorized number of total directors is increased to greater than five members). Each share of Series B Preferred entitles the holder to receive noncumulative dividends, if and when declared by the Board of Directors, prior to any dividend paid on the common stock. Dividends, if any, on Series B Preferred shall be declared at an annual rate of \$0.75 per share. No dividends have been declared.

In the event of liquidation, the Series B Preferred has preference over the common stock in the amount of \$9.35 per share, plus declared but unpaid dividends.

b. Stock Option Grants

On January 24, 1997 the Company granted options to various employees to purchase 124,750 shares of common stock at an exercise price of \$8.80 per share, the estimated fair market value as determined by the Board of Directors.

c. Unaudited Pro Forma Presentation

On January 24, 1997, the Board of Directors authorized the filing of a registration statement with the Securities and Exchange Commission permitting the Company to sell shares of its common stock in connection with an IPO. If the offering is consummated under the terms presently anticipated, each share of Series A and Series B Convertible Preferred Stock outstanding at January 30, 1997 will automatically convert to 1.67 and 1.0 shares, respectively, of common stock upon closing of the IPO. The effect of the sale of the Series B Preferred discussed above and the conversion of Series A Preferred outstanding at December 31, 1996 (See Note 5.a) has been reflected in the accompanying unaudited pro forma balance sheet as of December 31, 1996.

No dealer, salesperson or other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus, and if given or made, such information or representations must not be relied upon as having been authorized by the Company or any of the Underwriters. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the shares of Common Stock to which it relates or an offer to, or a solicitation of, any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or that the information contained herein is correct as of any time subsequent to the date hereof.

TABLE OF CONTENTS

	Page

Prospectus Summary.....	3
Risk Factors.....	6
Use of Proceeds.....	17
Dividend Policy.....	17
Capitalization.....	18
Dilution.....	19
Selected Consolidated Financial Data.....	20
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	21
Business.....	28
Management.....	44
Certain Transactions.....	53
Principal and Selling Stockholders.....	55
Description of Capital Stock.....	56
Shares Eligible for Future Sale.....	58
Underwriting.....	60
Legal Matters.....	62
Experts.....	62
Additional Information.....	62
Index to Consolidated Financial Statements.....	F-1

Until _____, 1997 (25 days after the date of this Prospectus) all dealers effecting transactions in the registration securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

4,000,000 SHARES

[LOGO OF AUTO-BY-TEL APPEARS HERE]

COMMON STOCK

PROSPECTUS

MONTGOMERY SECURITIES

COWEN & COMPANY

ROBERTSON, STEPHENS & COMPANY

, 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth all expenses, other than underwriting discounts and commissions, payable by the Company in connection with the sale of the Common Shares being registered. All of the amounts shown are estimates except for the SEC registration fee and the NASD filing fee.

SEC Registration Fee.....	\$	19,068
NASD Filing Fee.....		6,710
Nasdaq National Market Listing Fee.....		49,000
Blue Sky Qualification Fees and Expenses.....		5,000
Printing and Engraving Expenses.....		150,000
Legal Fees and Expenses.....		400,000
Accounting Fees and Expenses.....		350,000
Transfer Agent and Registrar Fees.....		7,500
Directors' and Officers' Insurance.....		250,000
Miscellaneous.....		62,722

Total.....		\$1,300,000
		=====

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Underwriters have agreed to indemnify the Company, its directors and each person who controls it within the meaning of Section 15 of the Securities Act with respect to any statement in or omission from the Registration Statement or the Prospectus or any amendment or supplement thereto if such statement or omission was made in reliance upon information furnished in writing to the Company by the Underwriters specifically for or in connection

with the preparation of the Registration Statement, the Prospectus, or any such amendment or supplement thereto.

Section 145 of the Delaware General Corporation Law empowers a corporation to indemnify its directors and officers and to purchase insurance with respect to liability arising out of their capacity or status as directors and officers provided that this provision shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) arising under Section 174 of the Delaware General Corporation Law; or (iv) for any transaction from which the director derived an improper personal benefit.

The Delaware General Corporation Law provides further that the indemnification permitted thereunder shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, vote of stockholders or otherwise. Article IX of the Company's Amended and Restated Certificate of Incorporation eliminates the personal liability of directors and officers to the fullest extent permitted by the laws of the state of Delaware.

The effect of the foregoing is to require the Company to indemnify the officers and directors of the Company for any claim arising against any such person in their official capacities if such person acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

II-1

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since the Company's inception, the Company has made the following sales of securities that were not registered under the Securities Act:

1. On May 31, 1996, the Company issued and sold 12,374,999 shares of Common Stock in exchange for membership interests in Auto-By-Tel LLC and Auto-By-Tel Acceptance Corporation LLC, in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.
2. During the period from July 3, 1996 through January 30, 1997, the Company issued options to purchase an aggregate of 2,476,816 shares of Common Stock pursuant to the Option Plan in reliance on Rule 701 promulgated under the Securities Act.
3. On August 26, 1996, the Company issued and sold 1,500,000 shares of Series A Preferred Stock in a private placement for an aggregate consideration of \$15.0 million in cash and cancellation of indebtedness. In connection with such financing, the Company issued (i) 200,000 shares to ContiTrade Services L.L.C. in exchange for \$2,000,000 in cash, (ii) 400,000 shares to National Union Fire Insurance Company of Pittsburgh in exchange for \$4,000,000 in cash, (iii) 800,000 shares to General Electric Capital Corporation in exchange for \$8,000,000 in cash, and (iv) 100,000 Michael Fuchs in exchange for \$1,000,000 in cash and cancellation of indebtedness. Sales of Series A Preferred Stock were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.
4. On August 27, 1996, the Company issued and sold 6,000 shares to a consultant of the Company in reliance on Rule 701 promulgated under the Securities Act.
5. On January 30, 1997, the Company issued and sold 967,915 shares of Series B Preferred Stock in a private placement for an aggregate consideration of \$9.05 million in cash. In connection with such financing, the Company issued (i) 133,690 shares to ContiTrade Services L.L.C. in exchange for \$1.25 million in cash, (ii) 267,380 shares to National Union Fire Insurance Company of Pittsburgh in exchange for \$2,500,003 million in cash, (iii) 534,760 shares to General Electric Capital Corporation in exchange for \$5.0 million in cash, and (iv) 32,085 shares to Michael Fuchs in exchange for \$300,000 in cash. Sales of Series B Preferred Stock were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

- 1.1+ Form of Underwriting Agreement (draft of January 24, 1997)
- 3.1+ Restated Certificate of Incorporation of the Company certified by the Secretary of State of the State of Delaware
- 3.2+ Restated Bylaws of Auto-By-Tel Corporation adopted October 23, 1996
- 4.1+ Form of Stock Certificate
- 4.2+ Amended and Restated Investors' Rights Agreement dated January 30, 1997 among Registrant and the Investors named in Exhibit A thereto
- 5.1+ Opinion and Consent of Wilson Sonsini Goodrich & Rosati
- Form of Indemnification Agreement between the Company and its directors and officers
- 10.1+
- 10.2+ Employment Offer Letter dated October 24, 1996 from Registrant to Mark W. Lorimer
- 10.3+ Employment Offer Letter dated December 16, 1996 from Registrant to John M. Markovich

II-2

- 10.4+ Employment Offer Letter dated October 20, 1996 from Registrant to Michael Lowell
- 10.5+ 1996 Stock Option Plan and related agreements
- 10.6+ 1996 Stock Incentive Plan and related agreements
- 10.7+ 1996 Employee Stock Purchase Plan
- 10.8* Marketing Agreement dated July 22, 1996 among Auto-By-Tel Acceptance Corporation, a subsidiary of the Registrant ("ABTAC"), the Registrant, as guarantor of the obligations of ABTAC, and AIU Insurance Company, American International South Insurance Company, American Home Assurance Company, American International Insurance Company, American International Insurance Company of California, Inc., Illinois National Insurance Company, Minnesota Insurance Company, National Union Fire Insurance Company of Pittsburgh, PA and the Insurance Company of the State of Pennsylvania
- 10.9* Marketing Agreement dated March 27, 1996 between Registrant and Microsoft Corporation
- 10.10* Advertising Agreement dated October 15, 1996 between Registrant and Digital City Inc.
- 10.11* Marketing Agreement dated February 8, 1996 between Registrant and Edmund Publications Corporation
- 10.12* Referral Agreement dated September 6, 1996 between Registrant and Automotive Information Center
- 10.13(a)-(h)+ Forms of Dealership Subscription Agreements
- 10.14+ Lease Agreement dated June 1996 between Registrant and McDonnell Douglas Realty Company
- 10.15+ Sublease Agreement dated October 31, 1996 between Registrant and Silicon Valley Bank
- 10.16* Financing Inquiry Referral Agreement dated October 25, 1996 among Registrant, as obligor, Auto-By-Tel Acceptance Corporation and Chase Manhattan Automotive Financial Corporation
- 10.17* Service Agreement dated as of February 1, 1997 between Registrant and Integrated Warranty Services, Inc.
- 10.18* Marketing and Application Processing Agreement dated February 1, 1997 between General Electric Capital Auto Financial Services, Inc., Auto-By-Tel Acceptance Corporation ("ABTAC") and Registrant, as guarantor of the obligations of ABTAC
- 11.1+ Statement Regarding Computation of Per Share Earnings
- 21.1+ Subsidiaries of the Company
- 23.1+ Consent of Arthur Andersen LLP, Independent Public Accountants (see Page II-5)
- 23.2+ Consent of Wilson Sonsini Goodrich & Rosati (included in Exhibit 5.1)
- 23.3+ Consent of J.D. Power and Associates
- 24.1+ Power of Attorney (see Page II-6)
- 27.1+ Financial Data Schedule

- -----

+ Previously filed.

* Confidential treatment has been requested for certain portions which have been blacked out in the copy of the exhibit filed with the Commission. The omitted information has been filed separately with the Commission pursuant to the application for confidential treatment.

(b) FINANCIAL STATEMENT SCHEDULES

Schedule II--Valuation and Qualifying Accounts

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

II-3

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(i) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Company pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(ii) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

II-4

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS AMENDMENT TO THE REGISTRATION STATEMENT ON FORM S-1 TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF IRVINE, STATE OF CALIFORNIA, ON THE 24TH DAY OF MARCH, 1997.

Auto-by-Tel Corporation

By: /s/ Mark W. Lorimer

MARK W. LORIMER
VICE PRESIDENT, GENERAL COUNSEL AND
SECRETARY

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT

TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE -----	TITLE -----	DATE -----
Peter R. Ellis*	President Chief Executive Officer	March 24, 1997
----- PETER R. ELLIS	(Principal Executive Officer) and Director	
John C. Bedrosian*	Chairman of the Board	March 24, 1997
----- JOHN C. BEDROSIAN		
John M. Markovich*	Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 1997
----- JOHN M. MARKOVICH		
Robert S. Grimes*	Executive Vice President and Director	March 24, 1997
----- ROBERT S. GRIMES		
Jeffrey H. Coats*	Director	March 24, 1997
----- JEFFREY H. COATS		
Michael Fuchs*	Director	March 24, 1997
----- MICHAEL FUCHS		

*By: /s/ Mark W. Lorimer

Mark W. Lorimer, Attorney-in-
Fact

II-5

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
1.1+	Form of Underwriting Agreement (draft of January 24, 1997)
3.1+	Restated Certificate of Incorporation of the Company certified by the Secretary of State of the State of Delaware
3.2+	Restated Bylaws of Auto-By-Tel Corporation adopted October 23, 1996
4.1+	Form of Stock Certificate
4.2+	Amended and Restated Investors' Rights Agreement dated January 30, 1997 among Registrant and the Investors named in Exhibit A thereto
5.1+	Opinion and Consent of Wilson Sonsini Goodrich & Rosati
10.1+	Form of Indemnification Agreement between the Company and its directors and officers
10.2+	Employment Offer Letter dated October 24, 1996 from Registrant to Mark W. Lorimer
10.3+	Employment Offer Letter dated December 16, 1996 from Registrant to John M. Markovich
10.4+	Employment Offer Letter dated October 20, 1996 from Registrant to Michael Lowell
10.5+	1996 Stock Option Plan and related agreements
10.6+	1996 Stock Incentive Plan and related agreements
10.7+	1996 Employee Stock Purchase Plan
10.8*	Marketing Agreement dated July 22, 1996 among Auto-By-Tel

Acceptance Corporation, a subsidiary of the Registrant ("ABTAC"), the Registrant, as guarantor of the obligations of ABTAC, and AIU Insurance Company, American International South Insurance Company, American Home Assurance Company, American International Insurance Company, American International Insurance Company of California, Inc., Illinois National Insurance Company, Minnesota Insurance Company, National Union Fire Insurance Company of Pittsburgh, PA and the Insurance Company of the State of Pennsylvania

10.9* Marketing Agreement dated March 27, 1996 between Registrant and Microsoft Corporation

10.10* Advertising Agreement dated October 15, 1996 between Registrant and Digital City Inc.

10.11* Marketing Agreement dated February 8, 1996 between Registrant and Edmund Publications Corporation

10.12* Referral Agreement dated September 6, 1996 between Registrant and Automotive Information Center

10.13(a)-(h)+ Forms of Dealership Subscription Agreements

10.14+ Lease Agreement dated June 1996 between Registrant and McDonnell Douglas Realty Company

10.15+ Sublease Agreement dated October 31, 1996 between Registrant and Silicon Valley Bank

10.16* Financing Inquiry Referral Agreement dated October 25, 1996 among Registrant, as obligor, Auto-By-Tel Acceptance Corporation and Chase Manhattan Automotive Financial Corporation

10.17* Service Agreement dated as of February 1, 1997 between Registrant and Integrated Warranty Services, Inc.

10.18* Marketing and Application Processing Agreement dated February 1, 1997 between General Electric Capital Auto Financial Services, Inc., Auto-By-Tel Acceptance Corporation ("ABTAC") and Registrant, as guarantor of the obligations of ABTAC

11.1+ Statement Regarding Computation of Per Share Earnings

21.1+ Subsidiaries of the Company

EXHIBIT

NO.	DESCRIPTION
23.1+	Consent of Arthur Andersen LLP, Independent Public Accountants (see Page II-5)
23.2+	Consent of Wilson Sonsini Goodrich & Rosati (included in Exhibit 5.1)
23.3+	Consent of J.D. Power and Associates
24.1+	Power of Attorney (see Page II-6)
27.1+	Financial Data Schedule

+ Previously filed.

* Confidential treatment has been requested for certain portions which have been blacked out in the copy of the exhibit filed with the Commission. The omitted information has been filed separately with the Commission pursuant to the application for confidential treatment.

MARKETING AGREEMENT

between

AUTO-BY-TEL ACCEPTANCE CORPORATION

on the one hand,

and

AIU INSURANCE COMPANY
 AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY
 AMERICAN HOME ASSURANCE COMPANY
 AMERICAN INTERNATIONAL INSURANCE COMPANY
 AMERICAN INTERNATIONAL INSURANCE COMPANY OF CALIFORNIA, INC.
 ILLINOIS NATIONAL INSURANCE COMPANY
 MINNESOTA INSURANCE COMPANY
 NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA
 THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

and

AUTO-BY-TEL, INC.
 as Guarantor of the obligations of
 AUTO-BY-TEL ACCEPTANCE CORPORATION
 hereunder

[*] Confidential Treatment has been requested for certain portions of this exhibit.

TABLE OF CONTENTS

	Page
1. REPRESENTATIONS AND WARRANTIES.....	2
Section 1.1 Representations and Warranties of ABTAC and ABT.	2
Section 1.2 Representations and Warranties of AIC.....	2
2. MARKETING ARRANGEMENT.....	3
Section 2.1 Phases of Marketing Arrangement.....	3
Section 2.2 Preparation of Marketing Materials.....	4
Section 2.3 Ownership of Marketing Materials.....	4
Section 2.4 Development Costs.....	4
3. COVENANTS, DUTIES AND RIGHTS OF AIC.....	5
Section 3.1 Regulatory Authorizations.....	5
Section 3.2 Initial Product Offering.....	5
Section 3.3 Low Cost	
Products.....	5
Section 3.4 Reservation of Rights.....	5
Section 3.5 Toll Free Number.....	5
Section 3.6 Cross-Promotion.....	5

16.	NOTICES.....	13
	Section 16.1	Legal and Regulatory Proceedings..... 13
	Section 16.2	Addresses, etc..... 13
17.	MISCELLANEOUS.....	13
	Section 17.1	Choice of Law, Venue, Jurisdiction..... 13
	Section 17.2	Assignment..... 13
	Section 17.3	Modification; Waiver..... 14
	Section 17.4	Entire Agreement..... 14
	Section 17.5	Remedies..... 14
	Section 17.6	References and Section Headings..... 14
	Section 17.7	Severability..... 14
	Section 17.8	Signatures and Recording..... 14

MARKETING AGREEMENT

THIS AGREEMENT is made as of July 22, 1996, between AUTO-BY-TEL ACCEPTANCE CORPORATION ("ABTAC") a Delaware corporation, having its offices at 2711 E. Coast Highway, Suite 203, Corona Del Mar, California 92625, on the one hand, and AIU INSURANCE COMPANY, AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY, AMERICAN HOME ASSURANCE COMPANY, AMERICAN INTERNATIONAL INSURANCE COMPANY, AMERICAN INTERNATIONAL INSURANCE COMPANY OF CALIFORNIA, INC., ILLINOIS NATIONAL INSURANCE COMPANY, MINNESOTA INSURANCE COMPANY, NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA and THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA (collectively "AIC"), all member companies of American International Group, Inc. having offices at 505 Carr Road, Wilmington, Delaware 19809, on the other hand and AUTO-BY-TEL, INC. ("ABT") a Delaware corporation, having its offices at 2711 E. Coast Highway, Suite 203, Corona Del Mar, California 92625, in its capacity as Guarantor of ABTAC's obligations hereunder ("ABT").

W I T N E S S E T H:
 - - - - -

WHEREAS, AIC underwrites private passenger automobile, homeowner/tenant/condo, and personal umbrella liability insurance ("Products"), as well as (directly or through its affiliates) the products ("Additional Products") enumerated on Schedule A hereto and has experience in providing direct response marketing; and

WHEREAS, AIC wishes to market Products, but primarily private passenger automobile insurance, to users of ABT's Internet Website and those Websites of its contractual partners which are approved by AIC from time to time ("Users"); and

WHEREAS, AIC and ABTAC share a common philosophy on delivering a low-cost, high-quality program to Users; and

WHEREAS, AIG Marketing, Inc. ("AIGM") acts as a marketing group for and on behalf of AIC and in such capacity has negotiated this Agreement on behalf of AIC and will provide such services and compensation as set forth herein; and

WHEREAS, ABT is engaged in the marketing of automobile pricing and automobile buying services to Users via the Internet and ABTAC is a wholly-owned subsidiary of ABT established to, among other things, enter into arrangements pursuant to which Users are afforded the opportunity to enter into transactions they may find beneficial; and

WHEREAS, ABT, through ABTAC, is desirous of authorizing and providing AIC access to its Internet Server ("Server"); and

WHEREAS, AIC is desirous of securing access to the Server for the publication, display and exhibition of AIC's direct response sales materials to ABT Users.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, ABT, ABTAC and AIC agree as follows:

[*] Confidential Treatment has been requested for certain portions of this exhibit.

REPRESENTATIONS AND WARRANTIES.

Section 1.1 Representations and Warranties of ABTAC and ABT. Each of ABTAC

and ABT, as the case may be, hereby makes the following representations and warranties to AIC:

(a) Each of ABT and ABTAC has been duly organized and is validly existing as a corporation under the laws of the state of Delaware and each is duly licensed where required as a "Licensee" or is otherwise qualified in each state in which it transacts business and is not in default of such state's applicable laws, rules and regulations, except where the failure to so qualify or such default would not have a material adverse effect on its ability to conduct its business or to perform its obligations under this Agreement.

(b) Each of ABT and ABTAC has the requisite power and authority and legal right to execute and deliver this Agreement, engage in the transactions contemplated by this Agreement, and perform and observe those terms and conditions of this Agreement to be performed or observed by it hereunder. The person or persons signatory to this Agreement and any document executed pursuant to it on behalf of each of ABT and ABTAC have full power and authority to bind either ABT or ABTAC, as the case may be. The execution, delivery and performance of this Agreement, and the performance by each of ABT and ABTAC of all transactions contemplated herein and therein, have been duly authorized by all necessary and appropriate corporate action on the part of ABT and ABTAC, as the case may be.

(c) This Agreement has been duly authorized and executed by each of ABT and ABTAC and is valid, binding and enforceable against each of them in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect relating to creditors' rights generally, and the execution, delivery and performance by each of ABT and ABTAC of this Agreement do not conflict with any term or provision of (i) its certificates of incorporation or bylaws, (ii) any law, rule, regulation, order, judgment, writ, injunction or decree applicable to ABTAC of any court, regulatory body, administrative agency or governmental body having jurisdiction over either ABT or ABTAC or (iii) any agreement to which either ABT or ABTAC is a party or by which its property is bound.

(d) No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority or court is required under applicable law in connection with the execution, delivery and performance by either ABT or ABTAC of this Agreement.

(e) There is no action, proceeding or investigation pending or, to the best knowledge of both ABT and ABTAC, threatened against either of them before any court, administrative agency or other tribunal (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, or (iii) which could reasonably be expected to materially and adversely affect the performance by either of them of their respective obligations under, or the validity or enforceability of, this Agreement.

(f) ABTAC or ABT, as the case may be, has all regulatory approvals, authorizations, licenses, permits and other permissions, consents and authorities whatsoever, as needed to operate the ABT Website.

(g) ABTAC or ABT, as the case may be, warrants that it has the legal and valid right to use any registered or unregistered trademark, tradename, service mark, logo, emblem or other proprietary designation, or any variations, derivatives and modifications thereof, used by it in the Insurance Marketing Materials as defined hereafter (the "ABT Marks")

Section 1.2 Representations and Warranties of AIC. AIC hereby makes the

following representations and warranties, to ABTAC:

(a) AIC is duly licensed where and as required in each state in which it transacts business and is not in default of such state's applicable laws, rules and regulations, except where such default would not have a material adverse

effect on the ability of AIC to conduct its business or to perform its obligations under this Agreement.

2

(b) AIC has the requisite power and authority and legal right to execute and deliver, engage in the transactions contemplated by, and perform and observe the terms and conditions of, this Agreement. The person or persons signatory to this Agreement and any document executed pursuant to it on behalf of AIC have full power and authority to bind AIC. The execution, delivery and performance of this Agreement, and the performance by AIC of all transactions contemplated herein and therein, have been duly authorized by all necessary and appropriate and corporate action on the part of AIC.

(c) This Agreement has been duly authorized and executed by AIC and is valid, binding and enforceable against AIC in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect relating to creditors' rights generally, and the execution, delivery and performance by AIC of this Agreement do not conflict with any term or provision of the certificate of incorporation or bylaws of AIC, or any law, rule, regulation, order, judgment, writ, injunction or decree applicable to AIC of any court, regulatory body, administrative agency or governmental body having jurisdiction over AIC.

(d) No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority or court is required under applicable law in connection with the execution, delivery and performance by AIC of this Agreement.

(e) There is no action, proceeding or investigation pending or, to the best knowledge of AIC, threatened against it before any court, administrative agency or other tribunal (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, or (iii) which could reasonably be expected to materially and adversely affect the performance by AIC of its obligations under, or the validity or enforceability of, this Agreement.

(f) AIC warrants that it has all regulatory approvals, authorizations, licenses, permits and other permissions, consents and authorities whatsoever, as needed (i) to offer and sell the Products in each of the states [*] (the "Excepted States"), territories and the District of Columbia of the United States (the "Territory") and to otherwise perform its obligations under this Agreement, and (ii) to use any Insurance Marketing Materials (as defined in Section 2.2 of this Agreement) developed by AIC, or provided for inclusion in any Insurance Marketing Materials developed jointly with ABTAC.

(g) AIC warrants that it has the legal and valid right to use any registered or unregistered trademark, tradename, service mark, logo, emblem or other proprietary designation, or any variations, derivatives and modifications thereof, used by it in the Insurance Marketing Materials as defined hereafter (the "AIC Marks").

2. MARKETING ARRANGEMENT.

Section 2.1 Phases of Marketing Arrangement. ABTAC and AIC shall cooperate

to provide the means for Users interested in the Products to establish contact with AIC and purchase Products in three phases as follows:

(a) "'Phase 1' - Toll Free Telephone Marketing" Users accessing the ABT Website shall be able to click on an icon and access another page at the ABT Website containing information about the Products as well as a toll free telephone number. Users dialing the toll free number will be connected to AIC employees who shall provide further information about the Products and take User information in order to prepare a request for quote (an "RFQ"). AIC will evaluate the RFQs for which they have received sufficient User information (either on the first User call or after subsequent contact) and quote qualified Users prices for the requested Products. Phase 1 shall commence approximately [*] from the date of this Agreement and end when AIC and ABTAC agree that Phase 2 shall commence.

(b) "'Phase 2' - Electronic File Transfer" Users accessing the ABT Website shall be able to click on an icon and access another page at the ABT Website

containing information about the Products as well as an RFQ which the User can fill out and submit electronically. The ABT Website will forward the RFQ files electronically to AIC. Upon receipt of the RFQ files, AIC employees shall evaluate the RFQs for which they have received sufficient User information (either at first or after subsequent contact) and quote any qualified User prices for the requested Products. Phase 2 shall commence on such

[*] Confidential Treatment Requested

3

date as AIC and ABTAC agree (cooperatively and in good faith) which date is expected to be approximately 60 days from the date of the commencement of Phase 1 implementation. Phase 2 shall end when AIC and ABTAC agree that Phase 3 shall commence.

(c) "'Phase 3' - Internet Hyperlink" Users accessing the ABT Website shall be able to click on an icon and be hyperlinked to an AIC Website containing information about the Products as well as an insurance RFQ which the User can fill out and submit electronically. The AIC Website will evaluate the RFQ file in real time (subject to System capabilities) and, if satisfactory (either at first or after subsequent contact), will quote any qualified User prices for the requested Products. Phase 3 shall commence on such date as AIC and ABTAC agree (cooperatively and in good faith) which date is expected to be prior to June 1, 1997.

Section 2.2 Preparation of Marketing Materials. AIC and ABTAC shall

cooperate to prepare and produce (in each Phase of development) the Web page or pages describing the Products on the ABT Website (the "Insurance Info Pages"), the Phase 2 ABT Website request for quote and electronic transfer mechanism, the Phase 3 hyperlink and AIC Website request for quote, and all other marketing materials (the "Collateral Materials") to be used to market and advertise the Products or the Insurance Info Pages (the Insurance Info Pages and the Other Materials, collectively, the "Insurance Marketing Materials").

(b) The content and form of the Insurance Marketing Materials must be approved in writing by both AIC and ABTAC prior to use. Any modification in any Insurance Marketing Materials shall be submitted by the party proposing the modification to the other party in writing for approval. Unless the requested modification is in any Insurance Marketing Material which is subject to any filing or notice requirement with any governmental entity, which materials are under the sole control of AIC, the party receiving such submission shall preliminarily respond to the submitting party within two (2) business days of receipt of such submission and shall deliver its final approval or disapproval within five (5) business days of receipt of such submission. Approval of requested modifications in Insurance Marketing Materials shall not be unreasonably withheld or delayed. ABTAC acknowledges that any change in any Insurance Marketing Materials subject to any filing or notice requirement with any governmental entity may take considerable time to secure the required approvals or to make the required filings. AIC acknowledges that the ABT Website may (and is likely to) change from time-to-time in response to, among other things, new display and/or hyperlink technologies, Internet server consolidation or congestion, and changes in Internet providers.

Section 2.3 Ownership of Marketing Materials. Insurance Marketing

Materials shall be owned by ABT if provided by ABT, AIC if provided by AIC, and by AIC if jointly produced. Ownership rights with respect to the AIC Marks and the ABT Marks shall not be affected by this Section 2.3.

Section 2.4 Development Costs. AIC shall pay [*] for the development of the

Insurance Marketing Materials; provided, however, that the parties hereto agree

that AIC's obligations to pay for costs related to Phase 1 and Phase 2 shall not exceed in the aggregate [*]

3. COVENANTS, DUTIES AND RIGHTS OF AIC.

Section 3.1 Regulatory Authorizations. AIC shall, at its own cost and

expense, secure and maintain all regulatory approvals, authorizations, licenses,

permits and other permissions, consents and authorities whatsoever, as needed to offer and sell the Products in the Territory ("Insurance Approval"). AIC shall use its best efforts to either (i) secure Insurance Approval as needed to offer and sell the Products in the Excepted States and the provinces of Canada, or (ii) to establish relationships with insurance producers or underwriters in the Excepted States and the provinces of Canada which will allow the offering and sale of Products in such jurisdictions in a manner which, as closely as possible, mirrors the offering and sale of Products in the Territory. AIC shall give ABTAC written notice promptly upon securing Insurance Approval in any Excepted State or province of Canada and thereafter for all purposes such jurisdiction shall be considered part of the Territory. AIC shall be responsible for all aspects of any relationship established pursuant to clause (ii) of the second sentence of this Section 3.1, and all Products sold pursuant to any such relationship shall, for all purposes of this Agreement, be considered Products sold within the Territory.

[*] Confidential Treatment Requested

4

Section 3.2 Initial Product Offering. AIC shall initially offer only

automobile insurance, but shall use its best efforts to offer all Products by June, 1997. In addition, AIC will facilitate the development of plans to market those Additional Products through marketing on the ABT Website, either directly, or through relationships between ABTAC and AIC affiliates offering such products, which such relationships shall be facilitated and established in accordance with Section 3.6 of this Agreement.

Section 3.3 Low Cost Products. AIC shall offer low-cost, high-quality

Products to qualified Users. AIC shall not offer insurance products similar to the Products at prices lower than those quoted for the Products to qualified Users except through distribution channels with lower distribution and/or acquisition costs to AIC. For purposes of this Section 3.3, the similarity of the Products shall be determined on the basis of the coverage terms, limitations and conditions and the price levels shall be determined on the basis of persons of like underwriting profiles seeking similar insurance products.

Section 3.4 Reservation of Rights. AIC reserves the right to suspend,

restrict or modify the offer and sale of the Products to accommodate regulations; provided, however, that AIC shall use its best efforts to limit

such suspension, restriction or modification to the smallest scope possible (in both qualitative and temporal terms) to enable ABTAC to realize the full expectancy of this Agreement.

(b) AIC reserves the right to use the services of AIGM for various marketing, servicing and administrative functions under this Agreement; provided, however, that AIC shall remain responsible at all times for its

obligations under this Agreement.

Section 3.5 Toll Free Number. AIC shall secure and maintain at least one

toll free telephone number for use in Phase 1. AIC shall (i) inform ABTAC of such number, (ii) use its best efforts not to change such number, and (iii) devote sufficient numbers of its trained employees to the answering of such number so that Users dialing the number have to wait, on average, no more than three minutes to be connected to an employee who will take the User's RFQ and provide any requested information. From the commencement of Phase 1, the toll free number shall be so staffed no less than [*] hours per day on weekdays and [*] hours per day on Saturdays. AIC acknowledges that ABTAC believes that the Internet is utilized most heavily during non-business hours and on weekends, and therefore agrees that it shall perform test marketing of expanded hours for the staffing of the toll free number.

Section 3.6 Cross-Promotion. AIC shall promote and advertise the ABT

Website on the Website of AIGM, and shall use its best efforts to promote and advertise the ABT Website on the Websites of all AIC corporate affiliates and all AIC affinity partners (collectively, the "AIC Friends") and to promote

recognition and awareness of the ABT Website via ongoing public relations efforts. AIC shall use its best efforts to secure the cooperation of the AIC Friends in ABTAC's development and implementation of hyperlinks between the Websites of the AIC Friends, on the one hand, and the ABT Website, on the other. AIC agrees to facilitate the development of relationships between AIC's affiliates and ABTAC with respect to the marketing of Additional Products or any other personal or commercial insurance products to Users. Any compensation to be paid to ABTAC by the AIC affiliate offering such products shall be mutually agreed upon by ABTAC and the related AIC affiliate.

Section 3.7 Payment of Development Costs. AIC shall promptly, and in any event, within 30 business days, pay ABTAC for any reasonable out-of-pocket costs in connection with the development of the hyperlinks contemplated by Phase 3 and by Section 4.3 of this Agreement.

(b) AIC shall, subject to the reimbursement limit set forth in Section 2.4, promptly, and in any event, within 30 business days, pay ABTAC for 30 business days, in connection with the development of the electronic transmission mechanism contemplated by Phase 2.

Section 3.8 Books and Records; Auditing. AIC shall keep complete and accurate records of all of its activities under this Agreement at the address specified in Section 16.2 of this Agreement. AIC shall, no later than the 30th day of each month, deliver to ABTAC (i) the amounts to which ABTAC is entitled pursuant to Section 8 of this Agreement, and (ii) a report setting forth the amounts to be paid to ABTAC hereunder, accompanied by detail sufficient to permit ABTAC to determine the basis of the computation and the accuracy of the amount, together with a list of all Users of ABT's Website which have contacted AIC through the toll free number provided on ABT's Website and such other information as ABTAC shall reasonably request from time to time in order to monitor the performance of this Agreement. Subject to the

[*] Confidential Treatment Requested

provisions of the Insurance Information and Privacy Protection Model Act, as enacted in various states (as so enacted, the "Privacy Act"), all records maintained by AIC related to this Agreement shall be open to inspection and copying by ABTAC's employees, agents, attorneys, accountants or other authorized representatives at reasonable times during normal business hours.

(b) ABTAC may also appoint public accountants of its choice, and at its sole expense, for the purpose of auditing AIC's performance of its obligations under this Agreement and AIC agrees to grant such accountants access to all records necessary to determine the compliance of AIC with the compensation provisions of this Agreement. If the results of such audit reveal a discrepancy between the amounts paid by AIC hereunder and the amounts which should have been paid hereunder, then the appropriate payments shall be made (i) if to ABTAC, immediately, and (ii) if to AIC, by the withholding of [*] of such amount from the payments to be made to ABTAC over the succeeding twelve months. If the discrepancy is in ABTAC's favor and exceeds [*] then AIC shall reimburse ABTAC for the full cost of the audit.

4. COVENANTS, DUTIES AND RIGHTS OF ABTAC AND ABT.

Section 4.1 Insurance Marketing Materials. ABTAC shall maintain the Insurance Marketing Materials (as available) at the ABT Website.

Section 4.2 Relationships with ABT Friends. ABT and ABTAC shall use best efforts to establish and maintain relationships with major automobile-related products and service providers on the Internet (such entities with which ABT or ABTAC has established such relationships, the "ABT Friends") such as, among others, Edmund's, Microsoft, Auto-Site and Kelly Blue Book which relationships may include toll free "800" numbers and/or hyperlinks with the Websites of the ABT Friends to the ABT Website allowing users at ABT Friends' Websites to link to the ABT Website and view the Insurance Marketing Materials and/or hyperlinks between the Websites of those ABT Friends approved in advance by AIC with the Website of AIGM. If ABTAC proposes to establish a hyperlink between the Website

of AIGM and that of any ABT Friend, it shall submit such proposal to AIC in advance for approval. AIC shall preliminarily respond to ABTAC within two (2) business days of receipt of such submission and shall deliver its final approval or disapproval within five (5) business days of receipt of such submission. Approval of such proposed hyperlinks shall not be unreasonably withheld. AIC and ABTAC agree that (i) any compensation to be paid to any ABT Friends in connection with any relationship with respect to users at or originating at their Websites shall be solely the responsibility of ABTAC and (ii) any such users shall be considered Users for all purposes under this Agreement.

Section 4.3 Hyperlink Development; Costs. ABTAC shall use its best efforts to develop and implement the electronic transfer mechanism necessary for Phase 2 and the hyperlink necessary for Phase 3.

(b) ABTAC shall use its best efforts to develop and implement hyperlinks between the Websites of the AIC Friends and that of ABT to allow users of the Websites of the AIC Friends to link to the ABT Website.

(c) ABTAC shall, no less frequently than monthly and no more frequently than weekly (and in connection with the electronic transfer mechanism necessary for Phase 2, subject to the reimbursement limit set forth in Section 2.4), submit to AIC for reimbursement ABTAC's out-of-pocket expenses incurred in connection with this Section 4.3, such submission to be accompanied by detail sufficient to permit AIC to determine the basis of the computation and the accuracy of the amount claimed. Such reimbursement shall be made by AIC within 30 days of receipt of the related request.

Section 4.4 Cross-Promotion. ABTAC shall promote and advertise the ABT Website through Internet search engines and other public mass media and to promote recognition and awareness of the ABT Website via ongoing public relations efforts.

Section 4.5 Guarantee. ABT hereby unconditionally and irrevocably guarantees to AIC, its successors, endorsees and assigns, the performance when due of all present and future obligations and liabilities of all kinds of ABTAC arising out of or in connection with this Agreement, whether due or to become due, secured or unsecured, absolute or contingent, joint or several ("Obligations"). The Guarantor agrees that AIC and ABTAC may mutually agree to modify the Obligations or any agreement between AIC and ABTAC without in any way impairing or affecting this Guarantee.

[*] Confidential Treatment Requested

6

Section 4.6 Additional Services. ABTAC hereby agrees that it shall provide AIC, upon request of AIC, the following additional services:

- (a) Consulting services concerning marketing of automobile insurance to ABT Users;
- (b) Data concerning persons requesting the Phase 1 toll free number directly from ABT corporate offices;
- (c) E-Mail monitoring and consulting service in respect of and during Phase 3;
- (d) Hyperlink monitoring and consulting service in respect of and during Phase 3;
- (e) Access to officers of ABT for Internet marketing trend updates; and
- (f) Icon design consulting services for AIGM Website.

5. [RESERVED]

6. EXCLUSIVITY.

Section 6.1 Exclusivity. The parties hereto shall have an exclusive

arrangement for the first 18 months of the Initial Term (as defined in Section 14.1 of this Agreement) (such first 18 months, the "Initial Exclusivity Period") whereby ABT and ABTAC, separately or together, shall not provide Website access to any other underwriter of Products and whereby AIC shall not market Products with any other Internet automobile buying program, automobile purchase assistance or financing program, automobile pricing service, vehicle information service or on-line service including, among others both existing and to be created or initiated, America On-Line, Microsoft, Prodigy, CompuServe and NetCom (collectively, "Internet Auto Providers"). The exclusivity of this Agreement shall automatically continue for a 12 month period beyond the Initial Exclusivity Period, and thereafter for successive 12 month periods, unless one party shall give the other party written notice not less than 60 days prior to the end of the Initial Exclusivity Period or the then current 12 month exclusivity period, as the case may be, that the exclusivity shall end at the end of the Initial Exclusivity Period or the then current 12 month exclusivity period, as the case may be.

(b) After the termination of the exclusivity of this Agreement, if either party uses the "Prohibited Marketing Term" ascribed to it in this clause (b), the other party shall have the right, but not the obligation, to terminate this Agreement upon 30 days written notice. With respect to AIC, the Prohibited Marketing Term shall be "[x] Low Cost Auto Insurance [y]" where "x" is the name of any Internet Auto Provider, and "y" is the name of AIC or any affiliate thereof or any variation thereon which conveys or links "x," "y" and the term Low Cost within any logo, service mark, trademark or icon. With respect to ABTAC or ABT, the Prohibited Marketing Term shall be "ABT Low Cost Auto Insurance [y]" where "y" is the name of any underwriter of Products except AIC or any affiliate thereof which conveys or links ABT or any affiliate thereof to "y" and the term Low Cost within any logo, service mark, trademark or icon.

Section 6.2 Exception From Exclusivity. AIC's relationship with United

Buying Services, Inc., as in effect on the date of this Agreement, is exempt from the provisions of Section 6.1 of this Agreement.

Section 6.3 AIC Marks. If, either in conjunction with a properly noticed

termination of exclusivity or at any time after such notice is delivered, AIC intends to use any AIC Marks in conjunction with the offering or sale of Products through any Internet Auto Providers, then AIC must give ABTAC 30 days prior written notice thereof.

Section 6.4 ABT Marks. If, either in conjunction with a properly noticed

termination of exclusivity or at any time after such notice is delivered, ABT or ABTAC intends to use any ABT Marks in conjunction with the marketing of any Products outside of the terms of this Agreement, then ABTAC must give AIC 30 days prior written notice thereof.

[*] Confidential Treatment Requested

7. FIRST REFUSAL.

Section 7.1 New Product. In the event that either (i) an insurer or entity

other than AIC or any of its affiliates (a "Competing Insurer") proposes a program to offer on the ABT Website any personal or commercial insurance other than the Products offered pursuant to this Agreement (a "New Product") or (ii) ABTAC wishes to market a New Product through a Competing Insurer, then ABTAC shall immediately give AIC written notice of such New Product and the related terms (the "New Product Notice").

Section 7.2 Right of First Refusal. ABTAC hereby grants to AIC the right of

first refusal to offer such New Product to ABT's Users on terms no less favorable to ABTAC or ABT's Users than those proposed by the Competing Insurer. AIC shall be obligated to respond with its intent to ABTAC within 10 business days after its receipt of the New Product Notice. If AIC does not respond within such period, ABTAC may market such New Product on terms no less favorable than those set forth in the related New Product Notice.

8. COMPENSATION.

During the term of this Agreement, for the services to be performed by ABTAC hereunder (except for those services under Section 4.6 hereof), ABTAC shall be paid compensation by AIC calculated in accordance with Schedule B attached hereto and made a part hereof. All payments due ABTAC hereunder shall be made within thirty (30) days after the end of the month they become due. For the services to be performed by ABTAC under Section 4.6 hereof, ABTAC shall be paid by AIC compensation for each year (or portion thereof) by August 31 of such year in an amount to be determined in good faith discussions to be held between AIC and ABTAC based on the value of such services.

9. POLICIES.

Section 9.1 Product Control. Subject to its obligations under Section 3.3

hereof to offer low-cost insurance products, AIC reserves the sole right and power, exercisable in good faith at any time, to change the terms, rates, conditions, or other provisions contained in the Products or to reject requests for quotes for the Products or to rescind or refuse to renew or cancel any policy issued hereunder, in accordance with AIC's underwriting standards, except as may be limited by the terms of the policies or by applicable law or regulation. AIC further reserves the sole right and power to change its underwriting standards for the Products in accordance with sound insurance practices consistent with AIC's normal business practices and subject to applicable insurance law and further to suspend, restrict or modify the offer and sale of the Products for regulatory reasons. AIC shall inform ABTAC in writing promptly upon its taking any action under this Section 9.1. In the event AIC suspends the offer and sale of Products (or so restricts or modifies such offer and sale so as to render the Products unavailable to the majority of Users previously qualified for such Products on the terms and conditions previously offered) in any jurisdiction or area within the Territory, it shall use its best efforts to make provision for the offer and sale by another underwriter of Products in such jurisdiction or area in a manner which minimizes the effect of such suspension upon the orderly marketing of the Products in such jurisdiction or area, and maximizes the expectancy of ABTAC under this Agreement. If AIC has not made such provision within 10 days of any such suspension, ABTAC shall be entitled to establish a relationship with another underwriter of Products in such jurisdiction or area, such relationship to be for a term not to exceed twelve months, and shall be entitled to make such agreements as necessary to secure such relationship, including the use of a Prohibited Marketing Term (in connection with the offering and sale of Products in such jurisdiction or area), and no aspect of such relationship or agreements shall give rise to any rights of AIC under this Agreement.

Section 9.2 Underwriting and Administration. AIC shall, at its expense,

provide all underwriting, policy issuance services, policyholder services, premium disbursement and accounting services, premium collection, claims adjustment, and all other administrative services required for policies issued pursuant to this Agreement.

Section 9.3 Policy and Quote Records. All policy and quote records for the

policies issued hereunder shall be the property of AIC. Policy records shall include but not be limited to all policy requests for quotes, policy declarations pages, policy underwriting files and policy claim files, or computer data files containing such information.

[*] Confidential Treatment Requested

Section 9.4 Billing. AIC shall be responsible for the billing and

collection of insurance premiums from all Users who purchase insurance under this Agreement.

Section 9.5 Authority as Insurance Provider. Nothing in this Agreement

shall be construed to mean that either ABT or ABTAC is a broker or an agent, and

in no event shall either ABT or ABTAC have any authority or represent itself as having authority other than as is specifically set forth in this Agreement. Without limiting the generality of the foregoing, neither ABT nor ABTAC shall do any of the following:

(a) Attempt to or make, waive, alter or change any term, rate or condition stated in any AIC policy, contract or AIC approved form; bind coverage; or discharge any contract in the name of AIC.

(b) Offer to pay or pay directly or indirectly any rebate of premiums or any other inducement not specified in the policy to any person.

(c) Transact business in contravention of the rules and regulations of an Insurance Department and/or other governmental authorities having jurisdiction of all subject matters embraced within this Agreement.

Section 9.6 Privacy. (a) ABTAC recognizes that, in the performance of its

obligations under this Agreement, if permitted by the Privacy Act and other applicable laws, AIC may disclose personal or privileged information about individuals collected or received in connection with insurance transactions. Since the disclosure of such information is protected by law, ABTAC agrees that it will not redisclose any such privileged information of which ABTAC has actual notice without the individual's written authorization, unless such disclosure is permitted by law.

(b) ABT and ABTAC represents and warrants to AIC that neither ABT nor ABTAC shall use such information as is disclosed by AIC pursuant to Section 9.6(a) other than in connection with the marketing of a product or service.

Section 9.7 Fair Credit Reporting. Nothing herein shall be construed to

require or imply that AIC is required to provide User information to ABT or ABTAC in contravention of the Fair Credit Reporting Act (the "FCRA"). AIC is not a "consumer reporting agency" as defined in the FCRA.

10. CONFIDENTIALITY.

Section 10.1 Confidential Information. In performing their obligations

pursuant to this Agreement, the parties may be provided access to and receive disclosure of certain confidential and/or proprietary information about the other including but not limited to names of Users, information provided by Users to AIC for the purpose of obtaining an insurance quotation, names of policyholders, marketing philosophy and objectives, financial results, technological developments, computer system information (including information provided in connection with the development of the Phase 2 and Phase 3 applications and links), trade secrets, and other materials and information that such party considers confidential and/or proprietary ("Confidential Information"). Unless expressly provided otherwise in this Agreement, AIC, ABT and ABTAC agree not to give, sell, or in any way transfer, either directly or indirectly, Confidential Information to any person or organization for any purpose without the prior written approval of the other, except as may be required by law, rule or regulation (including any filings under any securities law) or court order. Notwithstanding anything to the contrary herein, AIC, ABT and ABTAC may use Confidential Information for market research purposes upon written consent from the other party, to the extent permissible by law. AIC, ABT and ABTAC promise to make best efforts to see that all parties including employees comply with this provision. These obligations as to confidentiality and nonuse shall survive the termination of this Agreement.

Section 10.2 Return of Confidential Information. Except as otherwise herein

provided, all Confidential Information furnished by one party to the other in connection with this Agreement is the exclusive property of that party and shall be returned to that party upon request or upon termination of this Agreement.

Section 10.3 Survival of Confidentiality. All obligations and duties of the

parties with respect to Confidential Information shall survive for five years after the termination of this Agreement. Confidential Information shall no longer be considered Confidential Information to the extent that such information (a) is developed by a party independently, without

reference to any Confidential Information of the other party's; (b) is obtained from a third party authorized to disclose it; (c) becomes a part of the public domain without the fault of the disclosing party; (d) is released by the disclosing party to third parties without similar restrictions; or (e) is released from such restrictions by prior written agreement.

11. USE OF NAMES/TRADEMARKS.

Section 11.1 Limitation on Use of AIC Marks. ABTAC agrees that neither it nor ABT shall use the AIC Marks without AIC's prior written consent.

(b) AIC hereby grants to ABT and ABTAC a limited license to use and reproduce any AIC Mark approved in accordance with Sections 2.2(b) and 11.1(a) of this Agreement, in connection with the marketing arrangements set forth in this Agreement and for no other purpose, and hereby agrees to provide ABT and ABTAC, for the sole purpose of marketing the Products, acceptable copies of the appropriate AIC Marks for purposes of reproduction.

(c) For so long as AIC or one of its affiliates has the right to use the mark "AIG," AIC shall permit ABTAC to use the term "Auto-By-Tel Low Cost Auto Insurance From AIG" in marketing the Products during the term of this Agreement; provided, however, that the permission granted hereby shall not diminish AIC's rights to approve the form and content of any Insurance Marketing Materials pursuant to Section 2.2(b) hereof.

Section 11.2 Limitation on Use of ABT Marks. (a) AIC agrees that it shall not use the ABT Marks without ABTAC's prior written consent.

(b) ABTAC hereby grants to AIC a limited license to use and reproduce any ABT Mark approved in accordance with Sections 2.2(b) and 11.2(a) of this Agreement, in connection with the marketing arrangements set forth in this Agreement and for no other purpose, and hereby agree to provide AIC, for the sole purpose of marketing the Products, acceptable copies of the appropriate ABT Marks for purposes of reproduction.

Section 11.3 Low Cost Logo. The "Auto-By-Tel; Low Cost Auto Insurance Through [NAME OF PROVIDER]" logo, and all variations and derivatives shall remain the exclusive property of ABTAC; provided, however, that such logo shall not refer to AIC after the termination of this Agreement.

Section 11.4 Use of User Data. Notwithstanding anything in this Agreement to the contrary, AIC shall give to ABT and ABTAC User information subject to Sections 9.6 and 9.7 which may be used by ABT and ABTAC in any lawful manner, including for solicitation of such Users for financial products marketed through the ABT Website, automobile pricing, purchasing, leasing and information services offered or marketed through the ABT Website and any affinity programs in which ABT or ABTAC may participate. The ownership interest in such User data shall be held by AIC. Neither ABT nor ABTAC is an agent for purposes of collection of insurance data.

12. INDEPENDENT CONTRACTOR.

Section 12.1 No Joint Venture. Nothing contained in this Agreement creates or is intended to create the relationship of a joint venture, partnership, agency or association between AIC and ABTAC. Nothing in this Agreement shall be construed to mean that either ABT or ABTAC is a broker or an agent, and in no event may ABTAC bind AIC to any contract of insurance or vary the terms of any such contract, nor may AIC bind ABT or ABTAC to any relationship or vary the terms of any agreement between ABT or ABTAC and any third party.

Section 12.2 Limitations on Authority. Each of AIC, ABT and ABTAC shall

have only those powers enumerated herein and none other shall be implied.
Without limiting the generality of the foregoing, neither AIC, ABT nor ABTAC
shall do any of the following:

(a) Make, accept or endorse notes, endorse checks payable to the other party, or otherwise incur any expense or liability on behalf of the other party.

10

(b) Waive a forfeiture.

(c) Extend the time for the payment of monies due the other party beyond the time agreed to by the other party.

(d) Collect money for the other party.

(e) Institute, prosecute, or maintain any legal proceedings in connection with any matter pertaining to the other party's business, unless otherwise approved in writing by the other party, nor accept legal process on behalf of the other party.

(f) Hold itself out as an authorized agent of the other party in order to deal with any regulatory authority or file any contract or policy on behalf of the other party or contact or discuss any matter with any regulatory authority on behalf of the other party without written approval of that party.

13. [RESERVED]

14. TERM AND TERMINATION.

Section 14.1 Renewal. This Agreement shall remain in effect for a period

of five (5) years from the effective date ("Initial Term"). This Agreement shall automatically renew for subsequent five-year terms ("Renewal Term") unless written notice is given by either party of its intention to terminate this Agreement at the expiration of the Initial Term or any Renewal Term, as the case may be, at least one hundred eighty (180) days prior to such expiration. This Agreement shall also terminate if required by governmental authority or court of law, but only insofar as this Agreement applies to such jurisdiction affected.

Section 14.2 Cure Period. If any party shall be in breach of any material

obligation under this Agreement and such breach shall remain uncured for a period of thirty (30) days after written notice thereof from the other party (or, if such breach is curable and requires more than thirty (30) days to cure, if such cure is not commenced within thirty (30) days and thereafter diligently prosecuted), then the other party may, by written notice sent, cancel this Agreement upon 30 days after delivery of such notice. Non-payment of amounts due under this Agreement shall be deemed to be a breach of a material obligation hereunder, but institution of suit for payment of amounts due under this Agreement shall not be deemed to be a cancellation hereunder. This Section 14.2 shall not apply to termination pursuant to Section 14.3 or Section 14.4 of this Agreement.

Section 14.3 Termination Upon Insolvency. At any party's option, and upon

written notice of exercise of the option, this Agreement terminates upon the voluntary or involuntary bankruptcy or insolvency of a party, the voluntary or involuntary dissolution or liquidation of a party, the admission in writing by a party of its inability to pay its debts as they mature, or the assignment by a party for the benefit of creditors.

Section 14.4 Termination Upon Use of Marks. If any party shall give notice

to the other, under Section 6.1(b), then the Agreement shall terminate 30 days after receipt of such notice.

Section 14.5 Responsibilities Upon Termination. The termination of this

Agreement shall not terminate, affect, or impair any rights, obligations, or other liabilities of any party hereto which may accrue prior to such termination or which, under the terms of this Agreement, continue after the termination.

After termination of this Agreement, coverage under the insurance policies issued hereunder shall continue pursuant to their terms. Ownership of all renewals written after termination of this Agreement shall at all times remain with AIC. Each party shall return all property and information rightfully belonging to the other party which is in its possession at the time of termination except as otherwise provided herein. The provisions of this Paragraph 14.5 shall survive termination of this Agreement.

[*] Confidential Treatment Requested

11

15. INDEMNIFICATION.

Each party shall hold the other (and its directors, officers, employees and authorized agents) harmless from and against any damages, liabilities, claims, charges, reasonable attorneys' fees, or other costs arising from or in connection with any claim, action, or proceeding relating to or arising from (a) any grossly negligent act or omission or any intentional misconduct relating to the subject matter of this Agreement or (b) the failure to comply with the terms of this Agreement. The provisions of this Section 15 shall survive the termination of this Agreement.

16. NOTICES.

Section 16.1 Legal and Regulatory Proceedings. Each party shall promptly

notify the others of any legal or regulatory proceeding or threat of legal or regulatory proceeding with respect to any matters which are the subject of this Agreement, except AIC shall have no obligation to notify ABTAC of legal proceedings involving claims under the Products.

Section 16.2 Addresses, etc. All notices pursuant to this Agreement shall

be by facsimile transmission, by personal delivery, or by registered or certified mail, return receipt requested, to the addresses of the parties listed below, or such other address as any party listed below shall specify in writing to the others in a notice conforming to this Section 16.2:

If to AIC:

AIG MARKETING, INC.
505 Carr Road
Wilmington, DE 19809
Attention: J. Ernest Hansen,
President,
or his successor

If to ABTAC:

AUTO-BY-TEL ACCEPTANCE CORPORATION
2711 E. Coast Highway, Suite 203
Corona Del Mar, CA 92625
Attention: Peter Ellis,
President,
or his successor

with copies to:

R.S. GRIMES & CO.
152 West 57th Street, 24th Floor
New York, NY 10019
Attention: Robert S. Grimes,
President,
or his successor

17. MISCELLANEOUS.

Section 17.1 Choice of Law, Venue, Jurisdiction. This Agreement shall be

governed by the internal laws of the State of New York. The parties agree that any action in law or in equity brought under this Agreement shall be brought only in a state or federal court seated in New York County, New York, and each party hereto consents to the exclusive jurisdiction of such court and venue of such action.

Section 17.2 Assignment. Without the prior written consent of the other

party, which consent shall not be unreasonably withheld, this Agreement may not be assigned in whole or in part by any party other than to an affiliate and subsidiary (provided (A) such affiliate or subsidiary (i) shall agree in writing to be bound by the terms of this Agreement and (ii) has a net worth immediately following the assignment equal to or greater than that of the assignor, and (B) the assignor gives written assurances that it will cause the assignee to perform as contained herein or the assignor will perform in the assignee's place). Notwithstanding the foregoing, ABTAC may assign this Agreement to ABT or any wholly owned subsidiary of ABT or ABTAC, provided, however, that the guarantee of ABT pursuant to Section 4.5 herein shall apply as to such subsidiary assignee in the same manner as it applied to ABTAC.

Section 17.3 Modification; Waiver. This Agreement may only be revised

and/or modified in a writing which must be executed by each of the parties to this Agreement. No other change, modification, addition, or deletion to any portion of this Agreement will be valid or binding upon any of them.

Section 17.4 Entire Agreement. This Agreement constitutes the entire

Agreement between the parties with respect to the subject matter contained herein and supersedes all oral or written negotiations of the parties.

Section 17.5 Remedies. All remedies of any party are cumulative. Waiver by

any party of any obligation of any other party does not constitute waiver of any future or other obligation of said party.

Section 17.6 References and Section Headings. Any reference to the singular

shall include reference to the plural and vice versa. Section headings are for description only and shall not be used to interpret this Agreement.

Section 17.7 Severability. If any part, term, or provision of this

Agreement shall be held void, illegal, or unenforceable, the validity of the remaining portions or provisions shall not be affected thereby.

Section 17.8 Signatures and Recording. This Agreement shall not go into

force until duly executed on behalf of ABTAC, ABT and AIC. Each party represents and warrants that each of the respective officers executing this Agreement on its behalf is duly authorized by its Board of Directors and is acting within the scope of his or her authority to bind said party under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement below through their duly authorized officers as of the date first above written.

- AIU INSURANCE COMPANY
- AMERICAN INTERNATIONAL SOUTH INSURANCE COMPANY
- AMERICAN HOME ASSURANCE COMPANY
- AMERICAN INTERNATIONAL INSURANCE COMPANY
- AMERICAN INTERNATIONAL INSURANCE COMPANY OF CALIFORNIA, INC.
- ILLINOIS NATIONAL INSURANCE COMPANY
- MINNESOTA INSURANCE COMPANY
- NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA
- THE INSURANCE COMPANY OF THE STATE OF PENNSYLVANIA

By: /S/ JOHN G. COLOGNA

John G. Colona, Vice President

By: /S/ PETER R. ELLIS

Peter Ellis, President

AUTO-BY-TEL, INC., as Guarantor

By: /S/ PETER R. ELLIS

Peter Ellis, President

SCHEDULE A
ADDITIONAL PRODUCTS

AIG Life Division

Mega Term (High Limit Term Life)
Graded Premium Life
Senior Life
Birthday Life
Whole Life
Universal Life
Survivorship Universal Life
Fixed Annuities
Variable Annuities
Variable Life

AIG A & H Division

Hospital Indemnity
Hospital Accident
Cancer Coverage
Accidental Death & Dismemberment (AD&D)

AIG Warranty Services

Mechanical Breakdown
Vehicle Service Agreement (VSA)
GAP Coverage (stand alone or with above-mentioned products)
Computer Warranty Coverage

AIG Capital Management Corp.

AIG All Ages Funds

Schedule A-1

SCHEDULE B

Compensation due to ABTAC pursuant to this Agreement shall be based on a flat fee calculated on the basis of [*] after the commencement of Phase I. Calculations to adjust the compensation from a [*] to a [*] will occur in months [*] through [*], the resultant adjustments will be offset against the payments of future compensation in months [*] through [*]. For purposes of this Schedule B, [*] means the [*] for any new or renewal policy reduced only by those amounts not collected against the [*] amount. Illustrations of the compensation calculation are attached as pages Schedule B-2 through B-7.

Compensation for new and renewal automobile policies after month 12 shall be based on a [*] calculated on the basis of [*].

Compensation for homeowners and personal umbrella liability policies shall be based on a [*] calculated on the basis of [*].

All payments due ABTAC by AIC during the term of this Agreement shall be paid by AIC to ABTAC thirty (30) days after the end of each calendar month.

[*] Confidential Treatment Requested

EXAMPLE # 1

[*] 6-Month Policy Written in Month One and Collected Via Monthly Direct Bill for 1st and 2nd Term (12 Months)

Month	Premium	Compensation	Net Collected	
			Premium	Compensation
1	[*]		[*]	
2		[*]	[*]	[*]
3			[*]	[*]
4			[*]	[*]
5			[*]	[*]
6			[*]	[*]
7			[*]	[*]
8			[*]	[*]
9			[*]	[*]
10			[*]	[*]
11			[*]	[*]
12				[*]
Total*	[*]	[*]	[*]	[*]

* No adjustments required

[*] Confidential Treatment Requested

EXAMPLE # 2

[*] 6-Month Policy Written in Month One and Collected Via Monthly Direct Bill for 1st and Half of 2nd Term and Then Policy Lapses

Month	Premium	Compensation	Net Collected	
			Premium	Compensation
1	[*]		[*]	
2		[*]	[*]	[*]
3			[*]	[*]
4			[*]	[*]
5			[*]	[*]
6			[*]	[*]
7			[*]	[*]
8				[*]
9				
10				
11				
12				
Total*	[*]	[*]	[*]	[*]

* [*] compensation adjustment @ [*] per month $([*] - [*] / [*])$ will occur in months 13 thru 24.

[*] Confidential Treatment Requested

EXAMPLE # 3

Same as #1 Except Policy Written in Month 7

Month	Premium	Compensation	Net Collected	
			Premium	Compensation
1				
2				
3				
4				
5				
6				
7	[*]		[*]	

8		[*]	[*]	[*]
9			[*]	[*]
10			[*]	[*]
11			[*]	[*]
12			[*]	[*]
13			[*]	[*]
14			[*]	[*]
15			[*]	[*]
16			[*]	[*]
17			[*]	[*]
Total*	[*]	[*]	[*]	[*]

* No adjustment required

[*] Confidential Treatment Requested

EXAMPLE # 4

Same as #2 Except Policy Written in Month 7

Month	Premium	Compensation	Net Collected	
			Premium	Compensation
1				
2				
3				
4				
5				
6				
7	[*]		[*]	
8		[*]	[*]	[*]
9			[*]	[*]
10			[*]	[*]
11			[*]	[*]
12			[*]	[*]
13			[*]	[*]
14				[*]
15				[*]
16				[*]
17				[*]
Total*	[*]	[*]	[*]	[*]

* [*] compensation adjustment @[*] per month (([*] -[*] / [*]) will occur in months 19 thru 30.

[*] Confidential Treatment Requested

EXAMPLE # 5

Same as #1 & #3 Except Policy Written in Month 12

Month	Premium	Compensation	Net Collected	
			Premium	Compensation
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12			[*]	
13		[*]	[*]	[*]
14			[*]	[*]
15			[*]	[*]
16			[*]	[*]
17			[*]	[*]
18			[*]	[*]
19			[*]	[*]
20			[*]	[*]
21			[*]	[*]
22				[*]
Total*	[*]	[*]	[*]	[*]

* No adjustment required

[*] Confidential Treatment Requested

EXAMPLE # 6

Month	Premium	Compensation	Net Collected	
			Premium	Compensation
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12	[*]		[*]	
13		[*]	[*]	[*]
14			[*]	[*]
15			[*]	[*]
16			[*]	[*]
17			[*]	[*]
18			[*]	[*]
19				[*]
20				
21				
22				
23				
Total*	[*]	[*]	[*]	[*]

* [*] compensation adjustment @ [*] per month $([*] - [*] / [*])$ will occur in months 24 thru 35.

[*] Confidential Treatment Requested

SCHEDULE C
AIGM COMPENSATION FROM AIC

In any [*] in which collected premium with respect to all policies written based on referrals from AIGM in connection with the marketing arrangements it negotiates with Auto-By-Tel Acceptance Corporation exceeds [*] dollars, and the [*] or [*] AIC shall pay AIGM a [*], as set forth below, based upon statutory profit as determined by "losses" and "loss ratio" as defined below.

Losses: that amount which with respect to claims with occurrence dates during any specified calendar year (hereinafter referred to as "Calendar Accident Year") is the total of:

- 1) all payments of such claims;
- 2) the amount of case reserves on such claims;
- 3) a reasonable (in light of AIC practices in its other similar portfolios) provision for future development of case reserves on such claims;
- 4) a reasonable (in light of AIC practices in its other similar portfolios) provision for payment of such claims incurred but not yet reported to the insurance company;
- 5) a reduction for salvage and subrogation payments, received or receivable, resulting from all claims;
- 6) the amount of loss adjustment expenses (the reasonable and customary costs associated with the defense and/or settlement of a claim, except for the claim payment itself) incurred or reasonably anticipated;
- 7) a residual market subsidy based on the proportional state-by-state distribution of the business in relation to residual market deficits;
- 8) a loss carryover provision which consists of the dollar amount by which the loss ratio percentage exceeds the target loss ratio in the preceding Calendar Accident Year calculation. This carryover will be restated each time the preceding [*] is adjusted in accordance with the payment cycle set forth below. Bad faith claim payments are specifically excluded from the definition of Losses.

Loss Ratio: a fraction with the numerator being the sum of the losses, and the denominator being the corresponding earned premium with respect to the specified [*], rounded to the nearest one tenth percent.

Target: a loss ratio calculated for each applicable [*] which is derived

by [*] . This calculation is rounded to the nearest percent.

[*] Confidential Treatment Requested

[*] Chart

29. Loss Ratio* [*]

Target and Higher	0%
(Target -[*].0%) to (Target -[X]%)	[X]%
(Target -[*].0%) to (Target -[X])	[X]%
(Target -[*].0%) to (Target -[X]%)	[X]%
(Target -[*].0%) to (Target -[X]%)	[X]%
(Target -[*].0%) to (Target -[X]%)	[X]%
(Target -[*].0%) to (Target -[X]%)	[X]%
(Target -[*].0%) to (Target -[X]%)	[X]%
(Target -[*].1%) and Lower	[X]%

* The endpoints of each range are included in the range.

AIC shall, if appropriate, pay the [*] to AIGM based on initial calculation and three subsequent adjustments for each [*] to reflect the ultimate development of losses and over-reserves, as applicable. The first [*] will begin on [*] and end on [*]. Subsequent [*] will run similarly.

The initial calculation for each [*] will be made in the 18th month after the beginning of a [*] based on inception to date of evaluation losses for that [*] and the [*] shall be paid in accordance with the Profit Sharing Contingency Chart, if appropriate, by [*] in which the calculation is made according to the [*]. The first adjustment to the initial calculation for each [*] will be made in the after the beginning of such [*] based on inception to date of evaluation losses for such [*]. In the event the first adjustment indicates overpayment in the initial calculation of a [*], the amount of overpayment will be deducted from [*] due for other [*] and, if not sufficient, the remaining overpayment will be deducted from current commissions. In the event the first adjustment indicates underpayment in the initial calculation of a [*], such payment shall be made by [*] of the [*] in which the first adjustment is made.

The second and third adjustments for each [*] will be made in the [*] and [*] respectively, after the beginning of a [*] based on the same criteria as the first adjustment, and payments will be deducted or made in accordance with the procedure established for the first adjustment.

In the event this Agreement is terminated, all rights to payments from this [*] shall terminate.

The compensation paid by AIC pursuant to this Schedule is for marketing access negotiated by AIGM and provided on the ABT Website by ABTAC.

[*] Confidential Treatment Requested

AMERICAN INTERNATIONAL COMPANIES
c/o AIG Marketing, Inc.
505 Carr Road
Wilmington, Delaware 19809

July 23, 1996

Auto-By-Tel, Inc.
2711 East Coast Highway
Suite 203
Corona del Mar, California 92625

Attention: Mr. Peter Ellis, President

Re: Marketing Agreement between Auto-By-Tel Acceptance Corporation on the one hand, and AIU Insurance Company, American International South Insurance Company, American Home Assurance Company, American International Insurance Company, American International Insurance Company of California, Inc., Illinois National Insurance Company, Minnesota Insurance Company, National Union Fire Insurance Company of Pittsburgh, PA and The Insurance Company of the State of Pennsylvania on the other hand, and Auto-By-Tel, Inc. as Guarantor of the obligations of Auto-By-Tel Acceptance Corporation dated as of July 22, 1996 (the "Marketing Agreement")

Gentlemen:

Reference is made to Section 8 of the above-referenced Marketing Agreement. Capitalized terms used herein and in the attached Schedule A, and not defined herein or therein, shall have the meanings ascribed thereto in the Marketing Agreement. This will confirm our agreement that compensation to be paid for the services provided to AIC pursuant to Section 4.6 of the Marketing Agreement shall be calculated and paid in accordance with the attached Schedule A on or before August 31, 1997, and on each August 31st thereafter for as long as the Marketing Agreement is in effect. Please confirm that this represents our understanding with respect to the foregoing matter by executing a copy of this letter in the space provided below and returning to the undersigned.

Best regards.

Very truly yours,

AIU INSURANCE COMPANY
AMERICAN INTERNATIONAL SOUTH
INSURANCE COMPANY
AMERICAN HOME ASSURANCE
COMPANY
AMERICAN INTERNATIONAL
INSURANCE COMPANY
AMERICAN INTERNATIONAL
INSURANCE COMPANY OF CALIFORNIA,
INC.
ILLINOIS NATIONAL INSURANCE
COMPANY
MINNESOTA INSURANCE COMPANY
NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA
THE INSURANCE COMPANY OF THE
STATE OF PENNSYLVANIA

By: /S/ JOHN G. COLONA

John G. Colona, Vice President

cc: Mr. Robert S. Grimes
Robert S. Grimes & Company
152 West 57th Street
24th Floor
New York, NY 10019

CONFIRMED AS OF JULY 24, 1996

AUTO-BY-TEL ACCEPTANCE CORP.

By: /S/ PETER R. ELLIS

Peter Ellis, President

SCHEDULE A

30. Schedule A-1

In any [*] in which collected premium with respect to all policies written in connection with the marketing arrangements exceeds [*] dollars, and [*] AIC shall pay ABTAC additional compensation, as set forth below, based upon statutory profit as determined by "losses" and "loss ratio" as defined below.

Losses: that amount which with respect to claims with occurrence dates during any specified calendar year (hereinafter referred to as [*] is the total of:

1. all payments of such claims;
2. the amount of case reserves on such claims;
3. a reasonable (in light of AIC practices in its other similar portfolios) provision for future development of case reserves on such claims;
4. a reasonable (in light of AIC practices in its other similar portfolios) provision for payment of such claims incurred but not yet reported to the insurance company;
5. a reduction for salvage and subrogation payments, received or receivable, resulting from all claims;
6. the amount of loss adjustment expenses (the reasonable and customary costs associated with the defense and/or settlement of a claim, except for the claim payment itself) incurred or reasonably anticipated;
7. a residual market subsidy based on the proportional state-by-state distribution of the business in relation to residual market deficits;
8. a loss carryover provision which consists of the dollar amount by which the loss ratio percentage exceeds the target loss ratio in the preceding Calendar Accident Year calculation. This carryover will be restated each time the preceding [*] is adjusted in accordance with the payment cycle set forth below. Bad faith claim payments are specifically excluded from the definition of Losses.

Loss Ratio: a fraction with the numerator being the sum of the losses, and the denominator being the corresponding earned premium with respect to the specified Calendar Accident Year, rounded to the nearest one tenth percent.

Target: a loss ratio calculated for each applicable [*] which is derived by [*]. This calculation is rounded to the nearest percent.

[*] Confidential Treatment Requested

31. Schedule A-2 (Additional Compensation Chart)

Loss Ratio*	Additional Compensation
-----	-----
Target and Higher	[*]
(Target - [*] to (Target - [*]	[*]
(Target - [*] to (Target - [*]	[*]
(Target - [*] to (Target - [*]	[*]
(Target - [*] to (Target - [*]	[*]
(Target - [*] to (Target - [*]	[*]
(Target - [*] to (Target - [*]	[*]
(Target - [*] to (Target - [*]	[*]
(Target - [*] and Lower	[*]

* The endpoints of each range are included in the range.

"AIC shall, if appropriate, pay the additional compensation to ABTAC based on an initial calculation and three subsequent adjustments for each [*] to reflect the ultimate development of losses and over-reserves, as applicable. The first [*] will begin on [*] and end on [*]. Subsequent [*] will run similarly.

The initial calculation for each [*] will be made in the 18th month after the beginning of a [*] based on inception to date of evaluation losses for that [*] and the additional compensation shall be paid in accordance with the Additional Compensation Chart, if appropriate, by [*] in which the calculation is made. The first adjustment to the initial calculation for each [*] will be made in the [*] after the beginning of such [*] based on inception to date of evaluation losses for such [*]. In the event the first adjustment indicates overpayment in the initial calculation of a [*], the amount of overpayment will be deducted from additional compensation due for other [*] and, if not sufficient, the remaining overpayment will be deducted from current compensation under the Marketing Agreement. In the event the first adjustment indicates underpayment in the initial calculation of a [*], such payment shall be made by [*] in which the first adjustment is made.

The second and third adjustments for each [*] will be made in the [*] and [*] respectively, after the beginning of a [*] based on the same criteria as the first adjustment, and payments will be deducted or made in accordance with the procedure established for the first adjustment.

In the event the Marketing Agreement is terminated, all rights to payments of additional compensation amounts shall terminate."

[*] Confidential Treatment Requested

-4-

ADDITIONAL COMPENSATION CHART

[*]

"AIC shall, if appropriate, pay the additional compensation to ABTAC based on an initial calculation and three subsequent adjustments for each Calendar Accident Year to reflect the ultimate development of losses and over-reserves, as applicable. The first Calendar Accident Year will begin on January 1, 1996 and end on December 31, 1996. Subsequent Calendar Accident Years will run similarly.

The initial calculation for each Calendar Accident Year will be made in the 18th month after the beginning of a Calendar Accident Year based on inception to date of evaluation losses for that Calendar Accident Year and the additional compensation shall be paid in accordance with the Additional Compensation Chart, if appropriate, by August 31st of the year in which the calculation is made. The first adjustment to the initial calculation for each Calendar Accident Year will be made in the 30th month after the beginning of such Calendar Accident Year based on inception to date of evaluation losses for such Calendar Accident Year. In the event the first adjustment indicates overpayment in the initial calculation of a Calendar Accident Year, the amount of overpayment will be deducted from additional compensation due for other Calendar Accident Years and, if not sufficient, the remaining overpayment will be deducted from current compensation under the Marketing Agreement. In the event the first adjustment indicates underpayment in the initial calculation of a Calendar Accident Year, such payment shall be made by August 31st of the year in which the first adjustment is made.

The second and third adjustments for each Calendar Accident Year will be made in the 42nd month and 54th month, respectively, after the beginning of a Calendar Accident Year based on the same criteria as the first adjustment, and payments will be deducted or made in accordance with the procedure established for the first adjustment.

In the event the Marketing Agreement is terminated, all rights to payments of additional compensation amounts shall terminate."

[*] Confidential Treatment Requested

MICROSOFT ONLINE MARKETING AGREEMENT

THIS ONLINE MARKETING AGREEMENT ("Agreement") is made and entered into as of the later of the two signature dates below (the "Effective Date") by and between AUTO-BY-TEL, LLC ("ABT"), a California limited liability company, and MICROSOFT CORPORATION ("MS"), a Washington, U.S.A. corporation.

Recitals

i. MS has established an online service for the Microsoft Network called "CarSource" that includes research materials and other useful information about Automobiles (as defined below) and accessories.

ii. ABT operates an Automobile marketing company which has subscribing dealers throughout the United States. ABT plans to expand operations with subscribing dealers in other territories outside the United States.

iii. MS and ABT wish to enter into a business relationship to develop and implement an Automobile marketing service on CarSource for persons interested in purchasing Automobiles in the United States, Canada, and other territories subject to all the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

Agreement

1. DEFINITIONS. In addition to the terms defined elsewhere in this

Agreement, the following terms, when used herein, shall have the following meanings:

1.1 "Automobile" shall mean any kind of motor vehicle, including, but not limited to, passenger vehicles, trucks, and vans.

1.2 "CarSource" shall mean the MS-sponsored service on the Microsoft Network ("MSN") that includes information and materials related to Automobiles, including any successor products and/or services that appear on MSN or the Internet's World Wide Web.

1.3 "Person" or "Persons" shall mean an individual, corporation, partnership, unincorporated association, trust, joint venture or other organization or entity.

1.4 "Dealer" shall mean an independently operated retail seller of Automobiles that is located in the United States, Canada or other territories and is a subscribing member to ABT's marketing program.

[*] Confidential Treatment has been requested for portions of this exhibit.

2. ONLINE MARKETING SERVICE

2.1 Within a reasonable period after the Effective Date, MS shall, with the assistance of ABT, develop and post a digital page or portion thereof on CarSource featuring information about ABT's auto marketing and financing services and an interactive electronic order form in substantially the form of Exhibit A hereto (an "E-form"). At least [*] during the term of this Agreement,

MS or its representatives shall download all E-forms that have been completed by CarSource users and transmit them to ABT via electronic mail or other reasonable means to ensure prompt delivery to ABT. No later than [*] after receiving each E-form, ABT shall forward the E-form to one of its subscribing Dealers who will call the CarSource user with information regarding the price and availability of the vehicle request.

2.2 ABT may offer information regarding Automobile financing and leasing options to CarSource users in response to an E-form request for such information.

2.3 ABT shall at all times conduct its operations with respect to the marketing program described above in a reasonable and professional manner in accordance with all applicable laws and regulations.

2.4 The rights set forth in Sections 2.1 and 2.2 above are granted on a non-exclusive basis; provided, that MS shall not grant such rights to any other party during the term of this Agreement on terms and conditions that are more favorable than the terms and conditions of this Agreement.

3. TERM. The term of this Agreement shall be three (3) years from the

Effective Date unless terminated earlier in accordance with Section 12.

4. FEES.

4.1 Marketing Fees. ABT shall pay MS a fee of a fee of [*]

for each complete E-form that MS transmits to ABT pursuant to Section 2.1, above, whether or not the CarSource users purchase an Automobile through ABT or its Dealers. MS shall not forward any incomplete E-forms to ABT. No marketing fee shall be paid or incurred by ABT for E-forms in excess of one (1) per each CarSource user during any sixty (60) day period. ABT shall not deduct or withhold any amounts from such payments, except for any applicable taxes which are required to be withheld or deducted by applicable law.

4.2 Finance & Leasing Fees. ABT shall pay to MS a fee equal to [*]

of the origination fee that ABT receives from each Third Party in connection with such a financing or leasing transaction. The parties understand and agree that at the time of signing this Agreement, the origination fees that ABT expects to pay to MS are as follows: (a) [*] for each finance or lease transaction less than [*] with a CarSource user referred by MS for which ABT has received an origination fee from any third party, including an affiliate of ABT (each, a "Third Party"), and (b) [*] for each finance or lease transaction greater than [*] with a CarSource user for which ABT has received an origination fee from any Third Party. ABT shall not deduct or withhold any

[*] Confidential Treatment Requested

-2-

amounts from such payments, except for any applicable taxes which are required to be withheld or deducted by applicable law. ABT shall at all times act in good faith with respect to the calculation and payment of such fees and shall not attempt to limit such fees by restructuring its financial arrangement with lending institutions so as to avoid payment of the fees described in this Section. In addition to the fees described in this Section 4, ABT shall pay MS the fees described in Section 10.2.

5. PAYMENT SCHEDULE. Within thirty days after the end of each

calendar month with respect to which ABT owes MS any fees pursuant to Section 4 and/or 10.2, ABT shall furnish MS a statement together with payment for any amount shown thereby to be due to MS. The fee statement shall contain information about (a) the number of E-forms received from MS during the period, (b) the total marketing fee payment to MS, (c) the number of CarSource users referred by ABT to financing entities during the period, (d) the number of CarSource users who completed a financing transaction for an Automobile with a financing entity referred by ABT during the period, (e) the total amount of financing origination fees received by ABT during the period, pursuant to this Agreement (f) the total amount of the financing origination fee payment to MS, (g) the amount of any deductions from amounts payable to MS and the method of calculating such deductions, (h) the number of CarSource users who completed a user survey authorized under Section 10.2, (i) the number of CarSource users who registered for the affinity program described in Section 10.2, (j) the amount of any fees payable to MS pursuant to Section 10.2, and (k) any other information that is relevant to the payment terms described in this Agreement.

6. HYPERLINK. During the term of this Agreement, ABT shall prominently

feature a hyperlink to the uniform resource locator for MS CarSource on ABT's
World Wide Web home page in the manner set forth on Exhibit B hereto. ABT shall

not materially modify the placement, size, presentation or layout of the
hyperlink to MS CarSource without the written consent of MS, which shall not be
unreasonably withheld. In addition, ABT shall not place hyperlinks to World Wide
Web home pages of on-line services that compete with CarSource (e.g., Edmunds,
Autoinfocenter, Autolink) on the same level as the hyperlink to CarSource. MS
hereby consents to the use of the "Microsoft" and "CarSource" trademarks for the
limited purposes described in this Section 6.

7. USE OF TRADEMARKS. ABT hereby grants MS the right to use and

publish in connection with the promotion of the services described in Section 2
of this Agreement the following unregistered trademarks and trade names which
are associated with ABT ("ABT's Trademarks"):

Auto-by-Tel
Auto-by-Tel, LLC

MS shall add the appropriate trademark symbol or designation (i.e., (TM) or R),
as shown above wherever ABT's Trademarks are first mentioned in CarSource. ABT
shall promptly notify MS in the event that any person shall challenge its right
to use such Trademarks in connection with the Business (defined below). The
rights granted by this section shall not preclude MS from creating, developing,
applying for and obtaining and otherwise using and enjoying any logos,
trademarks and trade names of its own with respect to any products or services,
nor applying for and obtaining copyright and/or trademark protection therefor.

[*] Confidential Treatment Requested

-3-

8. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF ABT. ABT hereby

represents, warrants, and covenants to MS that:

8.1 ABT has the full and exclusive right and power to enter into and
perform according to the terms of this Agreement. Without limiting the
foregoing, ABT warrants that (i) to the best of ABT's knowledge, ABT has the
full and exclusive right to grant MS the licenses granted herein to use the
trademarks and trade names and, to the best of ABT's knowledge, the use of such
trademarks and tradenames by MS as provided under this Agreement will not
violate any trademark, or other proprietary right of any third party, and (ii)
it shall not violate any rights of privacy of any third party in providing the
services described in Section 2.

8.2 Personnel of ABT shall be available to consult with respect to
the matters governed by this Agreement with MS and its personnel, at such times
and for such periods as MS may reasonably request.

8.3 ABT and its officers, directors, employees, contractors, agents
and representatives shall conduct all activities related to this Agreement in
compliance with all applicable laws or regulations including, but not limited to
the laws and regulations relating to the sale and brokerage of automobiles,
telemarketing, consumer credit, and tax laws.

8.4 ABT has obtained standard form general liability insurance from a
nationally-recognized insurance provider and such policy has limits of Four
Million Dollars (\$4,000,000) and coverage of Two Million Dollars (\$2,000,000)
per occurrence and ABT shall maintain such insurance (or comparable replacement
insurance) at all times during the term of this Agreement and for a period of
one year thereafter.

The representations, warranties, and covenants contained in this Section 8 are
continuous in nature and shall survive termination or expiration of this
Agreement except as expressly stated in Section 8.4.

9. INDEMNITY.

9.1 ABT hereby agrees to indemnify, pay the defense costs of, and

hold MS harmless from any and all claims, demands, costs, liabilities, losses, expenses and damages (including attorneys' fees, costs, and expert witnesses' fees) arising out of or in connection with any claim which, taking the claimant's allegations to be true, (a) would result in a breach by ABT of any of ABT's warranties and covenants set forth in this Agreement, or (b) would constitute a violation of any applicable law or regulation governing the business of ABT. ABT shall reimburse MS on demand for any payment made by MS in respect of any liability or claim to which the foregoing indemnity relates, and which has resulted in an adverse judgment against MS or has been settled with the written consent of ABT. Prompt notice shall be given to ABT of any claim to which the foregoing indemnity relates. The indemnity provisions hereof shall survive any termination or expiration of this Agreement.

[*] Confidential Treatment Requested

-4-

9.2 MS hereby agrees to indemnify, pay the defense costs of, and hold ABT harmless from any and all claims, demands, costs, liabilities, losses, expenses and damages (including attorneys' fees, costs, and expert witnesses' fees) arising out of or in connection with any claim which is related to MS's operation of CarSource, except for claims, demands, costs, liabilities, losses, expenses and damages arising out of or in connection with any claim related to the business of ABT and such other claims as ABT has an obligation to indemnify MS pursuant to Section 9.1 of this Agreement. MS shall reimburse ABT on demand for any payment made by ABT in respect of any liability or claim to which the foregoing indemnity relates, and which has resulted in an adverse judgment against ABT or has been settled with the written consent of MS. Prompt notice shall be given to MS of any claim to which the foregoing indemnity relates. The indemnity provisions hereof shall survive any termination or expiration of this Agreement.

10. NONDISCLOSURE AGREEMENT.

10.1 Each party expressly undertakes to retain in confidence and to require its distributors, resellers and all other contractors to retain in confidence all information and know-how transmitted to such party that the disclosing party has identified as being proprietary and/or confidential or which, by the nature of the circumstances surrounding the disclosure, ought in good faith to be treated as proprietary and/or confidential. Without limiting the foregoing, the existence and all terms and conditions of this Agreement shall be considered confidential and shall not be disclosed (except to either party's attorneys and accountants on a need-to-know basis or under order from a court of competent jurisdiction) without the prior written consent of the other party. Except as specifically provided for in this Agreement, ABT shall not use the information about individual CarSource users (including information disclosed on E-forms) or disclose such information to any third party except as specifically authorized by MS in this Agreement or consented to in writing by MS; by way of illustration and not limitation, ABT agrees that it shall not disclose information about individual CarSource users to any on-line service provider, on-line marketing company, automobile magazine publisher, or automobile company without the express written permission of MS.

10.2 ABT may conduct follow up surveys to CarSource users who submit requests to ABT. These surveys shall be sent via email within one week of the original request submission. The primary purpose of such surveys will be to measure customer satisfaction with the ABT auto marketing and finance services, the performance of individual Dealers, type of vehicle purchased, etc. As part of the email survey, ABT may offer to CarSource users free membership in an ABT affinity program of auto-related discounts, products, and services. For every CarSource user who accepts ABT's offer to join the affinity program, ABT shall pay to MS a fee of [*]. This fee is in addition to any Marketing Fees or Finance and Leasing fees earned with respect to said CarSource user pursuant to Section 5 of this Agreement.

11. AUDITS

11.1 ABT agrees to keep all proper records and books of account and all proper entries therein relating to the referral of prospective Automobile purchasers and the financing of Automobiles purchased by CarSource users referred to ABT by MS and MS' fees therefrom.

[*] Confidential Treatment Requested

11.2 MS may cause an audit to be made, at its expense, of ABT's applicable records in order to verify statements rendered hereunder; provided, that if there is a greater than five percent (5%) discrepancy between the amounts paid by ABT to MS and the amounts that should have been paid, according to the statements, as audited, then ABT shall pay MS, in addition to any unpaid fees, the cost of such audit. Any such audit shall be conducted only by a nationally-recognized independent certified public accountant (other than on a contingency fee basis) who is not the primary internal auditor for either ABT or MS, upon thirty (30) days prior written notice to ABT, and shall be conducted during regular business hours at ABT's offices and in such a manner as not to interfere with ABT's normal business activities. The results of any such audit shall be subject to the nondisclosure obligations set forth in Section 10.

12. TERMINATION. MS may terminate this Agreement by written notice to ABT

at any time if it determines in its sole discretion that the services provided by ABT and/or its Dealers jeopardize MS's good name or brands or expose MS to financial or legal risks that are unacceptable to MS, as determined by MS in its sole discretion. In addition, MS may terminate this Agreement for any other cause or no cause ten (10) days upon advance written notice.

13. RIGHTS AND OBLIGATIONS UPON EXPIRATION OR TERMINATION. MS shall cease

all transmission of the E-form and references to ABT in CarSource on or before ten (10) days after the date of expiration or termination of this Agreement. ABT shall cease all references to CarSource and its hyperlink to CarSource on or before ten (10) days after the termination or expiration of this Agreement.

14. DELIVERY OF LEGAL NOTICES. During the term of this Agreement, ABT

shall promptly deliver to MS, and in no event less than ten (10) days after receipt by ABT, copies of any and all (a) letters from third parties, including governmental agencies, that relate to the potential commencement of legal or administrative proceedings against ABT in connection with the business described in this Agreement (the "business"), and (b) all summons, complaints, and petitions served by third parties upon ABT in connection with legal or administrative proceedings arising out of the Business, except to the extent that such disclosure would be prevented by the terms of a protective order of a court or governmental entity.

15. GOVERNING LAW, VENUE, ATTORNEYS' FEES

15.1 This Agreement shall be construed and controlled by the laws of the State of Washington, and ABT further consents to jurisdiction by the state or federal courts sitting in the State of Washington. Process may be served on either party by U.S. Mail, postage prepaid, certified or registered, return receipt requested, or by such other method as is authorized by law.

15.2 If either MS or ABT employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including expert witness fees.

16. NOTICES AND REQUESTS. All notices and requests in connection with

this Agreement shall be deemed given as of the day they are (i) deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested; or (ii) sent by overnight courier, charges prepaid, with a confirming fax; and addressed as follows:

COMPANY: AUTO-BY-TEL., LLC
2711 E. Coast Highway
Suite 203
Corona Del Mar, CA 92625

Attention: President

Fax: (714) 675-4062
Phone: (714) 675-7171

MS: MICROSOFT CORPORATION
One Microsoft Way
Redmond, WA 98052-6399

Attention: Vice President, Worldwide Consumer Division

with a cc to: MICROSOFT CORPORATION
One Microsoft Way
Redmond, WA 98052-6399

Attention: Law & Corporate Affairs Department
Fax: U.S. Legal Group
(206) 936-7329

or to such other address as the party to receive the notice or request so designates by written notice to the other.

17. NO ASSIGNMENT. Neither party may assign this Agreement, or any

portion thereof, to any third party unless the other party expressly consents to such assignment in writing. Any attempted assignment without such consent shall give the non-assigning party the right to terminate this Agreement effective upon written notice.

18. LEGAL RELATIONSHIP. This Agreement is intended solely as a services

agreement, and no partnership, joint venture, employment, agency, franchise, or other form of Agreement or relationship is intended.

19. SEVERABILITY. In the event that any provision of this Agreement is

found invalid or unenforceable pursuant to judicial decree or decision, the remainder of this Agreement shall remain valid and enforceable according to its terms. The parties intend that the provisions of this Agreement be enforced to the fullest extent permitted by applicable law.

-7-

20. ENTIRE AGREEMENT/MODIFICATION/OFFER. The parties hereto agree that

this Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof and merges all prior and contemporaneous communications. It shall not be modified except by a written agreement dated subsequent hereto signed on behalf of ABT and MS by their duly authorized representatives. Neither this Agreement nor any written or oral statements related hereto constitute an offer, and this Agreement shall not be legally binding until executed by both parties hereto.

21. BINDING EFFECT. Subject to the limitations herein before expressed,

this Agreement will inure to the benefit of and be binding upon the parties, their successors, administrators, heirs, and permitted assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the dates indicated below.

MICROSOFT CORPORATION

AUTO-BY-TEL, LLC.

/s/ GARTH HITCHINS

/s/ PETER R. ELLIS

By

By

GARTH HITCHINS

PETER R. ELLIS

Name (Print)

Name (Print)

PRODUCT UNIT MANAGER

PRESIDENT

Title

MARCH 27, 1996

Date

Title

MARCH 11, 1996

Date

-8-

EXHIBIT A

ELECTRONIC ORDER FORM

A completed Electronic Order Form will contain the following information:

- First Name
- Last Name
- Street Address, Apt./Suite #
- City
- State
- Zip Code
- Phone Number
- Year, Make, and Model of Vehicle Requested

-9-

EXHIBIT B

ABT Screen Shot

-10-

ADVERTISING AGREEMENT

This Agreement, effective as of October 15, 1996, is made and entered into by Digital City, Inc. ("DCI"), a Delaware corporation with its principal offices at 8619 Westwood Center Drive, Vienna, VA 22182, and Auto-By-Tel ("Advertiser"), with its principal offices or address at 18872 MacArthur Blvd., Suite 200, Irvine, California 92612-1400.

INTRODUCTION

DCI is a subsidiary of America Online, Inc. that operates the Digital City(SM) brand service (the "DCI Service") which assembles, packages and markets local interactive consumer content and services for particular metropolitan or other local areas throughout the United States and the World through the America Online(R) Service ("AOL"), the World Wide Web and other distribution partners. Auto-By-Tel Inc. is an online marketing program that, among other things, assists consumers in buying or leasing new automobiles via electronic purchase requests on the Internet.

Advertiser wishes to include an advertising icon (the "Icon") consisting of logo identification and a prominent photo or graphic with caption on the Main screen, the Main Auto screen, and various other screens of the DCI Service markets listed in Exhibit C hereto (the "Markets") which, when activated, will provide access to an Advertiser site on the DCI Service (the "Advertising Site"). Advertiser's involvement with the Digital City web-site on the World Wide Web is not addressed in this contract and will be addressed at a later date when it becomes available.

TERMS

1. Duties of DCI.

1.1 During the Term, DCI shall create and display the Icon and the Advertising Site. Subscribers to the DCI Service may click on the Icon in order to activate a link to the Advertising Site. The design, contents, rotation, and placement of the Icon and Advertising site shall be as mutually agreed upon by DCI and Advertiser and are specified in Exhibit A hereto.

1.2 Exclusivity.

During the Term, DCI agrees that it will not sell advertising in any of the Markets to marketing programs where electronic new car lease or purchase requests are routed to a marketing company, to new car brokers or to automobile manufacturers. Exclusivity does not effect individual dealer or automobile manufacturer advertisements, used car sales, or classified sections of Digital City Markets. DCI subscribers may solicit price quotes by telephone or by email directly from automobile dealers and manufacturers provided that the advertising icon appearing on the DCI Service, if any, connected to such dealers and manufacturers does not directly invite DCI subscribers to receive a price quote. This Section 1.2 shall have no affect on advertising sold into the Markets prior to the commencement of this Agreement.

[*] Confidential Treatment has been requested for certain portions of this exhibit

EXHIBIT 10.10 ADVERTISING AGREEMENT DATED OCTOBER 15, 1996 BETWEEN REGISTRANT AND DIGITAL CITY, INC.

1.3 Advertiser will be given two keywords for promotion within the DCI Service. They are AUTOBYTEL and AUTO-BY-TEL.

1.4 Overhead Account. DCI shall grant one (1) account on AOL, for -----
which the standard subscription and usage charges will be waived during the Term

("Overhead Accounts") for the exclusive purpose of enabling Advertiser and its agents to perform Advertiser's duties under this Agreement. Advertiser shall be responsible for the actions taken under or through its Overhead Accounts, which actions are subject to (i) DCI's applicable rules and policies; (ii) any surcharges, including, without limitation, all premium charges, transaction charges, and any applicable communication surcharges incurred by any Overhead Account issued to Advertiser; and (iii) the AOL Terms of Service. Upon the termination of this Agreement, such Overhead Account, related screen names and any associated usage credits or similar rights, shall automatically terminate. DCI shall have no liability for loss of any data or content related to the proper termination of any such Overhead Account.

1.5 Advertiser will be provided with a Plus Group to monitor the performance of the Advertising Site. A Plus Group is the traffic measurement system used to analyze online activity within the DCI Service. Nielsen audited traffic information will be provided as it becomes available.

1.6 DCI is obligated to provide Production of one Rainman page for Advertiser which provides the introduction of the product and links to the Advertiser web site.

1.7 DCI will provide Advertiser with up to two production changes in artwork for the Icon at no cost. Subsequently, Advertiser will be subject to negotiated rates for production.

2. Duties of Advertiser.

2.1 Advertiser is obligated to purchase each Market within one month from launch of such Market.

2.2 Advertiser shall respond promptly and professionally to questions, comments, complaints and other reasonable requests from DCI subscribers regarding the Advertising Site.

2.3 Advertiser will provide for the timely delivery of automotive price quotes to DCI consumers.

2.4 Advertiser agrees to pay DCI according to section 5 below, "Revenues To DCI".

3. Rights of DCI.

3.1 Advertiser agrees that (i) DCI has the right to market, display, transmit and promote the Advertising Site as provided above and (ii) subscribers to the DCI Service have the right

[*] Confidential Treatment Requested

-2-

to access and use the Advertising Site and the content and services contained therein (including any of the Advertiser's trademarks, trade names and service marks included within the Advertising Site).

3.2 Subject to Sections 1.2 and 1.3, DCI will retain the right to distribute automotive content of all types in the DCI automotive areas online.

4. Performance Clause.

4.1 The [*] of advertising will be given to Advertiser at [*]. The [*] will begin upon activation of the affinity button in each Market. The affinity button is a button on the welcome screen of America Online that links to local Digital City markets.

4.2 After the [*] provided in Section 4.1 above, there will be a [*] "start up" period.

4.3 In each Market, after the initial six month period set forth in Sections 4.1 and 4.2 above has ended, a measurement figure of per [*] "Purchase Request" will take effect for the remainder of the Term. If the average "Purchase Request" for a thirty (30) day period across all Markets in which the Icon is active exceeds [*] Advertiser may terminate this Agreement by written notice to DCI sixty days prior to the desired termination date. Advertiser will make verified "Purchase Request" figures available to DCI prior to any

termination by Advertiser pursuant to this Section 4.3. For purposes of this Agreement, "Purchase Request" shall mean that a user of the DCI Service has requested a price quote online from Advertiser.

5. Revenue to DCI.

5.1 Advertiser will pay to DCI according to the monthly and annual price breakdowns for each market as set forth in Exhibits B, C, and D.

5.2 Advertiser will make a [*] down payment of [*] for the first amounts due in respect of this Agreement upon execution of this Agreement.

5.3 Advertiser will be billed for new Digital City markets at the beginning of the [*] month after the market has been activated.

6. Confidential Information. Each Party acknowledges that all information disclosed pursuant to this Agreement, including the terms of this Agreement, shall be considered confidential (collectively, "Confidential Information"). Each Party agrees that it shall take reasonable steps, at least substantially equivalent to the steps it takes to protect its own proprietary information, during the term of this Agreement and for a period of three years following expiration or termination of this Agreement, to prevent the duplication or disclosure of Confidential Information. Notwithstanding the foregoing, Confidential Information shall not include materials or information that (i) are already, or

[*] Confidential Treatment Requested

-3-

otherwise become, generally known by third parties as a result of no act or omission of the disclosing party; (ii) subsequent to disclosure hereunder are lawfully received by the disclosing party from a third party having the right to disseminate the information and without restriction on disclosure; (iii) are generally furnished to others by any party without restriction on disclosure; (iv) were already known by the disclosing party and were not received from a third party in breach of that third party's obligations of confidentiality; (v) are required to be disclosed by applicable law, rule or regulation of any government or governmental agency or by court order; or (vi) are independently developed by the disclosing party without the use of Confidential Information.

7. Term. The initial term of this Agreement is for one (1) year from execution date of the Agreement (the "Initial Term") and shall be automatically extended for an additional period equal to the length of the Initial Term (the "Renewal Term") unless this Agreement has been terminated in accordance with Section 4.3 or unless Advertiser notifies DCI in writing of its election to have the Agreement expire at least thirty (30) days in advance of the Initial Term.

8. If Advertiser wishes to make any changes to the Icon, Advertiser must request such changes in writing. There will be one icon used for all Markets. Advertiser may change the Icon twice per month at no cost. Any changes must be approved by DCI.

9. Advertiser represents and warrants that neither the Icon nor the Advertising Site in any respect: (i) infringes on any copyright, trademark, U.S. patent or any other proprietary right of any third party; (ii) violates any applicable law or regulation; or (iii) violates the Terms of Service of AOL.

10. Each party shall promptly inform the other party of any event or circumstance, and shall provide such party with all relevant information, related to the Icon and/or Advertising Site which could reasonably lead to a claim, demand, or liability of or against such party/or its affiliates by any third party.

11. UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES (EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), ARISING FROM ANY ASPECT OF THE TRANSACTION DESCRIBED HEREIN. NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER FOR MORE THAN THE AMOUNTS PAID TO DCI BY ADVERTISER HEREUNDER.

12. NEITHER PARTY MAKES AND EACH PARTY HEREBY SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE DCI SERVICE AND

AOL OR ANY PORTION THERE TO, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, DCI SPECIFICALLY DISCLAIMS ANY WARRANTY REGARDING (I) THE

[*] Confidential Treatment Requested

-4-

NUMBER OF PERSONS WHO WILL ACCESS THE ICON AND (II) ANY BENEFIT ADVERTISER MIGHT OBTAIN INCLUDING THE ICON WITHIN THE DCI SERVICE.

13. Each Party will defend, indemnify, save and hold harmless the other party and the officers, directors, agents, affiliates, distributors, franchisees and employees of the other party from any and all third party claims, demands, liabilities, costs or expenses, including reasonable outside and in-house attorneys' fees ("Liabilities"), resulting from the indemnifying party's breach of any material obligation, duty, representation or warranty of this Agreement, except where Liabilities result from the gross negligence or knowing and willful misconduct of the other Party.

14. Either party may terminate this Agreement at any time in the event of a material breach of this Agreement by the other party.

15. In addition, DCI shall have the right, at any time, to remove the Icon if DCI determines, in its sole discretion, that any part of the Icon or the Advertising Site violates the Terms of Service of AOL. In the event that DCI exercises its rights under this Section 15, DCI shall refund to Advertiser a pro rata portion of the fee which Advertiser has paid to DCI for display of the Icon.

16. The Parties to this Agreement are independent contractors. Neither Party is an agent, representative, or partner of the other Party. This Agreement shall not be interpreted or construed to create an association, agency, joint venture or partnership between the Parties or to impose any liability attributable to such a relationship upon either Party. The failure of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provision or right in that or any other instance. DCI reserves the right to review any press releases, advertising materials, etc, that mention DCI or include DCI's logo.

17. Sections 6, 10, 11, 12, 13 and 16 shall survive the completion, expiration, termination or cancellation of this Agreement.

18. This Agreement sets forth the entire agreement between the Parties, and supersedes any and all prior agreements of the Parties with respect to the transactions set forth herein. Neither Party shall be bound by, and each Party specifically objects to any term, condition or other provision which is different from or in addition to the provisions of this Agreement, unless such change, amendment or modification of any provision of this Agreement is set forth in a subsequent written instrument duly signed by both Parties. In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed or if any such provision is held invalid by a court with jurisdiction over the Parties, such provision shall be deemed to be restated to reflect as nearly as possible the original intentions of the Parties in accordance with applicable law, and the remainder of this Agreement shall remain in full force and effect. This Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the Commonwealth of Virginia except for its conflicts of laws principles.

-5-

19. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

DIGITAL CITY, INC.

AUTO-BY-TEL, INC.

By: /S/ RJ SMITH

By: /S/ PETER R. ELLIS

Print Name: RJ SMITH

Print Name: PETER R. ELLIS

Title: VICE-PRESIDENT/GENERAL MANAGER

Title: PRESIDENT

-6-

EXHIBIT A
ICON AND ADVERTISING SITE

1. The Icon.

The Icon may consist of the Advertiser logo or another marketing icon that is mutually agreed upon by DCI and Advertiser. The Icon must fit the dimensions consistent with DCI screen format.

Placement and Rotation

A. Digital City -Main Screens.

The Advertising Icon shall have placement on the Main screen of each Digital City Market for the equivalent of [*] of the front screen views for each Market.

B. Digital City- Auto Screens.

The Advertiser Icon will have permanent placement on the Front Auto screens of Digital City for the duration of this Agreement in each participating city.

C. Integrated Marketing.

The Advertiser Icon will be incorporated into a rotation that provides placement on a variety of other screens throughout the Digital City service in each participating city for the duration of this contract. This will include exposure in the different sections of Digital City, headline slots, and mentions on the Digital City welcome screens.

2. The Advertiser site on AOL.

When clicked, the Advertiser Icon will link to an Advertiser page developed for the America Online environment. The design of this page will be determined and mutually agreed upon by the Advertiser creative staff and Digital City. This page will be produced by Digital City and will be integrated with the Advertiser web-site on the Internet. Additional pages must be approved by DCI. Upon mutual agreement and under a separate contract Advertiser will also be able to incorporate third party automotive information into the Advertising Site subject to Advertiser paying the DCI negotiated rates for production. DCI retains all rights to review and approve of the third party material and to distribute it's own third party automotive content in the DCI automotive areas; provided that any material appearing on the Advertising Site on the execution date of this Agreement shall be deemed to be approved by DCI.

[*] Confidential Treatment Requested

EXHIBIT B
COST BREAKDOWN

Digital City Los Angeles will be used as the base rate market. The rest of the markets are based on the pricing in Los Angeles and are proportional depending on AOL membership in each cities DMA.

DIGITAL CITY

LOS ANGELES

Members in DMA as of June 96	[*]
Rotation on Main Screen	[*]
Integrated Marketing	[*]
Auto Section Placement	[*]
Total Without Exclusivity	[*]
[*]% Exclusivity Premium	[*]
Monthly Total with Exclusivity	[*]
First Year Total (Includes two free months)	[*]
Second Year Total with [*]% Increase	[*]

[*] Confidential Treatment Requested

EXHIBIT C

ROLL-OUT AND PRICING SCHEDULE

MARKET	LAUNCH DATE	AOL MEMBERS IN DMA	MONTHLY PRICE FIRST YEAR	EXCLUSIVITY AVAILABLE
Washington	[*]	219,306	[*]	Yes
Boston	[*]	229,519	[*]	Yes
Atlanta	[*]	128,642	[*]	Yes
San Francisco	[*]	307,317	[*]	Yes
Philadelphia	[*]	217,200	[*]	Yes
Los Angeles	[*]	443,497	[*]	Yes
Denver	[*]	104,952	[*]	Yes
San Diego	[*]	83,458	[*]	Yes
Dallas	[*]	92,814	[*]	Yes
Seattle	[*]	129,775	[*]	Yes
Detroit	[*]	119,416	[*]	Yes
Houston	[*]	102,657	[*]	Yes
Minneapolis	[*]	94,521	[*]	Yes
Tampa	[*]	85,723	[*]	Yes
Cleveland	[*]	88,185	[*]	Yes

[*] Confidential Treatment Requested

EXHIBIT D

CONTRACT TOTALS

MARKET	ANNUAL PRICE FIRST YEAR	SECOND YEAR INCLUDES [*] INCREASE	OFFICIAL START DATE (AFFINITY BUTTON TURNED ON)
Washington	[*]		
Boston	[*]		
Atlanta	[*]		
San Francisco	[*]		
Philadelphia	[*]		
Los Angeles	[*]		
Denver	[*]		
San Diego	[*]		
Dallas	[*]		
Seattle	[*]		
Detroit	[*]		

Houston
Minneapolis
Tampa
Cleveland
Total

[*] Confidential Treatment Requested

MARKETING AGREEMENT

This Agreement is made as of February 8, 1996, by and between Auto-By-Tel, LLC, a California limited liability company with its principal place of business at 2711 E. Coast Highway, Suite 203, Corona Del Mar, California 92625 (hereafter "ABT") and Edmund Publications Corp., a New York Corporation with its principal place of business at 300 N. Sepulveda Blvd., Suite 2050, El Segundo, California 90245 (hereafter "Edmund's").

RECITALS

WHEREAS, ABT is in the business of providing new vehicle purchase and lease requests and other information to dealers of new automobiles and trucks;

WHEREAS, ABT obtains information for use by dealers of new automobiles and trucks through Consumer inquiries on the Internet, Online services and other sources;

WHEREAS, Edmund's is in the business of providing Consumers information to aid them in their purchase or lease of new automobiles and trucks;

WHEREAS, Edmund's provides such information in print publications, on the Internet and through other sources;

WHEREAS, ABT and Edmund's desire to enter into an agreement whereby Edmund's will provide marketing information to ABT.

NOW THEREFORE, in consideration of the promises and covenants contained herein, the parties agree as follows:

A. Definitions

1. "Edmund's Site" shall mean that information and text reflected on the Internet, and other online sources established by Edmund's for the purpose of providing information to aid Consumers in their purchase or lease of new cars and trucks. Despite the use of the singular "Site", "Edmund's Site" shall refer to all Internet and online services used by Edmund's as of the date of this Agreement and thereafter. However, "Edmund's Site" shall not include any Internet or other online source established by a third party under license from Edmund's.

2. "Consumer" shall mean those persons who use or otherwise obtain information from "Edmund's Site."

3. "ABT Purchase Request" shall mean a request by a Consumer for assistance with the purchase or lease of a new automobile or truck from whatever source.

[*] Confidential Treatment has been requested for certain portions of this exhibit

EXHIBIT 10.11 MARKETING AGREEMENT DATED FEBRUARY 8, 1997 BETWEEN REGISTRANT AND EDMUND'S PUBLICATION CORPORATION

B. Consumer Request for the Purchase or Lease of Automobiles and Trucks

1. Term of Agreement

This agreement shall be deemed to have commenced on January 1, 1996 and shall expire on January 31, 1999; provided, however, that if Edmund's does not receive from ABT in calendar year 1997 aggregate fees (including the amounts referred to in Section C hereof and any additional amounts voluntarily paid by ABT) of at least \$500,000. Edmund's may terminate this Agreement on not less than 10 days' prior written notice given to ABT on or before February 28, 1998.

This Agreement may be terminated prior to such dates only (i) by Edmund's in the event that ABT does not pay the fees due Edmund's for ABT Purchase Requests originated by Edmund's within 30 days of the date billed for such ABT Purchase Requests, in the event that ABT does not pay the amounts required by Section C hereof within 60 days of ABT's receipt of such origination fees, or in the event ABT breaches any of the other terms of this Agreement, and (ii) by ABT in the event that Edmund's breaches any of the terms of this Agreement, or if Edmund's terminates the "Edmund's Site." Nothing herein shall preclude Edmund's from discontinuing the "Edmund's Site," any of its publications, or its entire business, or shall give ABT any rights against Edmund's hereunder as a result of any such discontinuation.

2. Pricing Information

The "Edmund's Site" shall, so long as it is maintained by Edmund's, reflect pricing information in the United States for the sale of automobiles and trucks which is current and accurate.

3. ABT Information

Edmund's shall recommend ABT on the "Edmund's Site" as a dealer-based purchasing/leasing program for new automobiles and trucks. This recommendation shall be approved as to form and content by ABT, such approval not to be unreasonably withheld. This recommendation shall be exclusive and Edmund's shall not recommend any dealers (sellers/lessors) of automobiles and trucks or other marketing programs for automobiles and trucks of like nature to ABT, except with the written consent of ABT. (By way of example, Edmund's may recommend or refer Consumers directly to automobile and truck manufacturers, since manufacturers do not offer a marketing program which is "of like nature" to ABT's marketing program. Edmund's shall mirror ABT's Internet Form on Edmund's Internet Site (or other like text and graphics approved by ABT). Edmund's and ABT shall work together to develop and maintain a file transfer process where both parties can determine whether the ABT Purchase Requests have been originated by Edmund's.

4. Fees to be Paid to Edmund's

a. ABT shall pay Edmund's [*] for each ABT Purchase Request which is received directly from Edmund's either from the "Edmund's Site" or otherwise. If the total number of ABT Purchase Requests exceeds [*] in any calendar year, ABT shall pay Edmund's [*] for each ABT Purchase Request in excess of [*] for such year. However, for purposes of

[*] Confidential Treatment Requested

-2-

calculating the amount of fees to be paid to Edmund's, only one ABT Purchase Request shall be counted for any one Consumer within a [*] day period.

b. ABT shall pay Edmund's any fees due it pursuant to this paragraph within 30 days of receipt of billing.

c. All ABT Purchase Requests and information contained therein received from Edmund's Site shall be the sole property of ABT.

5. Additional Advertisements

In its print publications and CD ROM products, Edmund's shall advertise ABT's services in a form and content approved by ABT. In these advertisements, Edmund's shall be permitted to place Edmund's' address for the "Edmund's Site."

C. Financing of Automobiles

1. Edmund's shall recommend an entity later identified by ABT for automobile and truck financing as ABT's source of automobile and truck financing in a form and content approved by ABT, provided that this financing program is in full operation within 150 days of the signing of this Agreement.

2. ABT shall pay Edmund's [*] of the net origination fee which it received as a result of referrals made or loans originated by Consumers from ABT Purchase Requests received from Edmund's.

D. Non-competition and Confidentiality

1. Confidentiality

Edmund's agrees to keep confidential and not disclose to any third party, without ABT's prior written consent, any confidential or proprietary information in its possession with respect to ABT's services. Edmund's will give notice of such covenant to its employees and require its employees to comply with such covenant. Such covenant shall not apply to any such information that is or becomes generally available to third parties other than as a result of its disclosure by Edmund's or its employees, which was available to Edmund's prior to its disclosure to Edmund's by ABT, or which is made available to Edmund's by a source other than ABT and its representatives. If Edmund's is requested to produce any of such confidential or proprietary information by order of any governmental agency, court or civil process, Edmund's may, upon less than five days' written notice to ABT, release such information.

[*] Confidential Treatment Requested

-3-

2. Non-Competition

For the term of this Agreement and for two years following the termination of this Agreement pursuant to paragraph A.1., neither Edmund's nor its subsidiaries or affiliates or their respective directors, officers, employees or agents shall directly engage in the business of providing new vehicle purchase and lease requests to dealers of new automobiles and trucks. However, following such termination of this Agreement Edmund's shall be entitled to refer Consumers to other third parties who, like ABT, are engaged in such business, and following such termination Edmund's shall be entitled to advertise other automotive broker services.

3. Indemnification

Edmund's agrees to indemnify and hold harmless ABT and its subsidiaries and affiliates and their respective directors, members, managers, officers, employees and agents against any and all losses, liabilities, claims, awards, damages, judgments, settlements and costs, (including attorneys' fees and expenses) arising out of or relating to any third party claim arising from the negligent or wrongful acts or omissions of Edmund's, its subsidiaries and affiliates, and their respective directors, officers, employees and agents.

ABT agrees to indemnify and hold harmless Edmund's and its subsidiaries and affiliates and their respective directors, officers, employees and agents against any and all losses, liabilities, claims, awards, damages, judgments, settlements and costs, (including attorneys' fees and expenses) arising out of or relating to any third party claim arising from the negligent or wrongful acts or omissions of ABT, its subsidiaries and affiliates, and their respective directors, members, managers, officers, employees and agents. In addition, ABT hereby assigns to Edmund's any benefits of any indemnification or similar agreement or arrangement that ABT has received, or hereafter receives, from third parties with whom ABT does business (such as dealers), to the extent that such indemnification does not compromise ABT's rights of indemnification from such third parties.

4. Trade Marks and Service Marks

Any and all trade marks and service marks associated with ABT are and shall remain the exclusive property of ABT. If during the term of this Agreement a trade mark registration is filed by ABT, all rights belong to ABT who shall bear the cost of such registration. Edmund's is permitted to use the trade mark and service mark of ABT only as set forth herein or only as authorized in writing by ABT.

E. Miscellaneous

1. Independent Parties

The relationship between ABT and Edmund's is, and at all times shall remain, solely that of independent parties, and shall not be, or construed to be a joint venture, partnership, fiduciary, or other relationship of any nature.

[*] Confidential Treatment Requested

-4-

2. Notices

All notices and requests in connection with this Agreement shall be given or made upon the respective parties in writing, and shall be deemed as given of the day it is deposited in the U.S. Mail, postage prepaid, certified or registered, return receipt requested, and addressed as designated at the top of this Agreement, or such address as the party to receive the notice or request so designates by written notice to the other.

3. Headings

The titles and captions of the various paragraphs and sub paragraphs of this Agreement are inserted for convenience only, and are not a part of this Agreement, nor shall they be deemed in any manner to modify, explain, enlarge or restrict any of the provisions of this Agreement.

4. Severability

The invalidity of any of the provisions or clauses in this Agreement shall not affect any remaining provisions, clauses, or applications which can be given effect without the invalid provision or clause. To this end, the provisions, of this Agreement are declared to be severable.

5. Waivers

A waiver of either party to exercise in any respect any right provided for herein, including the termination of this Agreement, shall not be deemed a waiver of any right hereunder.

6. Governing Law and Jurisdiction

This Agreement and the performance hereunder shall be governed and construed in accordance with the laws of the State of California. Any dispute or claim arising between the parties hereto, shall be brought in a court of competent jurisdiction located in the State of California and the parties hereto agree to jurisdiction in California.

7. Attorney's Fees

In the event any litigation is initiated by any of the parties to enforce any of the provisions of this Agreement, the prevailing party shall be entitled to receive from the other party its reasonable attorney's fees incurred in such litigation.

8. Entire Agreement

This Agreement may be modified, amended or waived in any respect only by a written instrument signed by all the parties hereof. This Agreement supersedes any and all agreements, either oral or written, between the parties and contains all of the representations, covenants, and agreements between the parties hereto. Each party to this Agreement acknowledges that no representations,

inducements, promises or agreements, orally or otherwise have been made by any party, or anyone acting on behalf of any party which are not contained in this Agreement and that neither party enters this Agreement in reliance upon a later agreement regarding an ABT Associated Financing Program.

9. Authority

The parties hereto have authorized the signatories identified below to enter this Agreement on behalf of Edmund's and ABT, respectively.

EDMUND PUBLICATIONS CORP.
a New York Corporation

AUTO-BY-TEL, LLC
a California limited liability company

By: _____

By: _____

Title: _____

Title: _____

AUTOMOTIVE INFORMATION CENTER REFERRAL AGREEMENT

THIS REFERRAL AGREEMENT ("Agreement") is entered into as of the 6 day of
Sept 1996, ("Effective Date") by and between Automotive Information Center
- ---- - --
("AIC"), a New York General Partnership whose address is 360 Massachusetts
Avenue, Acton, MA 01720, and Auto-By-Tel Corporation ("ABT"), whose address is
2711 East Coast Highway, Suite 203, Corona Del Mar, CA, 92625.

W I T N E S S E T H:

WHEREAS AIC has developed a site on the World Wide Web portion of the
Internet ("AutoSite"), a service on CompuServe ("AutoSite on CIS"), and a
service on CompuServe's WOW! ("AutoSite on WOW!") (collectively, the "Sites"),
and wishes to provide to ABT a referral service whereby users of the Sites may
submit Purchase Request Forms to ABT, in consideration of the payments described
herein.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein,
AIC and ABT (collectively, the "Parties") hereby agree as follows:

I. DEFINITIONS.

As used in this Agreement, these terms, whether in singular or plural, have
the following meanings:

- (a) "AutoSite" - AIC's World Wide Web site having the URL www.autosite.com.
- (b) "AutoSite on CIS" - AIC's vehicle information service hosted on
CompuServe Information Service.
- (c) "AutoSite on WOW!" - AIC's vehicle information hosted on CompuServe's
WOW! service.
- (d) "Completed Form" - An ABT Purchase Request Form available online at the
Sites which has been filled out by a user of one of the Sites and which may
contain, at ABT's option, include an application for financing. In order for
the form to be a Completed Form, all fields designated in advance by ABT as
mandatory fields must be completed by the a user.
- (e) "Buy It Here!" page - a promotional page, hosted at AutoSite and on
AutoSite on WOW! (but not at AutoSite on CIS) and maintained and controlled by
AIC, which will contain promotional information about ABT and links to the ABT
Purchase Request Forms and ABT Promotional Page.
- (f) "ABT promotional page" - a page hosted at AutoSite and on AutoSite on
WOW! (but not at AutoSite on CIS) which contains promotional information and/or
images about ABT, supplied to AIC by ABT. This page will have a link to the ABT
Purchase Request Form.

II. SERVICES.

- (a) Services provided at AutoSite and at AutoSite on WOW!.
 - (i) AIC agrees to list ABT on its "Buy It Here!" page at AutoSite and
at AutoSite on WOW!, and to incorporate links to the ABT Purchase Request Form,
to be hosted at AutoSite and at AutoSite on

[*] Confidential Treatment has been requested for portions of this exhibit.

EXHIBIT 10.12 AUTOMOTIVE INFORMATION CENTER REFERRAL AGREEMENT

WOW!, on its "Buy It Here!" page. The "Buy It Here!" page will be linked to from
pages in the New Car Showroom area on AutoSite and on AutoSite on WOW!, which
may include the following:

PAGE TYPE DESCRIPTION	APPROXIMATE # OF PAGES
New Car Showroom Menu	1
List of New Car Makers	1
Each Car Maker's list of models	55
Each model's At-A-Glance page	300
Each model's Portfolio page	300
Each model's Base Price & Standard Engine page	300
Each model's Optional Equipment page	300
Each sub-model's Window Sticker page	900
Each Comparison Report	each of 900 sub-models may be compared to any other of the 900 sub-models

AIC reserves the right to change the structure and functionality of AutoSite and of AutoSite on WOW! and the pages contained within AutoSite and within AutoSite on WOW! at any time and at its sole discretion, but will use best efforts to link to the "Buy It Here!" page from prominent pages on AutoSite and on AutoSite on WOW!. AIC shall notify ABT promptly of changes to AutoSite or to AutoSite on WOW! on pages which promote ABT services.

(ii) AIC agrees to incorporate an ABT promotional page at AutoSite and on AutoSite on WOW!, with links from the "Buy It Here!" page and to/from each ABT Purchase Request Form.

(iii) AIC agrees to process the input from the ABT Purchase Request Forms on AutoSite and on AutoSite on WOW! and to write such processed input to an ASCII-format file, which shall be placed at 15-minute intervals on an FTP site where ABT may retrieve it at its convenience.

(b) Services provided at AutoSite on CIS.

(i) AIC agrees to incorporate a button in its AutoSite on CIS menu which will lead to an ABT Purchase Request Form.

(ii) AIC agrees to include a limited amount of text, as determined by AIC, promoting ABT in the "Buying Your Car" section in each report on AutoSite on CIS.

(iii) AIC agrees to exercise its best efforts to process the input from the Purchase Request Forms on AutoSite on CIS programmatically into an ASCII text file once each business day, and to make that file electronically available to ABT for retrieval at its convenience. However, AIC shall not be responsible for lack of access to said input due to circumstances beyond its control.

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-2-

(iv) All efforts described in this Section II.(b) are subject to approval by CompuServe.

III. LIMITED EXCLUSIVITY.

AIC and ABT agree that for the term of this agreement, AIC will not offer services described in II.(a) and II.(b) to other buying services, provided however that if AIC determines, in good faith and at its sole discretion, that this agreement negatively impacts AIC's business, AIC may terminate this agreement, in which case AIC agrees that it will not offer a similar referral service to other buying services before the balance of the term.

IV. NO FULFILLMENT OBLIGATIONS.

AIC shall have no responsibility or obligations with respect to the

fulfillment of goods or services ordered via the Sites from or through ABT, and all fulfillment-related tasks shall be performed by or cause to be performed by ABT.

V. ABT PROMOTIONAL PAGE AND PURCHASE REQUEST FORM DESIGN.

Within ten (10) days of the execution of this Agreement, ABT shall deliver to AIC any text and images it may wish to incorporate into its Promotional Page and Purchase Request Form, including specifications detailing which fields on the Purchase Request Form are mandatory. Within five (5) business days of receiving these components, AIC will deliver to ABT for ABT's approval a sample Promotional Page and a sample Purchase Request Form. Upon such written approval, AIC will complete and install these pages on AutoSite. In addition, AIC shall exercise its best efforts to install the Purchase Request Form on AutoSite on CIS and on AutoSite on WOW! as quickly as is reasonably possible, but shall not be responsible for delays beyond its control. ABT recognizes that AIC has no control over timing of installation of pages on AutoSite on CIS or AutoSite on WOW!.

VI. TERM.

The term of this Agreement ("Initial Term") shall be for (1) one year from the date on which the ABT Promotional Page and the ABT Purchase Request Form have first been installed on AutoSite (the "Commencement Date"), which shall be not later than September 15, 1996. This Agreement shall be automatically renewed for up to (2) two further one-year periods ("Renewal Periods") without further notice unless the Agreement is terminated by written notice from either party to the other at at least (60) sixty days prior to the end of the then-current Initial Term or Renewal Period.

VII. FEES.

In consideration of the above, ABT agrees to pay AIC its stated Marketing Fee and a Purchase Referral Fee as defined in the attached and hereby incorporated Automotive Information Center Referral Rate Card.

(a) The Marketing Fee will be due on the first of each month, in advance, for the month to come.

(b) The Purchase Referral Fee for Completed Forms will be due on the fifteenth of each month for referrals from the prior month. AIC will send ABT a statement in the first week of each month detailing the number of Completed Forms processed by AIC on behalf of ABT during the prior month and the amount owed for such Completed Forms. AIC shall maintain adequate records of Completed Forms to verify billings for a period of not less than one year after the term of this Agreement. Any failure by AIC to submit statements to

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-3-

ABT, or the late submittal of such statements, shall not be construed as a waiver of any obligation of ABT to pay Purchase Referral Fees to AIC.

VIII. LIMITED WARRANTY.

AIC does not warrant and specifically disclaims any representations that the Sites or the Services will be uninterrupted or error-free. If AIC has prior knowledge of planned interruptions of service on any of the Sites it will use reasonable best efforts to notify ABT of such interruptions. AIC represents and warrants, subject to II.b.4., that (i) it has power, authority and authorization to enter into this agreement and perform its obligations hereunder and that the person executing this Agreement on behalf of AIC is empowered to do so, (ii) neither the execution of this Agreement nor the performance of AIC's obligations hereunder conflict with any other agreement to which AIC is a party, including any agreements pertaining or related to the Sites. ABT represents and warrants that (i) it has power, authority and authorization to enter into this agreement and perform its obligations hereunder and that the person executing this Agreement on behalf of ABT is empowered to do so, (ii) neither the execution of this Agreement nor the performance of ABT's obligations hereunder conflict with any other agreement to which ABT is a party. Nothing contained herein shall be construed to mean that AIC is responsible in any way for the contents of ABT's Purchase Request Form or any promotional text concerning ABT. ABT is entirely responsible for such contents and all obligations with respect to ABT's

customers or potential customers. ABT agrees that it shall include any and all proprietary notices of third parties in materials supplied to AIC. EXCEPT AS EXPRESSLY SET FORTH IN THIS PARAGRAPH, AIC DISCLAIMS ALL OTHER EXPRESS WARRANTIES AND ALL WARRANTIES, DUTIES AND OBLIGATIONS IMPLIED IN LAW, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. AIC'S LIMITED WARRANTY SET FORTH HEREIN IS IN LIEU OF ALL LIABILITIES OR OBLIGATIONS OF AIC FOR DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE SITES OR THE SERVICES.

IX. LIMITATION OF LIABILITY.

AIC WILL NOT BE RESPONSIBLE TO ABT OR ANY THIRD PARTIES UNDER ANY CIRCUMSTANCES FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL PUNITIVE, OR EXEMPLARY DAMAGES OR LOSSES WHICH ABT MAY INCUR IN CONNECTION WITH THE SERVICES OR OTHERWISE REGARDLESS OF THE TYPE OF CLAIM OR THE NATURE OF THE CAUSE OF ACTION, EVEN IF AIC HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE OR LOSS. IN NO EVENT SHALL AIC'S LIABILITY FOR DIRECT DAMAGES INCURRED IN ANY TERM FOR ANY REASON AND UPON ANY CAUSE OF ACTION ARISING FROM OR RELATING TO THE AGREEMENT OR THE SUBJECT MATTER HEREOF EXCEED THE FEES PAID TO AIC BY ABT HEREUNDER IN SAID TERM IN WHICH THE DAMAGES ARE INCURRED.

X. CONFIDENTIALITY.

AIC covenants and agrees that it will not disclose the identities or addresses of persons who complete ABT's Purchase Request Form with the Sites to any third party, or use such information for AIC's own purposes, provided, however, that AIC reserves the right to disclose general information regarding numbers of hits and demographics of persons accessing the Sites or any portion thereof.

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-4-

XI. PROPRIETARY RIGHTS: INDEMNIFICATION

ABT agrees and acknowledges that AIC and its suppliers own all rights, title and interest in and to the Sites, subject solely to ABT's rights in and to the information and content supplied to AIC by ABT hereunder. Nothing in this Agreement or otherwise shall be construed to convey to ABT any interest whatsoever in the Sites, including, without limitation, any HTML, JAVA, CGI programs, or any other custom programs or scripts developed hereunder. ABT represents and warrants to AIC that ABT owns or otherwise has the right to convey to AIC the information and content provided to AIC and that such information and content does not infringe intellectual property rights of any third party. ABT represents and warrants that it has obtained, and currently has, any and all grants of rights from third parties which may be required to display text, graphics or other materials in its Promotional Page and its Purchase Request Form as specified by ABT. ABT represents and warrants that it has set forth or described in the Agreement any and all requirements of ABT's suppliers, if any, including, without limitation, ABT's obligations set forth in Section IV, with respect to content and form of materials to be used in any ABT Promotional Page and ABT Purchase Request Form, including, without limitation, any requirements with respect to intellectual property rights and/or notices. AIC reserves the right not to exhibit on the Sites any image or text for which AIC determines inadequate information has been provided. ABT agrees to defend and indemnify and hold harmless AIC and its owners, proprietors, officers, shareholders, directors, employees, affiliates and subsidiaries from and against any and all claims, proceedings, damages, injuries, liability, losses, costs and expenses (including, without limitation, reasonable attorneys' fees) arising out of or relating to any acts by ABT undertaken in connection with the Sites, including, without limitation, those arising out of or related to any breach of any ABT warranty, or any ABT Promotional Page or ABT Purchase Request Form, or information or content which ABT supplies to AIC hereunder. ABT hereby grants to AIC a non-exclusive, perpetual, irrevocable license to incorporate the information and content provided by ABT to AIC into the Sites.

XII. OPERATION OF THE SITES.

AIC shall have sole discretion to determine all aspects of the operation of the Sites, and, except where otherwise expressly provided in this Agreement in Section V, all matters relating to the content, structure, and sequence of material appearing in the Sites, including, but not limited to, the navigational and functional standards for the Sites. AIC shall have the right, at its

discretion at any time, to reject, exclude, or remove from the Sites any material which in its reasonable judgement is objectionable, obscene, or defamatory.

XIII. SEVERABILITY.

In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, then this Agreement shall continue in full force and effect without said provision; provided, however, that no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

XIV. GENERAL.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts, and ABT hereby agrees to the jurisdiction of its courts.

(b) The section headings contained herein are for reference purposes only, and shall not in any way affect the meaning or interpretation of this Agreement.

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-5-

(c) This Agreement sets forth the entire agreement and understanding of the parties hereto concerning the subject matter hereof, and supersedes all prior agreements, arrangements, and understandings between the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Automotive Information Center
By: /s/ WAYNE R. LILLEY

Auto-By-Tel
By: /s/ PETE ELLIS

Name: Wayne R. Lilley
Title: Chief Executive Officer

Name: Pete Ellis
Title: -----

Federal Tax ID: -----

-6-

Automotive Information Center Referral Rates

I. PURCHASE REFERRAL FEE.

The rate stated below (the "Purchase Referral Fee") applies to each Completed Form (including, at ABT's option, application for financing), as defined in the Automotive Information Center Referral Agreement submitted by any user who has not submitted a prior Completed Form to ABT on one of the Sites within 60 days. AIC reserves the right to make determinations on whether a user is or is not the same user who may have submitted a prior form to ABT on one of the Sites.

Rate per Completed Form: [*]

II. MARKETING FEE.

ABT agrees to pay AIC a general marketing fee ("Marketing Fee") of [*] per month for new vehicle related referrals. This Marketing Fee does not cover used-vehicle referrals, for which another marketing fee may be added in the future.

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-7-

FINANCING INQUIRY REFERRAL AGREEMENT

This FINANCING INQUIRY REFERRAL AGREEMENT ("Agreement"), dated as of October 25, 1996, between Chase Manhattan Automotive Finance Corporation, a Delaware corporation ("CAF"), with its principal place of business at 900 Stewart Avenue, Garden City, New York 11530, on the one hand, and Auto-By-Tel Acceptance Corporation ("ABTAC"), a Delaware corporation, with its principal place of business at 18722 MacArthur Blvd., Irvine, CA 92612 and Auto-By-Tel, Inc. ("ABT"), a Delaware corporation, located at 18722 MacArthur Blvd., Irvine, CA 92612, as guarantor of the obligations of ABTAC under this Agreement, (in such capacity, the "Guarantor").

W I T N E S S E T H

WHEREAS, ABTAC is in the business of, among other things identifying persons interested in arranging financing for the purchase or lease of new and used Vehicles and trucks ("Vehicles") who visit the ABT Internet website and purchase a new Vehicle ("Customers") and CAF and Chase Manhattan Bank U.S.A., N.A. (hereinafter referred to collectively in the singular as "CAF") is in the business of extending financing to certain persons for the purchase and lease of Vehicles; and

WHEREAS, ABTAC desires to refer such Customers to CAF, and CAF desires to purchase from Dealers (as defined herein) retail installment sale contracts originated by such Dealers to finance the purchase of new motor Vehicles only (excluding recreational vehicles) (such transactions, "RFTs") and to pay marketing fees in connection with RFTs purchased by CAF as a result of ABTAC's referrals;

NOW THEREFORE, in consideration of the foregoing premises, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, ABTAC and CAF agree as follows:

SECTION 1. FINANCING PROGRAM

(a) ABTAC shall cause to be included on the ABT Website an application for credit containing requests for the information designated by CAF as set forth on Exhibit A hereto (the "Application"). The Application shall request the information specified by CAF and shall be in a form reasonably satisfactory to CAF. CAF may request changes from time to time in the information solicited by the Application and, provided the requests are made

[*] Confidential Treatment has been requested for certain portions of this exhibit.

in writing and with reasonable notice, ABTAC shall use its best efforts to promptly accommodate such requests; provided, however, that CAF shall use its

best efforts not to request changes to the information requested by, or form of, the Application (unless such changes are required by law) more often than once in any three-month period; provided, further, if such changes are required by

law, and CAF gives ABTAC 30 days notice, ABTAC shall honor such requested change within such thirty (30) day period.

(b) Unless it already has done so, CAF will enter into its standard dealer agreement ("Closing Agreement") with each seller of Vehicles in the United States and the District of Columbia (the "Territory") who has executed an on-line purchase referral agreement with ABT (each, a "Dealer," and together the "Dealers"). The Closing Agreement shall contain customary terms no less favorable to the Dealers than CAF's customary agreements in use with its other financing programs and shall govern the terms upon which the Dealer and CAF will

close vehicle financing transactions referred through this Agreement. Upon execution of a Closing Agreement, CAF shall assign such Dealer an identifying number (the "Dealer ID") and inform ABTAC of such number. CAF may terminate its relationship with any Dealer at any time for any reason, subject to the terms and conditions of its Closing Agreement with such Dealer. CAF shall notify ABT if it terminates any such Dealer under the provisions of its Closing Agreement with such Dealer. Notwithstanding the foregoing, CAF shall not be obligated to enter into a Closing Agreement or otherwise do business with any Dealer which CAF has determined it will not do any business.

(c) Except as specified to the contrary in this Agreement, ABTAC (i) shall not be a party to, (ii) shall not have any obligations with respect to, and (iii) shall be held harmless by each Dealer and CAF with respect to any losses or liabilities arising from or in connection with, the Closing Agreements. If for any reason the Closing Agreement between a Dealer and CAF is terminated, then CAF shall be under no obligation to approve any Application received from Customers of such Dealer.

(d) CAF agrees to offer a buy-rate for each approved Customer credit application at terms no less favorable than those offered to the applicable Dealer by CAF. For each Customer credit application approved, CAF agrees to inform ABTAC of the buy-rate offered to the applicable Dealer for RFTs. On a monthly basis, the buy rate for RFTs purchased from Dealers by CAF that month shall average no higher than [*] (the "Base Range"). CAF may, upon 90 days written notice (a "Base Range Notice") to ABTAC, raise the Base Range.

Subject to the ability of CAF to handle the systems issues involved, as reasonably determined by CAF, and pursuant to a methodology to be agreed upon by CAF and ABTAC, from time to time, upon ten (10) business days written request from ABTAC, CAF shall raise the buy rate offered on RFTs, up to a limit [*] over the life of the term of this Agreement, which raise shall be paid to ABTAC in the form of an increase in the fees paid to ABTAC by CAF pursuant to Section 6. Such increase in fees shall be determined by reference to the present value of such rate raise determined in accordance with the

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2

assumptions employed by CAF for its valuation of excess spread on the portion of the excess spread CAF retains on such loan.

(e) For so long as the "Exclusivity Conditions" (as defined below) are met, CAF shall not enter into any agreement or arrangement similar to this Agreement with any other Internet automobile buying, purchase assistance, or automotive pricing information program or service, whereby the Internet program or service provider receives or solicits credit information from its customers to finance the purchase of new motor vehicles only (excluding recreational vehicles), forwards that information for credit review to CAF and CAF purchases that customer's retail installment sales contract originated by an automobile dealer that has executed an on-line purchase or financing referral agreement or similar agreement with the Internet program or service provider; provided,

however, that (i) CAF's rights to and/or use of IBM's Auto Loan Exchange System

for indirect dealer financing shall not violate the provisions of this Section 1(e); and (ii) CAF, any affiliate of CAF or any person controlled by or under common control with CAF may, after the date hereof, acquire control (through merger, acquisition, consolidation or purchase of all or substantially all of the assets) of any corporation or other entity (other than a corporation or entity which has as its primary line of business services substantially similar to ABT and ABTAC) which at the time of such acquisition is engaged in a business or service substantially similar to that contemplated by this Agreement, so that such corporation or entity (including the surviving or continuing entity in any acquisition effective on a merger, consolidation or purchase of assets) shall not violate the provisions of this Section 1(e). CAF shall not use or participate in the use of the ABTAC Marks (as defined in Schedule 2) in conjunction with the offering or making of any automobile finance product or product related thereto on the Internet.

For purposes of this Agreement, the term "Exclusivity Conditions" shall mean the occurrence of the following two conditions:

(i) ABTAC forwards to CAF not less than 51% of the Applications for

RFTs ABTAC receives from Customers who qualify for financing from or through ABTAC within the Base Range; and

- (ii) Of the Applications received by CAF from ABTAC, not less than 30% result in an RFT purchased from a Dealer.

(f) From time to time, ABTAC shall forward to CAF Applications received from Customers. CAF shall review each forwarded Application and, if such Application does not represent a credit which CAF will approve within the Base Range, CAF shall so inform ABTAC and ABTAC may forward such Application to another financing source.

(g) ABTAC will be responsible for informing Dealers of the nature of CAF's financing program. ABTAC will provide CAF with a list of the Dealers with addresses

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3

so that CAF may forward Closing Agreements to them for signature. CAF shall provide ABTAC with a copy of the form of Closing Agreement.

(h) ABTAC shall comply at all times with the provisions of the federal Fair Credit Reporting Act and the Equal Credit Opportunity Act as well as the so-called "fair lending" laws, in each case pertaining to the performance of its obligations under this Agreement: including but not limited to the following:

{A} ABTAC will not submit any Application or credit information to CAF with respect to applicants if ABTAC has any knowledge that such Application, credit information or applicant is fraudulent, or that the Application or credit information contains information which ABTAC knows is untrue; and

{B} ABTAC will, on its Website, advise each applicant that his/her Application may be submitted to Chase Manhattan Bank USA, N.A., 802 Delaware Avenue, Wilmington DE 19801, or such other address as CAF may specify from time to time.

SECTION 2. RECEIPT AND TRANSMISSION OF APPLICANT INFORMATION

(a) Subject to the provisions of Section 1 (f), ABTAC will transmit each completed Application to CAF by telephone, telefax, e-mail, or other electronic or agreed upon means. When transmitting an Application to CAF, ABTAC will also designate the Dealer that is to be notified of the credit decision.

(b) ABTAC will not use any such information in any manner which violates applicable law in effect from time to time.

SECTION 3. UNDERWRITING

(a) Upon receipt, CAF will review each Application in accordance with its underwriting criteria in effect from time to time. ABTAC acknowledges that CAF has sole discretion in determining whether or not to approve an Application, which discretion CAF agrees to exercise in a manner consistent with its company-wide or market-wide underwriting procedures, as the case may be. CAF shall inform ABTAC whether an Applicant has been approved, conditionally approved or denied, but shall not reveal the reasons it has denied any Application.

(b) CAF will complete its review of no less than 50% of the Applications within the two (2) business hours after electronic receipt of the Application and a further 80% of the Applications within four (4) business hours of such time. Compliance with these performance standards shall be measured on a monthly basis. If CAF fails to comply with

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4

these performance standards, ABTAC's sole remedy shall be to terminate this

Agreement pursuant to Section 9(b). CAF's business hours will be 8:00 a.m. to 9:00 p.m. Eastern Time, each day of the year, except for those days banks located in New York are required to close. Subject to the mutual agreement of the parties, the parties shall review the foregoing business hours and expand same if justified economically by business volume.

(c) CAF reserves the sole right and power to change the Underwriting Criteria in accordance with sound lending practices consistent with CAF's normal business practices and subject to applicable law, and further to suspend, restrict or modify the purchase of RFTs from Dealers in any portion of the Territory for any reason. CAF shall provide ABTAC with advance written notice, given as early as practicable, of any actions under this clause (c) it plans to implement. Any such actions shall be taken in good faith and only if consistent with actions taken by CAF on a company-wide basis.

SECTION 4. COMMUNICATION OF CREDIT DECISIONS

At the completion of underwriting, subject to the time-frames set forth in Paragraph 3(b) of this Agreement, CAF will notify ABTAC, [via E-MAIL] or such other method as agreed upon by the parties from time to time, of CAF's credit decision, and ABTAC shall use its best efforts to promptly notify the Dealer and the Applicant on behalf of the Dealer and CAF of CAF's credit decision, and in any event shall notify no less than 80% of such Dealers and Applicants within two business hours. If CAF declines a request for credit, CAF will send to the Applicant any and all notices required pursuant to federal or applicable state law or regulation including, but not limited to, those required under the federal Equal Credit Opportunity Act and Federal Reserve Regulation B. CAF shall not provide Applications received from ABTAC which do not result in an RFT purchase from a Dealer to any other financing source, including without limitation, ProCredit Corp.

SECTION 5. CLOSING AND FUNDING

CAF and the Dealer shall use its best efforts to close approved financing within 24 business hours after receipt from the Dealer of all properly completed and required documentation pursuant to the terms of the Closing Agreements. CAF will remit the proceeds of each purchased RFT to the related Dealer in a timely manner.

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5

SECTION 6. COMPENSATION

(a) During the term of this Agreement, CAF shall pay ABTAC a service fee, in the amounts determined by reference to Exhibit A, and during the term of this Agreement, CAF shall pay to each Dealer a service fee, in the amounts determined by reference to Exhibit A and further subject to the terms of the Closing Agreement for each RFT purchased under the terms of this Agreement. The payment to ABTAC shall be made on the business day following any funding and the payment to Dealer shall be made in accordance with the terms of the applicable Closing Agreement. Dealer may markup CAF's buy rate, up to a maximum of [*] subject to the terms of the Closing Agreement and any applicable agreement between the Dealer and ABTAC, which shall be provided to CAF. Dealers will earn reserves in accordance with CAF's standard practices in connection with any such mark up, subject to the terms of the Closing Agreement.

(b) ABTAC may appoint public accountants of its choice no more than once during any 12 month period, and at its sole expense, for the purpose of auditing CAF's compliance with the compensation provisions specified in Section 6 of this Agreement and CAF agrees to grant such accountants access, during normal business hours and upon reasonable notice, to all records necessary to determine the compliance of CAF with the compensation provisions of Section 6 of this Agreement. If the results of such audit reveal a discrepancy between the amounts paid by CAF hereunder and the amounts which should have been paid hereunder, then the appropriate payments shall be made (i) if to ABTAC, immediately, and (ii) if to CAF, by the withholding of [*] of such amount from the payments to be made to ABTAC over the succeeding six months with any balance due hereunder payable on the 180th day notwithstanding any termination of this Agreement. If the discrepancy is in ABTAC's favor and exceeds [*] then CAF shall reimburse ABTAC for the full cost of the audit.

SECTION 7. REPORTS

(a) Each business day, via facsimile or such other method as agreed upon by the parties from time to time, CAF will send to ABTAC a report identifying each RFT to an Applicant, sorted by Dealer ID, that was purchased from a Dealer on the preceding day (or, in the case of a report submitted on a Monday, each RFT purchased from a Dealer on each of the three preceding days).

(b) On or before the 10th day of each month, via facsimile or such other method as agreed upon by the parties from time to time, CAF will send to ABTAC a report, sorted by Dealer ID, outlining for the preceding month (i) the number of Applications received from ABTAC, (ii) the number of Applications that were approved, (iii) the number of Applications that were denied, (iv) the number of Applications pending at month-end, and (v) the average processing time for Applications, and the amount financed under each RFT. In the case of the information set forth in clauses (i), (ii) and (iii) of the preceding sentence,

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6

the report shall identify each Application by name of applicant. CAF shall include with such report, a report indicating any Dealers which executed a Closing Agreement and any Closing Agreements which terminated.

(c) On or before the 10th day of each month, via facsimile or such other method as agreed upon by the parties from time to time, CAF will send to ABTAC a report on the performance of RFTs purchased from Dealer detailing, for each month this Agreement shall have been in effect, the number and aggregate outstanding balance of (i) RFTs purchased during the month, (ii) RFTs in a current status, (iii) RFTs more than 30 but less than 60 days delinquent, (iv) RFTs more than 60 but less than 90 days delinquent, and (v) RFTs more than 90 days delinquent, (vi) repossessions and repossession ratio, (vii) gross and net charge-offs and loss ratios. This monthly report will be provided on an overall portfolio basis with respect to RFTs purchased from Dealers.

(d) ABTAC agrees to maintain complete and accurate books and records and procedures concerning the taking and referral of Applications and credit information and compliance with all applicable law. Throughout the term of this Agreement, and for a period of twenty five (25) months after the termination of this Agreement, CAF, its duly authorized agents, representatives or employees or federal or state agencies having jurisdiction over CAF, may from time to time, upon reasonable notice and during normal business hours, inspect such books, records and procedures to ensure compliance with ABTAC's obligations concerning the taking and referral of Applications and credit information under this Agreement and compliance with all applicable law.

(e) On or before the 10th day of each month, via facsimile or such other method as agreed upon by the partners from time to time, ABTAC will send to CAF a report specifying for the preceding month, the number of Applications for RFTs ABTAC receives from customers who qualified that month for financing from or through ABTAC within the Base Range.

SECTION 8. INDEMNIFICATION

(a) ABTAC shall defend, indemnify and hold harmless CAF and its affiliates and all of its and their officers, directors, owners, agents, attorneys, and employees, from and against any and all loss, liability, claims, counterclaims, damage, cost or expense (including reasonable attorney's fees and costs), whether asserted in a judicial or administrative proceeding, arising out of either (i) a breach of the representations and warranties of ABTAC designated on Schedule 2 as items A(1), A(2), A(3), A(4), A(6) or A(7); (ii) a breach of the provisions of Section 1(h); (iii) the receipt of a Customer's Application information by any person or entity other than CAF or another entity that has a business relationship with ABTAC and a permissible purpose to receive such information, by hacking or by any other authorized or unauthorized method, unless such person or entity obtained or received such information directly or indirectly from CAF; or (iv) any gross negligence or intentional misconduct of ABTAC in connection with ABTAC's performance of its obligations under this Agreement.

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[*]

(b) CAF shall defend, indemnify and hold harmless ABTAC and its affiliates and all of its and their officers, directors, owners, agents, attorneys, and employees, from and against any and all loss, liability, claims, counterclaims, damage, cost or expense (including reasonable attorney's fees and costs), whether asserted in a judicial or administrative proceeding, arising out of either (i) a breach of the representations and warranties of CAF designated on Schedule 2 as items B(1), B(2), B(3), B(4), B(6) or B(7); or (ii) any gross negligence or intentional misconduct of CAF in connection with CAF's performance of its obligations under this Agreement.

(c) Promptly after the receipt by either party hereto of notice of any claim, action, suit or proceeding of any third party which is subject to indemnification hereunder, such party (the "Indemnified Party") shall give written notice of such claim to the party obligated to provide indemnification hereunder (the "Indemnifying Party"), stating the nature and basis of such claim and the amount thereof, to the extent known. Failure of the Indemnified Party to give such notice shall not relieve the Indemnifying Party from any liability which it may have on account of this indemnification or otherwise, except to the extent that the Indemnifying Party is materially and adversely prejudiced thereby. The Indemnifying Party shall be entitled to participate in the defense of and, if it so chooses, to assume the defense of, or otherwise contest, such claim, action, suit or proceeding with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. Upon the election by the Indemnifying Party to assume the defense of, or otherwise contest, such claim, action, suit or proceeding, the Indemnifying Party shall not be liable for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. Although the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnified Party, if, and only to the extent that (i) the Indemnifying Party has not employed counsel or counsel reasonably acceptable to the Indemnified Party to assume the defense of action within a reasonable time after receiving notice of the commencement of the action, (ii) the employment of counsel and the amount reimbursable therefor by the Indemnified Party has been authorized in writing by the Indemnifying Party or (iii) representation of the Indemnifying Party and the Indemnified Party by the same counsel would, in the opinion of such counsel, constitute a conflict of interest (in which case the Indemnifying Party will not have the right to direct the defense of such action on behalf of the Indemnified Party). The parties shall use commercially reasonable efforts to minimize losses from claims by third parties and shall act in good faith in responding to, defending against, settling or otherwise dealing with such claims, notwithstanding any dispute as to liability as between the parties under this Article 9. The parties shall also cooperate in any such defense, give each other full access to all information relevant thereto and make employees and other representatives available on a mutually convenient basis to provide additional information and explanation of any material provided

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hereunder. Whether or not the Indemnifying Party shall have assumed the defense, the Indemnifying Party shall not be obligated to indemnify the other party hereunder for any settlement entered into without the Indemnifying Party's prior written consent, which consent shall not be unreasonably withheld. The Indemnifying Party shall not compromise or settle any claim, action, suit or proceeding, without the consent of the Indemnified Party (which consent shall not be unreasonably withheld) unless the terms of such settlement or compromise release the Indemnified Party from any and all liability with respect to such claim, action, suit or proceeding.

SECTION 9. TERM AND TERMINATION

(a) This Agreement shall remain in effect for a period of three (3)

years from the date hereof unless terminated by either party upon one hundred eighty (180) days prior written notice. This Agreement shall also terminate if required by governmental authority or court of law, but only insofar as this Agreement applies to such jurisdiction affected.

(b) If any party shall be in breach of any material obligation under this Agreement and such breach shall remain uncured for a period of thirty (30) days after written notice thereof from the other party (or, if such breach is curable and requires more than thirty (30) days to cure, if such cure is not commenced within thirty (30) days and thereafter diligently prosecuted), then the other party may, by written notice sent, terminate this Agreement upon 30 days after delivery of such notice. Non-payment of amounts due under this Agreement shall be deemed to be a breach of a material obligation hereunder, but institution of suit for payment of amounts due under this Agreement shall not be deemed to be an automatic termination hereunder. Notwithstanding anything in this Agreement to the contrary, either party has the right to terminate this Agreement immediately, upon written notice to the other party, if the other party's breach of any material obligation of this Agreement causes the non-breaching party to be in violation of any applicable law, rule, regulation or order.

(c) ABTAC may terminate this Agreement on thirty (30) business days notice at any time between the receipt of a Base Range Notice and the date specified in such notice for the increase in the Base Range.

(d) Notwithstanding paragraph 9(a) above, CAF may terminate this Agreement on thirty (30) days written notice if, on the first business day of any calendar month, the Exclusivity Conditions have not been met during the most recently completed six (6) month period, measured on a weighted average basis. For any six month period, CAF's right under this Section 9(d) shall expire on the fifteenth day of the month following the end of such period, but shall have no effect on any right CAF may have to terminate under any other provision of this Agreement.

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9

(e) At any party's option, and upon written notice of exercise of the option, this Agreement shall terminate upon the voluntary or involuntary bankruptcy or insolvency of a party, the voluntary or involuntary dissolution or liquidation of a party, the admission in writing by a party of its inability to pay its debts as they mature, or the assignment by a party for the benefit of creditors.

SECTION 10. NOTICES

All notices or transmissions pursuant to this Agreement, unless otherwise specified, shall be by facsimile transmission, by personal delivery, or by registered or certified mail, return receipt requested, to the addresses of the parties listed on Schedule 1 hereto, or such other address as any party listed below shall specify in writing to the others in a notice conforming to this Section.

SECTION 11. GUARANTEE

The Guarantor hereby unconditionally and irrevocably guarantees to CAF, its successors, endorsees and assigns, the performance when due of all present and future obligations and liabilities of all kinds of ABTAC arising out of or in connection with the Agreement, whether due or to become due, secured or unsecured, absolute or contingent, joint or several ("Obligations"). The Guarantor agrees that CAF and ABTAC may mutually agree to modify the Obligations or any agreement between CAF and ABTAC without in any way impairing or affecting this Guarantee. The Guarantor agrees that the liability hereunder will not be affected by any settlement, extension, renewal, or modification of this Agreement or by the discharge or release of the Obligations of ABTAC, whether by operation of law or otherwise. The Guarantor agrees to also be liable for all fees and costs, including reasonable attorney's fees, incurred by CAF in enforcing the terms of this guarantee.

SECTION 12. REPRESENTATIONS, GENERAL

The representations and warranties set forth on Schedule 2 to this Agreement and the provisions of general application set forth on Schedule 3 to this Agreement are incorporated herein by reference and shall have the same force and effect as if set forth herein in their entirety.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officer on the date first above written.

CHASE MANHATTAN AUTOMOTIVE FINANCE CORPORATION

By: /S/ JAMES B. BREW

Title:

AUTO-BY-TEL ACCEPTANCE CORPORATION

By: /S/ W. RANDOLPH ELLSPERMANN

Title: CHIEF OPERATING OFFICER

AUTO BY-TEL, INC., as Guarantor

By: /S/ PETER R. ELLIS

Title: /S/ PRESIDENT

EXHIBIT A

TO

FINANCING INQUIRY REFERRAL AGREEMENT,
DATED AS OF OCTOBER 25, 1996, BETWEEN
CHASE MANHATTAN AUTOMOTIVE FINANCE CORPORATION,
AND AUTO-BY-TEL ACCEPTANCE CORPORATION
AND AUTO-BY-TEL, INC., AS GUARANTOR (THE "AGREEMENT")

COMPENSATION SCHEDULE

Capitalized terms used in this Exhibit and not defined herein shall have the meanings ascribed thereto in the Agreement.

The following compensation shall be paid for each financing contract (RFT or lease) funded pursuant to the Agreement:

Fee to ABTAC

Amount Financed	Flat Fee
[*]	[*]
[*]	[*]
[*]	[*]

[*]

[*]

=====

Fee to Dealer

=====

Amount Financed

Flat Fee

[*]

[*]

[*]

[*]

[*]

[*]

[*]

[*]

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Contracts or title documents which have to be returned to the Dealer for the correction of errors and omissions will not require payment, and will not be funded, until corrected

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documents are received and accepted by CAF. All amounts paid to Dealer shall be subject to the terms of the Closing Agreements.

Exhibit A - Page 2 of 1

SCHEDULE 1

TO

FINANCING INQUIRY REFERRAL AGREEMENT,
DATED AS OF OCTOBER 25, 1996, BETWEEN
CHASE MANHATTAN AUTOMOTIVE FINANCE CORPORATION,
AND AUTO-BY-TEL ACCEPTANCE CORPORATION
AND AUTO-BY-TEL, INC., AS GUARANTOR (THE "AGREEMENT")

NOTICES

Capitalized terms used in this Schedule
and not defined herein shall have the meanings
ascribed thereto in the Agreement.

If to CAF:

Chase Manhattan Automotive Finance Corporation
900 Stewart Avenue
Garden City, New York 11530
Attention: Anthony Langan,
Marketing Executive,
or his successor

If to ABTAC:

AUTO-BY-TEL ACCEPTANCE CORPORATION
18722 MacArthur Blvd.
Irvine, CA 92612
Attention: Peter Ellis,
President,
or his successor

If to ABT:

AUTO-BY-TEL, INC.
18722 MacArthur Blvd.
Irvine, CA 92612
Attention: Peter Ellis,
President,
or his successor

SCHEDULE 2

TO

FINANCING INQUIRY REFERRAL AGREEMENT,
DATED AS OF OCTOBER 25, 1996, BETWEEN
CHASE MANHATTAN AUTOMOTIVE FINANCE CORPORATION,
AND AUTO-BY-TEL ACCEPTANCE CORPORATION
AND AUTO-BY-TEL, INC., AS GUARANTOR (THE "AGREEMENT")

REPRESENTATIONS AND WARRANTIES

Capitalized terms used in this Schedule
and not defined herein shall have the meanings
ascribed thereto in the Agreement.

(A) Representations and Warranties of ABTAC.

ABTAC hereby makes the following representations and warranties to CAF:

(1) ABTAC has been duly organized and is validly existing as a corporation under the laws of the state of Delaware and is duly licensed where required as a "Licensee" or is otherwise qualified in each state in which it transacts business and is not in default of such state's applicable laws, rules and regulations, except where the failure to so qualify or such default would not have a material adverse effect on its ability to conduct its business or to perform its obligations under the Agreement.

(2) ABTAC has the requisite power and authority and legal right to execute and deliver the Agreement, engage in the transactions contemplated by the Agreement, and perform and observe those terms and conditions of the Agreement to be performed or observed by it hereunder. The person signing the Agreement, and any document executed pursuant to it, on behalf of ABTAC has full power and authority to bind ABTAC. The execution, delivery and performance of the Agreement, and the performance by ABTAC of all transactions contemplated therein, have been duly authorized by all necessary and appropriate corporate action on the part of ABTAC.

(3) The Agreement has been duly authorized and executed by ABTAC and is valid, binding and enforceable against ABTAC in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect

Schedule 2 - Page 1 of 3

relating to creditors' rights generally, and the execution, delivery and performance by ABTAC of the Agreement do not conflict with any term or provision of (i) its certificate of incorporation or bylaws, (ii) any law, rule, regulation, order, judgment, writ, injunction or decree applicable to ABTAC of any court, regulatory body, administrative agency or governmental body having jurisdiction over ABTAC or (iii) any agreement to which ABTAC is a party or by which its property is bound.

(4) No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority or court is required under applicable law in connection with the execution, delivery and performance by ABTAC of the Agreement.

(5) There is no action, proceeding or investigation pending or, to the best knowledge of ABTAC, threatened against it before any court, administrative agency or other tribunal (i) asserting the invalidity of the Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by the Agreement, or (iii) which could reasonably be expected to materially and adversely affect its performance of its respective obligations under, or the validity or enforceability of, the Agreement.

(6) ABTAC has all regulatory approvals, authorizations, licenses, permits and other permissions, consents and authorities whatsoever, needed to operate the ABT Website and perform ABTAC's obligations under the Agreement.

(7) ABTAC warrants that it has the legal and valid right to use any registered or unregistered trademark, tradename, service mark, logo, emblem or other proprietary designation, or any variations, derivatives and modifications thereof, used by it in the materials provided to CAF or used by ABTAC in connection with the Agreement (the "ABTAC Marks").

(B) Representations and Warranties of CAF. CAF hereby makes the following

representations and warranties to ABTAC:

(1) CAF is duly licensed where and as required in each state in which it transacts business and is not in default of such state's applicable laws, rules and regulations, except where such default would not have a material adverse effect on the ability of CAF to conduct its business or to perform its obligations under the Agreement.

(2) CAF has the requisite power and authority and legal right to execute and deliver, engage in the transactions contemplated by, and perform and observe the terms and conditions of, the Agreement. The person or persons signatory to the Agreement and any document executed pursuant to it on behalf of CAF have full power and authority to bind CAF. The execution, delivery and performance of the Agreement, and the performance by CAF of all transactions contemplated therein, have been duly authorized by all necessary and appropriate and corporate action on the part of CAF.

Schedule 2 - Page 2 of 3

(3) The Agreement has been duly authorized and executed by CAF and is valid, binding and enforceable against CAF in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect relating to creditors' rights generally, and the execution, delivery and performance by CAF of the Agreement do not conflict with any term or provision of the certificate of incorporation or bylaws of CAF, or any law, rule, regulation, order, judgment, writ, injunction or decree applicable to CAF of any court, regulatory body, administrative agency or governmental body having jurisdiction over CAF.

(4) No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority or court is required under applicable law in connection with the execution, delivery and performance by CAF of the Agreement.

(5) There is no action, proceeding or investigation pending or, to the best knowledge of CAF, threatened against it before any court, administrative agency or other tribunal (i) asserting the invalidity of the Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by the Agreement, or (iii) which could reasonably be expected to materially and adversely affect the performance by CAF of its obligations under, or the validity or enforceability of, the Agreement.

(6) CAF warrants that it has all regulatory approvals, authorizations, licenses, permits and other permissions, consents and authorities whatsoever, as needed (i) to offer and enter into the financing arrangements with Customers contemplated by the Agreement in each jurisdiction in the Territory and to otherwise perform its obligations under the Agreement, and (ii) to use any materials developed, provided or used by CAF in connection with the Agreement.

(7) CAF warrants that it has the legal and valid right to use any registered or unregistered trademark, tradename, service mark, logo, emblem or other proprietary designation, or any variations, derivatives and modifications thereof, used by it in any materials provided to ABTAC or used by CAF in connection with the Agreement.

Schedule 2 - Page 3 of 3

TO

FINANCING INQUIRY REFERRAL AGREEMENT,
DATED AS OF OCTOBER 25, 1996, BETWEEN
CHASE MANHATTAN AUTOMOTIVE FINANCE CORPORATION,
AND AUTO-BY-TEL ACCEPTANCE CORPORATION
AND AUTO-BY-TEL, INC., AS GUARANTOR (THE "AGREEMENT")

PROVISIONS OF GENERAL APPLICABILITY

Capitalized terms used in this Schedule
and not defined herein shall have the meanings
ascribed thereto in the Agreement.

(a) Entire Agreement. Except as specified in paragraph (b) of this

Schedule 3, the Agreement and the exhibits and schedules thereto constitute the entire agreement of the parties, and may be amended from time to time only upon the execution of a written amendment by the parties. The indemnities of Section 8 of the Agreement shall survive the termination thereof.

(b) Confidentiality. Both ABTAC and CAF have made and will continue

throughout the term of the Agreement to make available to the other party confidential and proprietary materials and information ("Proprietary Information"). Prospectively, each party shall advise the other of material and information that is confidential and/or proprietary. Proprietary Information does not include materials or information that: (a) are already, or otherwise become, generally known by third parties as a result of no act or omission of the receiving party; (b) subsequent to disclosure hereunder are lawfully received from a third party having the right to disseminate the information and without restriction on disclosure; (c) are generally furnished to others by the disclosing party without restriction on disclosure; (d) were already known by the receiving party prior to receiving them from the disclosing party and were not received from a third party in breach of that third party's obligations or confidentiality; or (e) are independently developed by the receiving party without use of confidential information of the disclosing party.

(i) Each party shall maintain the confidentiality of the other's Proprietary Information and will not disclose such Proprietary Information without the written consent of the other party unless required to by law, rule, regulation or court order

Schedule 3 - Page 1 of 3

of any applicable jurisdiction. Each party shall also keep confidential the terms of the Agreement and/or schedule hereto. The confidentiality provisions of the Agreement shall survive the termination of the Agreement. Notwithstanding any contrary provision of the Agreement, the confidentiality provisions of the two confidentiality agreements executed by the parties hereto prior to the date of the Agreement shall remain in full force and effect.

(ii) Notwithstanding any contrary provision of the Agreement, as long as each party protects Proprietary Information of the other, neither the exposure to the other party's confidential information nor its ownership of work products shall prevent either party from using ideas, concepts, expressions, know-how, skills and experience possessed by either party prior to its association with the other party or developed by either party during its association with the other party.

(c) Limitation of Liability. In no event shall either party be liable

to the other party for any incidental, special, exemplary or consequential losses or damages of any kind whatsoever (including but not limited to lost profits), even if advised of the possibility of such losses or damages and regardless of the form of action.

(d) Assignment. Either party shall have the right to transfer or

assign the Agreement to any direct or indirect wholly-owned subsidiary at no charge or penalty; provided, however, that such assignee assumes assignors

obligations, and assignee remains liable hereunder.

(e) Waiver. Neither party shall be deemed to be in default of any

provision of the Agreement or be liable to the other party or to any third party for any delay, error, failure in performance or interruption of performance resulting directly or indirectly from causes beyond that party's reasonable control. The period of performance shall be extended to such extent as may be appropriate after the cause of the delay has been removed. If any excusable delay or failure to perform by a party exceeds thirty (30) days, the other party shall have the right to terminate the Agreement without liability.

(f) Severability. If any provision of the Agreement is declared or

found to be illegal, unenforceable or void, then both parties shall be relieved of all obligations arising under such provision, but only to the extent that such provision is illegal, unenforceable or void, it being the intent and agreement of the parties that the Agreement shall be deemed amended by modifying such provision to the extent necessary to make it legal and enforceable while preserving its intent or, if that is not possible, by substituting therefore another provision that is legal and enforceable and achieves the same objective. Each party agrees that it will perform it, obligations hereunder in accordance with all applicable laws, rules and regulations now or hereafter in effect.

(g) Arbitration. The parties acknowledge that the Agreement evidences

a transaction involving interstate commerce. Any controversy or claim arising out of or

Schedule 3 - Page 2 of 3

relating to the Agreement, or the breach of the same, shall be settled through consultation and negotiation in good faith and a spirit of mutual cooperation. However, if those attempts fail, the parties agree that any misunderstandings or disputes arising from the Agreement shall be decided by arbitration which shall be conducted, upon request by either party, in Orange County, California, before three (3) arbitrators (unless both parties agree on one (1) arbitrator) designated by the American Arbitration Association (the "AAA"), in accordance with the terms of the Commercial Arbitration Rule of the AAA, and, to the maximum extent applicable, the United States Arbitration Act (Title 9 of the United States Code), or if such Act is not applicable, any substantially equivalent state law. The parties further agree that the arbitrator(s) (i) will decide which party must bear the expense, of the arbitration proceedings; (ii) shall not have the authority to award punitive damages; and (iii) shall apply the internal laws of the State of California. Notwithstanding anything herein to the contrary, either party may proceed to a court of competent jurisdiction to obtain injunctive relief at any time.

(h) Force Majeure. Neither party shall be deemed to be in default of

any provision of the Agreement or be liable to the other party or to any third party for any delay, error, failure in performance or interruption of performance resulting directly or indirectly from causes beyond that party's reasonable control. The period of performance shall be extended to such extent as may be appropriate after the cause of the delay has been removed.

(i) Media Releases. ABTAC and CAF may utilize media releases to

publicize their business relationship with the prior approval of the other party which shall not be unreasonably withheld. ABTAC and CAF shall not use any trade name, service mark or any other information which identifies the other in sales, marketing, advertising and publicity materials placed in any medium without obtaining the prior written approval of the other.

(j) Governing Law. The Agreement shall be governed by and construed

in accordance with the laws of the State of California, without regard to conflicts of law principles.

(k) No Agency; No Joint Venture. Neither of ABTAC nor CAF is the

agent or representative of the other. Nothing contained herein nor the acts of the parties hereto shall be construed to create a partnership, agency or joint venture between ABTAC and CAF.

(1) Counterparts. The Agreement may be signed in two or more

counterparts, each of which shall be deemed an original, and taken together they
shall be considered one agreement.

VEHICLE INSPECTION & DIGITAL IMAGE

SERVICE AGREEMENT

THIS AGREEMENT is entered into by and between Integrated Warranty Services, Inc. ('Company'), with offices at 19750 S. Vermont Avenue, Suite 225, Torrance, CA 90502, and Auto-By-Tel Marketing Corporation ("ABT"), with offices at 18872 MacArthur Boulevard, 2nd Floor, Irvine, CA 92612.

WHEREAS, ABT provides an Internet-based marketing program for the retail sale of preowned motor vehicles by motor vehicle dealers who are subscribing customers of ABT (the "Subscribing Dealers"): and

WHEREAS, ABT wishes to engage the services of Company as an independent contractor to perform inspections and create digital images of motor vehicles in connection with the ABT Program, defined below;

NOW THEREFORE, in consideration of the mutual promises made and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS

1.1 ABT PROGRAM: ABT's Internet-based marketing program for the retail sale of prearranged motor vehicles.

1.2 ABT SOFTWARE: ABT's proprietary software used to electronically transmit to ABT motor vehicle images and Vehicle Profiles.

1.3 Competitor OF ABT: A person (hereinafter, "Provider") engaged in marketing, receiving electronic purchase requests for and facilitating the sale of preowned private passenger motor vehicles over the Internet exclusively for and on behalf of the used car departments of new car franchise motor vehicle dealers that:

1.3.1 own and maintain such vehicles in their dealer inventory;

1.3.2 enter into a paid subscription for such services with the Provider;

1.3.3 use computer hardware and proprietary software installed at the dealer location and purchased or leased through the Provider to periodically input and upload to the Provider's server digitized images and a description of such vehicles.

[*] Confidential treatment has been requested with respect to certain portions of this agreement.

1.4 COVERED DEALERS: All Subscribing Dealers within the United States that participate in the ABT Program at any time during the term of this Agreement

1.5 DEALER CONTACT: The person designated by a Covered Dealer, and reported to Company by ABT, as the primary point of contact with Company's designated Field Specialist.

1.6 FIELD SPECIALIST: An employee or independent contractor of Company who is used by Company to perform inspections and create digital images of motor vehicles. Each Field Specialist used by Company to perform inspections and create digital images of motor vehicles hereunder shall have: (a) a current ASE certification; or (b) at least twenty (20) years of general mechanical and auto body experience.

1.7 VEHICLE ELIGIBILITY STANDARDS: ABT's minimum standards for a motor vehicle's eligibility for the ABT Program. These standards are as follows: (a)

the odometer reading cannot exceed 75,000 miles; (b) there can be no obvious body damage apparent from a visual walk-around inspection; and (c) there can be no body or suspension modifications, such as lowered or raised suspension, aftermarket flarings, roof conversions (other than aftermarket sunroofs), or conversions to four wheel drive.

1.8 VEHICLE PROFILE: A description of each of the motor vehicles to be inspected and digitally photographed by a Field Specialist, including the motor vehicle's year, make, model, accessories, options, and mileage, all prepared in accordance with the ABT guidelines then in effect for inclusion in the ABT Program.

2. RIGHTS AND DUTIES OF COMPANY

2.1 Overview of Services: Company will assign a Field Specialist to

each Covered Dealer. For each of his or her assigned Covered Dealers, the Field Specialist will call the Dealer Contact to establish a mutually convenient time for an initial appointment for the performance of the inspection and digital imaging services described in Section 2.2. In preparation for the appointment, the Field Specialist will instruct the Covered Dealer to prepare a Vehicle Profile for each of the motor vehicles that the Covered Dealer wishes to be included in the ABT Program (the "Subject Vehicle").

2.1.1 Upon arriving at the Covered Dealer, the Field Specialist will introduce himself or herself to the Dealer Contact, and request the location of the Subject Vehicles. Based on the number of Subject Vehicles, the Field Specialist and the Covered Dealer contact will mutually agree upon the time that they will meet later that day to complete the data entry and transmission process, described in Section 2.3.

2.1.2 The Field Specialist will establish a schedule with the Dealer Contact for future appointments. The basis for scheduled appointments will be the Covered Dealers preowned motor vehicle turnover rate, which will be periodically monitored by the assigned Field Specialist

-2-

[*] Confidential Treatment Requested

2.2 Inspection & Digital Image Services. During each scheduled

appointment with a Covered Dealer, the Field Specialist will perform a brief inspection of each Subject Vehicle to help monitor compliance with the Vehicle Eligibility Standards. During the inspection, the Field Specialist will also note any obvious inaccuracies in the Vehicle Profile. The parties acknowledge, however, that the Field Specialist and Company shall not be responsible for the accuracy of the Vehicle Profiles, it being the sole responsibility of the Covered Dealer to ensure such accuracy. If a Subject Vehicle appears to meet the Vehicle Eligibility Standards, the Field Specialist will create one digital image of the Subject Vehicle at the front 3/4 angle of the right side of the vehicle. If the Field Specialist determines that a Subject Vehicle does not meet the Vehicle Eligibility Standards, the Field Specialist will not create the digital Image.

2.3 Data Entry & Transmission Services. After finishing the

inspection and digital imaging process for all of the Subject Vehicles, the Field Specialist will identify to the Dealer Contract which Subject Vehicles failed to meet the Eligibility Standards, and any obvious inaccuracies in the Vehicle Profiles. The Field Specialist will then download into the ABT Software the digital images of the Subject Vehicles inspected pursuant to Section 2.2 that appear to meet the Vehicle Eligibility Standards, and link each such Subject Vehicle's digital image with the appropriate Vehicle Profile. The Dealer Contact will be solely responsible for entering into the ABT Software and correcting, where necessary, the Vehicle Profiles. However, if requested by the Dealer Contact, the Field Specialist will assist the Dealer Contact in using the ABT Software on the first two visits to a Covered Dealer to help ensure compliance with the ABT Program requirements.

2.4 System Set Up. If requested by ABT or any Dealer, the Field

Specialist will unpackage, connect and initially boot-up the hardware supplied to the Dealer by ABT pursuant to Section 3.3, in consideration for the applicable charge set forth in Schedule 1.

2.5 Exclusive Provision of Services. During the term of this

Agreement, Company will not provide the services described in this Section 2 to any Competitor of ABT.

3. RIGHTS AND DUTIES OF ABT

3.1 Required Information. ABT shall provide to Company each Covered

Dealer's name, address, telephone number, name of the Dealer Contact, and such other information regarding each Covered Dealer as Company may require in order to perform the services described in this Agreement. As Additional Subscribing Dealers become Covered Dealers, ABT shall promptly send to Company the information required by this Section.

3.2 Training. At no charge to Company or its Field Specialists, ABT

will train each Dealer Contact and Field Specialist in the use of the ABT Software, preparation of Vehicle Profiles, and desired procedures for entering and transmitting data as described in Section 2.3.

3.3 Hardware & Software. ABT will ensure that each Covered Dealer

has the ABT Software, any other required software, and all hardware and transmission capabilities necessary to perform the data entry and transmission described in Section 2.3. Except as provided in Section 2.4,

-3-

[*] Confidential Treatment Requested

prior to each Field Specialist initial appointment with each Covered Dealer, ABT will ensure that the foregoing components are properly installed, integrated, and configured, and that the system has been tested and is capable of performing the data entry and transmission described in Section 2.3. ABT shall be responsible for the installation of all required software, prior to deliver of the hardware to a Covered Dealer.

3.4 Payment of Fees. In consideration for the services rendered by

Company hereunder, ABT shall pay to Company the fees specified in Schedule 1, when and as required by Section 4.2.

3.5 Exclusive Use of Services. During the term of this Agreement, ABT

shall use Company as ABT exclusive provider of all motor vehicle inspection and digital imaging services for all Covered Dealers.

4. ACCOUNTING & REPORTING

4.1 Monthly Accounting Statement. Within fifteen (15) days

following the end of each of Company's fiscal months during the term of this Agreement, Company shall provide to ABT a written statement which shall detail the services provided to ABT for such month, and the associated charges, calculated in accordance with Schedule 1 (the "Monthly Accounting Statement").

4.2 Payment of Fees. The amount set forth in the Monthly Accounting

Statement shall be due and payable by ABT within thirty (30) days following ABT's receipt of the Monthly Accounting Statement. On all amounts not paid to Company by ABT when due, interest shall accrue at the lesser of a rate of [*] per month, or the highest rate permitted by law, from the date due, until the date paid to Company, provided that ABT has been given written notice of such overdue amounts and such amounts remain unpaid for ten (10) days after receipt of such notice.

4.3 Fee Increases. Company may increase its fees stated in Schedule

1 by no more than [*] per year. At least thirty (30) days prior to any such fee increase, Company shall provide to ABT a revised Schedule 1, detailing the new fees.

5. CONFIDENTIALITY

5.1 Definition. "CONFIDENTIAL INFORMATION" shall mean: (a)

information regarding a party's financial condition, information systems, business operations, plans or strategies, product information, and marketing and distribution plans, methods, and techniques; (b) information that is marked "confidential," "proprietary" or in like words, or that is summarized in writing as confidential prior to or promptly after disclosure to the other party; (c) any and all related research; (d) any and all designs, ideas, concepts, and technology embodied therein; and (e) the provisions of this Agreement. With respect to Company, "Confidential Information" shall include the fees stated in Schedule 1. With respect to ABT, "Confidential Information" shall include the digital images of motor vehicles and their related Vehicle Profiles.

-4-

[*] Confidential Treatment Requested

5.2 Exceptions. Information is not considered confidential or

proprietary if it: (a) is or becomes generally available to the public other than as a result of disclosure by the recipient, (b) was available to or already known by the recipient on a non-confidential basis prior to its disclosure by the other party; (c) is developed by the recipient independently of any information acquired from the other party; (d) becomes available to the recipient on a non-confidential basis from a third party, provided that the recipient has no reason to know that the third party is or may be bound by a confidentiality agreement with the disclosing party; or (e) is disclosed pursuant to a court order or the requirement of any governmental authority.

5.3 Standard of Care. Each party will hold the other party's

Confidential Information in confidence and will safeguard it in at least the same manner as a prudent business person would safeguard his or her own proprietary information and trade secrets. The party receiving Confidential Information will not, and will not permit any of its officers, directors, employees, or agents (collectively, "Agents") to, directly or indirectly, report, publish, distribute, copy, disclose, or otherwise disseminate the Confidential Information, or any portion thereof, to any third party, and will not use, or permit any of its Agents to use, the Confidential Information, or any portion thereof, for the benefit of itself, its Agents, or any third party or for any purpose, except as expressly authorized in writing by the disclosing party. Disclosure will be limited to those Agents who must examine the Confidential Information in order to perform this Agreement.

5.4 Injunctive Relief. If either party or any or its Agents

attempts to use or disclose any of the Confidential Information in contravention of this Agreement, then in addition to other available remedies, the other party shall have the right to injunctive relief entering any such attempt, it being acknowledged that legal remedies are inadequate.

6. LIMITATIONS

6.1 Limit of Liability. Company's annual, aggregate liability to

ABT for any damages or losses related to this Agreement, from any cause whatsoever, and regardless of the theory of recovery, including without limitation, tort claims, and ABT's sole and exclusive remedy, will be limited to the total amounts actually paid to Company by ABT hereunder during the twelve (12) month period immediately preceding the date that the cause of action arose.

6.2 Disclaimer of Warranties. COMPANY MAKES NO IMPLIED WARRANTIES

WITH RESPECT TO THE SERVICES PROVIDED HEREUNDER, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

7. TERM-TERMINATION

7.1 Effective Date. This Agreement shall commence on February 1, 1997, and shall continue in effect until terminated as provided in this Article.

-5-

[*] Confidential Treatment Requested

7.2 Termination Without Cause. At any time, this Agreement may be terminated by either party without cause by giving at least ninety (90) days prior written notice to the other party.

7.3 Termination With Cause. This Agreement may be terminated immediately duties or obligations hereunder if, after receiving written notice of such failure to discharge duties or obligations, such failure is not cured to the reasonable satisfaction of the party sending notice within thirty (30) days of the date of receipt of such notice.

7.4 Termination (or Failure to Pay). Company may terminate this Agreement immediately upon written notice should ABT fail to pay any amount due and owing Company, when and as required by this Agreement provided that ABT has been given ten (10) days prior written notice of the amount due and the intent to terminate under this Section.

7.5 Bankruptcy. Insolvency, etc. Either party may terminate this Agreement immediately upon receipt of written notice by the other party if: (a) the other party commences a voluntary case or other proceeding under any bankruptcy or insolvency law, or seeks the appointment of a trustee, receiver, liquidator, custodian, or similar official of all or any substantial part of its property; (b) an involuntary case or other proceeding under any bankruptcy or insolvency law seeking the appointment of a trustee, receiver, liquidator, custodian, or similar official for all or any substantial part of the other party's property, is commenced against the other party, and the other party consents to any relief requested, or such proceeding is not stayed or discharged within thirty (30) days; or (c) the other party makes a general assignment for the benefit of creditors or fails generally to pay its debts as they become due.

8. RIGHTS AFTER TERMINATION

8.1 Final Monthly Accounting Statement. A final Monthly Accounting Statement shall be sent to ABT within thirty (30) days after the end of the last Company fiscal month for which services are performed by Company hereunder. ABT shall pay the amount specified therein when and as required by Section 4.2.

8.2 Return of Confidential Information. Upon the effective date of termination of this Agreement, each party shall cease all use of the other party's Confidential Information, and shall return to the other party all such Confidential information in its possession. Within thirty (30) days after termination of this Agreement for any reason.

9. DISPUTES

9.1 Dispute Resolution Process. If any dispute arises in connection with this Agreement and is not resolved in the normal course of business, the parties will resolve the dispute, not by litigation or other judicial means, but through a Dispute Resolution Process consisting of a progression of the following: (a) direct negotiations between the project managers or other

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designated personnel; (b) negotiations at the senior executive level; (c) mediation; and (d) binding arbitration.

9.2 Initiation of Process. Either party may initiate the Dispute

Resolution Process by delivering written notice to the other party. Thereafter, the parties shall mutually develop and agree upon the specific procedures and guidelines which shall govern the Dispute Resolution Procedures. Except as otherwise agreed by the parties, any mediation or arbitration proceedings shall be conducted in accordance with the applicable rules of the American Arbitration Association, as then in effect. The arbitrators shall have no authority to award exemplary or punitive damages.

9.3 Equitable Relief. Nothing herein shall prohibit either party from

seeking a temporary restraining order, preliminary injunction or other equitable relief from a court of competent jurisdiction if, in its judgement, such action is necessary to avoid irreparable damage or to preserve the status quo.

10. MISCELLANEOUS PROVISIONS

10.1 Notices. All notices which are required to be in writing shall

be effective when received, and shall be delivered personally, by overnight courier, or by certified U.S. mail, return receipt requested, to the parties at the addresses listed below. Any notice of change of address will be effective only upon receipt.

If to Company: President
 Integrated Warranty Services, Inc.
 19750 S. Vermont Avenue, Suite 225
 Torrance, CA 90502

With a copy to: General Counsel, Law Department
 Progressive Casualty Insurance Company
 6300 Wilson Mills Road
 Mayfield Village, Ohio 44143

If to ABT: President
 Auto-By-Tel Marketing Corporation
 18872 MacArthur Boulevard, 2nd Floor
 Irvine, CA 92612

10.12 Waiver. No waiver or modification of this Agreement or of any

covenant condition, or limitation herein contained shall be valid unless agreed to in a writing that expressly refers to this Agreement and is signed by both parties. No evidence of any waiver or modification shall be offered or received in evidence in any mediation, arbitration, or litigation proceeding between the parties arising out of or affecting this Agreement, or the rights or obligations of any party hereunder, unless such waiver or modification is in writing and duly executed as aforesaid. The provisions of this Section may not be waived except as herein set forth. The failure to insist upon strict compliance

with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such terms, covenants, or conditions. No waiver or relinquishment of any right or power hereunder, at any one or more times, shall be deemed a waiver or relinquishment of such right or power at any other time or times.

10.3 Severability. Any provision of this Agreement determined to be

invalid or unenforceable by a court, board, or tribunal of competent jurisdiction (hereinafter referred to as "Court") shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such provisions written in a manner acceptable to such Court or, if such

provision is found to be totally unacceptable to such Court in any form, then as if such invalid provisions were omitted altogether.

10.4 Entire Agreement. This Agreement embodies the entire

understanding between the parties regarding the subject matter hereof. All prior or contemporaneous correspondence, proposals, offers, conversations, or memoranda relating to the subject matter hereof, are merged in and replaced by this Agreement, and are of no force or effect whatsoever. No change, alteration, or modification hereof may be made except in a writing that expressly refers to this Agreement and is signed by both parties. This Agreement supersedes any previous agreements between the parties relating to the subject matter hereof.

10.5 Independent Contractor. Company's relationship under this

Agreement to ABT is, and shall remain at all times, that of independent contractor. Neither party is responsible for the debts and liabilities of the other. Nothing shall be deemed to create any form of principal-agent relationship, partnership, or joint venture between the parties. Neither party shall have any participation in, by way of management or otherwise, the operations of the other, other than as provided for in this Agreement, and nothing shall be deemed to create or recognize any relationship other than that which is expressly described herein.

10.6 Binding Effect/Assignability. This Agreement shall be binding

upon and shall inure to the benefit of the parties and their respective successors and permitted assigns. Neither this Agreement nor any rights or duties hereunder may be assigned or delegated by either party without the prior consent in writing of the other party. Each party shall provide to the other party such information relating to any permitted assignments or delegations hereunder, as reasonably requested by the other party.

10.7 Force Majeure. Neither party shall be deemed to be in default

of any provision of this Agreement for any failure in performance resulting from acts or events beyond the reasonable control of such party. For purposes of this Agreement such acts shall include, without limitation, acts of God, civil or military authority, civil disturbance, war, strikes, fires, or other catastrophes, or any other force majeure event beyond the party's reasonable control.

10.8 Counterparts. This Agreement may be executed in one or more

counterparts, each of which shall be an original, but all of which together shall constitute but one and the same instrument.

10.9 Governing Law. This Agreement is entered into and shall be

governed by the laws of the State of California.

10.10 Captions. The captions contained in this Agreement are for

purposes of organization only and do not constitute a part of the Agreement.

10.11 Survival. The provisions of Sections 5.0 (Confidentiality), 6.0

(Limitations), 8.0 (Rights After Termination), and 9.0 (Disputes) shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives, effective as of the 1st day of February, 1997.

AUTO-BY-TEL MARKETING CORPORATION

INTEGRATED WARRANTY SERVICES, INC.

By: _____

By: _____

Name: _____ Name: _____
 Title: _____ Title: _____

SCHEDULE 1
 SERVICE FEES

This Schedule is attached to and forms a part of the Vehicle Inspection & Digital Image Service Agreement between Integrated Warranty Services, Inc. ("Company") and Auto-By-Tel Marketing Corporation ("ABT"), dated February 1, 1997 (the "Agreement"). Words or phrases that are capitalized, but not defined in this Schedule shall have the meaning ascribed to them in the Agreement.

1. Fees for the services provided by Company under the Agreement shall be each visit to a Covered Dealer by a Field Specialist, based on the number of Subject Vehicles for which services are performed by the Field Specialist during such visit. For each such visit, the applicable fee shall be the greater of [*] or the Service Fee per motor vehicle determined from the following table:

Number of Subject Vehicles Inspected per Covered Dealer Visit	Service Fee per Subject Vehicle per Covered Dealer Visit
1 - 49	[*]
50 - 74	[*]
75 - 99	[*]
100 or more	[*]

2. In addition to the foregoing Service Fees, ABT shall pay to Company
 - a. [*] for each computer system set up by a Field Specialist pursuant to Section 2.4; and
 - b. [*] per mile for each mile traveled by the Field Specialist per Covered Dealer visit over the first [*] miles.

Effective Date of Schedule: February 1, 1997.

Accepted and agreed:

AUTO-BY-TEL MARKETING
 CORPORATION

INTEGRATED WARRANTY
 SERVICES, INC.

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

[*] Confidential Treatment Requested

MARKETING AND APPLICATION PROCESSING AGREEMENT

This MARKETING AND APPLICATION PROCESSING AGREEMENT ("Agreement"), dated as of February 1, 1997, between General Electric Capital Auto Financial Services, Inc. (GECAFS), a Delaware corporation with its principal place of business at 600 Hart Road, Barrington, Illinois, and Auto-By-Tel Acceptance Corporation ("ABTAC") and Auto-By-Tel Corporation ("ABT") (as guarantor of the obligations of ABTAC under this Agreement, in such capacity, the "Guarantor"), each a Delaware corporation with its principal place of business at 18872 MacArthur Boulevard, Suite 200, Irvine, California 92612.

WITNESSETH:

WHEREAS, ABTAC is in the business of, among other things marketing financial services to persons interested in arranging financing for the lease of new and used motor vehicles ("Vehicles") who visit the ABT Internet website ("Customers") and GECAFS and its affiliates are in the business of purchasing leases of Vehicles from authorized dealers in the business of leasing such goods; and

WHEREAS, ABTAC desires to promote the services of GECAFS to certain such Customers in exchange for a marketing fee, and GECAFS desires to purchase leases and is willing to pay such fees, in connection with new lease accounts opened as a result of ABTAC's marketing;

NOW, THEREFORE, in consideration of the foregoing premises, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, ABTAC and GECAFS agree as follows:

SECTION 1.

FINANCING PROGRAM

(A) ABTAC will cause to be included on the ABT Website, along with specific identification of GECAFS as a participating lender in form and content reasonably satisfactory to GECAFS, either an application in a form reasonably satisfactory to GECAFS, substantially as set forth on Exhibit A hereto, or a nonspecific credit application soliciting information requested by GECAFS. (Each such completed application is referred to herein as a "GECAFS Application" and each Customer who completes a GECAFS Application is referred to herein as an "Applicant.") GECAFS may, from time to time, request changes in the information solicited by such application and ABTAC will use its best efforts to accommodate such requests. GECAFS will be under no obligation hereunder with respect to any GECAFS Application which does not solicit the information requested by GECAFS.

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR CERTAIN PORTIONS OF THIS DOCUMENT.

(B) GECAFS will offer to enter into a contract purchase agreement ("Closing Agreement") with each seller of Vehicles in the continental United States (excluding Alaska and Hawaii) and the District of Columbia ("United States") who has executed an online purchase request referral agreement with ABT and who otherwise meets GECAF's standards for such relationships ("Dealer(s)"). ABTAC will assist GECAFS in securing signed Closing Agreements with Dealers and will provide GECAFS with the address of each Dealer to facilitate this process. The Closing Agreement will contain customary terms no less favorable to the Dealers than GECAFS' customary agreements in use with its other leasing programs and will govern the terms upon which the Dealer and GECAFS will close the Vehicle leasing transactions the subject of this Agreement ("Contracts"). ABTAC agrees, subject to its reasonable business judgment and available resources, to promote its leasing programs to Dealers and to support, assist and cooperate with GECAFS in the marketing of this program, and its proper execution, to Dealers. Upon execution of a Closing

Agreement, GECAFS will assign such Dealer an identifying number (the "Dealer ID") and inform ABTAC of such number. GECAFS will be responsible for informing Dealers of the nature of its leasing programs. ABTAC will be responsible for informing Dealers of the nature of its services and the differences, if any, between the programs described by GECAFS and the ABTAC programs.

(C) ABTAC will not be a party to, will have no obligations with respect to and will be held harmless by GECAFS with respect to any act or omission by GECAFS which gives rise to any losses or liabilities arising from or in connection with the Closing Agreements. If for any reason the Closing Agreement between a Dealer and GECAFS is terminated, then GECAFS will be under no obligation to approve any application received from customers of such Dealer.

(D) GECAFS agrees to provide each Applicant lease rates and terms not less favorable to Applicants than those offered by GECAFS to similar customers in its customary lease programs unless ABTAC requests, and GECAFS agrees to offer, less favorable terms. The standard money factor used to derive a monthly payment for any Contract will be the rate factor announced by GECAFS from time to time in its sole discretion as the minimum rate factor acceptable to GECAFS. Upon ten business days' prior written notice, ABTAC may request that GECAFS increase such rate factor, for such Contracts purchased by GECAFS and for such period as ABTAC may specify, by an amount which will result in a remittance to ABTAC, in accordance with Section 6 hereof, of a certain sum requested by ABTAC, not to exceed [*] unless otherwise agreed, for each applicable Contract purchased by GECAFS during such period.

(E) Each GECAFS Application received by ABTAC with respect to which GECAFS is competitive will be forwarded to GECAFS for review until such time as the volume targets set forth in Section 1(F) are achieved. As used herein, "competitive" will mean cases in which the Applicant's monthly Contract payment under the standard GECAFS program applicable to such Contracts would be not more than [*] greater than the lowest monthly Contract payment otherwise available to the Applicant, all other Contract terms being equal, from any other source of financing with whom ABTAC is then doing business under the same or similar terms as ABTAC's agreement with GECAFS. "Competitiveness" will be determined as accurately as possible in good faith with reference to available data. GECAFS and ABTAC each reserves the right to audit the process by which "competitiveness" is determined. If GECAFS declines to proceed with the transaction as described,

-2-

[*] CONFIDENTIAL TREATMENT REQUESTED

GECAFS will return such GECAFS Application to ABTAC for additional information or forwarding to another financing source, as the case may be. If ABTAC requests, GECAFS will cooperate with ABTAC in developing a screening methodology based upon GECAFS' underwriting criteria then in effect which would enable ABTAC to forward to GECAFS only those GECAFS Applications meeting an agreed upon subset of credit criteria and to forward the remaining applications to other financing sources. Such responsibilities are illustrated by the Process Map attached hereto as Exhibit B, as may be modified from time to time. GECAFS and ABTAC have agreed upon the responsibilities of each in developing the tools necessary to implement this Process Map and this Agreement.

(F) The terms of this Agreement are based in part upon the expectation by GECAFS of monthly Contract volume targets of [*], respectively, during the first three years of this Agreement and upon the expectation of ABTAC of providing such volume. The standard for "competitiveness" set forth above and volume targets will be subject to review after six months and periodically thereafter, based upon the extent to which those expectations are being realized.

SECTION 2.

RECEIPT AND TRANSMISSION OF APPLICANT INFORMATION

(A) Subject to the provisions of Section 1, ABTAC will transmit each completed GECAFS Application to GECAFS by telephone, telefax, email, or other electronic or agreed upon means. Also subject to the provisions of Section 1, ABTAC is under no obligation to screen or review any GECAFS Application before transmission to GECAFS; provided, however, that ABTAC agrees not to transmit incomplete Applications or Applicant information that ABTAC actually knows to

be false or misleading in any material respect.

(B) ABTAC also agrees to subject Applicant information to the security and confidentiality procedures consistent with its corporate policies in effect from time to time. ABTAC will not use any such information in any manner which violates applicable law in effect from time to time and will keep communications from GECAFS to Applicants or Dealers confidential.

(C) GECAFS acknowledges and agrees that ABTAC has no liability, duty or obligation with respect to the processing, underwriting, funding, or closing of any lease. Except as set forth herein, ABTAC will have no responsibility for, and makes no representation or warranty in connection with, the truth or accuracy of the information provided by or on behalf of any Applicant or in the GECAFS Application or regarding the eligibility of the Applicant for a lease.

(D) ABTAC will not make, and will use its best efforts to keep any of its employees or agents from making, any oral or written statement to Applicants or Dealers that would discourage, on a basis prohibited by law, an Applicant from making or pursuing any transaction contemplated by this Agreement.

-3-

[*] CONFIDENTIAL TREATMENT REQUESTED

SECTION 3.

UNDERWRITING

(A) Upon receipt, GECAFS will review each GECAFS Application in accordance with its underwriting criteria and applicable law. GECAFS will approve all GECAFS Applications meeting the underwriting criteria unless, in accordance with its usual practice of applying GECAFS' underwriting policies, the Applicant is otherwise not creditworthy. ABTAC acknowledges that GECAFS has sole discretion in determining whether or not to approve a GECAFS Application, which discretion GECAFS agrees to exercise in a manner consistent with its customary underwriting procedures in effect from time to time.

(B) The goal of GECAFS will be to complete its review within four hours after electronic receipt of a GECAFS Application but, absent unusual circumstances, such review will be completed not later than the following business day.

(C) GECAFS reserves the sole right and power to change the underwriting criteria in accordance with GECAFS' normal business practices and subject to applicable law, and further to suspend, restrict or modify the purchase of leases in any portion of the United States for regulatory reasons. GECAFS will provide ABTAC with advance written notice, given as early as practicable, of any actions it plans to implement under this Section. Any such actions will be taken in good faith.

SECTION 4.

COMMUNICATION OF CREDIT DECISIONS

At the completion of underwriting as set forth in Section 3(B) of this Agreement, GECAFS will notify ABTAC of GECAFS' credit decision. ABTAC will notify the Dealer and the Applicant on behalf of GECAFS, in the case of approval and the Applicant in the case of disapproval. If GECAFS declines a request for credit, GECAFS will send to the Applicant any and all notices required, but only those required, pursuant to federal or applicable state law or regulation including, but not limited to, those required under the federal Equal Credit Opportunity Act and Federal Reserve Regulation B.

SECTION 5.

CLOSING AND FUNDING

After the notification to the Dealer and Applicant, ABTAC will have no

responsibility under this Agreement to any of the Dealer (except as set forth in Section 1(B)), the Applicant or GECAFS. GECAFS will use its best efforts to close all approved Contracts and will, absent unusual circumstances, remit the proceeds of each Contract to the related Dealer within two business days following compliance with all requirements for submission of Contracts under the terms of the

-4-

[*] CONFIDENTIAL TREATMENT REQUESTED

applicable Closing Agreement. Contracts submitted incorrectly with respect to the parameters of the ABTAC program will not be accepted by GECAFS but will be corrected by agreement with the Dealer or returned to the Dealer for correction and resubmission provided, however, that GECAFS may afford the Dealer the benefit of any GECAFS program available to its dealers from time to time the effect of which does not adversely affect the applicant's rate. GECAFS will advise ABTAC of the existence and provisions of such programs. ABTAC will assist GECAFS in encouraging Dealers to resubmit such corrected Contracts to GECAFS for approval and not to other lenders.

SECTION 6.

COMPENSATION

During the term of this Agreement, GECAFS will pay to ABTAC a marketing fee of [*] for each Contract that is funded under the terms of this Agreement. GECAFS will use its best efforts to effect such payment, and any amount payable pursuant to Section 1.D. hereof, weekly for Contracts funded in the prior period but in no event will compensation for any Contract be paid more than 30 days after funding. ABTAC will be responsible for compensating the associated Dealer in accordance with its on-line purchase referral agreement with such Dealer.

SECTION 7.

REPORTS

(A) On or before the 10th day of each month, GECAFS will transmit electronically to ABTAC a report, sorted by Dealer ID and identifying the name of each Applicant, outlining for the preceding month: (1) the number of GECAFS Applications received from ABTAC, (2) the number of GECAFS Applications that were approved and funded, (3) the number of GECAFS Applications pending at month-end and (4) the number and aggregate outstanding balance of Contracts funded during the effectiveness of this Agreement. GECAFS will include with such report a report indicating any Dealers which executed a Closing Agreement and any Closing Agreements which terminated during the preceding month.

(B) On the effective date of this Agreement, ABTAC will advise GECAFS in writing of all sources of financing with whom ABTAC is doing business in the same or similar fashion as GECAFS. On or before the 10th day of each month, ABTAC will advise GECAFS in writing of any additions or deletions to such list. In addition, on or before the 10th day of each month, ABTAC will transmit electronically to GECAFS a report outlining for the preceding month: [*]

-5-

[*] CONFIDENTIAL TREATMENT REQUESTED

(C) GECAFS and ABTAC will meet periodically, upon reasonable request, to review all aspects of the program. GECAFS agrees to discuss with ABTAC, not less than quarterly, at least the following aggregate portfolio performance information for the ABTAC leases: [*].

SECTION 8.

STANDARDS FOR TRANSMITTING INFORMATION

GECAFS will either provide or make available to ABTAC its unique code sets and edit procedures on a periodic basis as deemed necessary by GECAFS to permit performance hereunder. ABTAC will transmit all Applications and other information to GECAFS in the predefined format utilizing such GECAFS code sets and in accordance with such parameters, all as set forth in Exhibit C attached hereto and as may be amended from time to time.

SECTION 9.

GUARANTEE

Guarantor hereby unconditionally and irrevocably guarantees to GECAFS, its successors, endorsees and assigns, the performance when due of all present and future obligations and liabilities of all kinds of ABTAC arising out of or in connection with the Agreement, whether due or to become due, secured or unsecured, absolute or contingent, joint or several ("Obligations"). The Guarantor agrees that GECAFS and ABTAC may mutually agree to modify the obligations or any agreement between GECAFS and ABTAC without in any way impairing or affecting this Guarantee.

SECTION 10.

REPRESENTATIONS AND WARRANTIES

(A) Representations and Warranties Of ABTAC. ABTAC hereby makes the following representations and warranties to GECAFS:

(1) ABTAC has been duly organized and is validly existing as a corporation under the laws of the state of Delaware and is duly licensed where required or is otherwise qualified in each

-6-

[*] CONFIDENTIAL TREATMENT REQUESTED

state in which it transacts business and is not in default of such state's applicable laws, rules and regulations, except where the failure to so qualify or such default would not have a material adverse effect on its ability to conduct its business or to perform its obligations under the Agreement.

(2) ABTAC has the requisite power and authority and legal right to execute and deliver the Agreement, engage in the transactions contemplated by the Agreement, and perform and observe those terms and conditions of the Agreement to be performed or observed by it hereunder. The person signing the Agreement, and any document executed pursuant to it, on behalf of ABTAC has full power and authority to bind ABTAC. The execution, delivery and performance of the Agreement, and the performance by ABTAC of all transactions contemplated therein, have been duly authorized by all necessary and appropriate corporate action on the part of ABTAC.

(3) The Agreement has been duly authorized and executed by ABTAC and is valid, binding and enforceable against ABTAC in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect relating to creditors' rights generally, and the execution, delivery and performance by ABTAC of the Agreement do not conflict with any term or provision of (a) its certificate of incorporation or bylaws, (b) any law, rule, regulation, order, judgment, writ, injunction or decree applicable to ABTAC of any court, regulatory body, administrative agency or governmental body having jurisdiction over ABTAC or (3) any agreement to which ABTAC is a party or by which its property is bound.

(4) No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority or court is required under applicable law in connection with the execution, delivery and performance by ABTAC of the Agreement.

(5) There is no action, proceeding or investigation pending or, to the best knowledge of ABTAC, threatened against it before any court,

administrative agency or other tribunal (a) asserting the invalidity of the Agreement, (b) seeking to prevent the consummation of any of the transactions contemplated by the Agreement, or (3) which could reasonably be expected to materially and adversely affect its performance of its respective obligations under, or the validity or enforceability of, the Agreement.

(6) AR regulatory approvals, authorizations, licenses, permits and other permissions, consents and authorities whatsoever needed to operate the ABT Website and perform this Agreement have been received.

(7) ABTAC warrants that it has the legal and valid right to use any registered or unregistered trademark, trade name, service mark, logo, emblem or other proprietary designation, or any variations, derivatives and modifications thereof, used by it in the materials provided to GECAFS or used by ABTAC in connection with the Agreement.

(B) Representations and Warranties of GECAFS. GECAFS hereby makes the

following representations and warranties to ABTAC:

-7-

(1) GECAFS has been duly organized and is validly existing as a corporation under the laws of the state of Delaware and is duly licensed where required or is otherwise qualified in each state in which it transacts business and is not in default of such state's applicable laws, rules and regulations, except where the failure to so qualify or such default would not have a material adverse effect on its ability to conduct its business or to perform its obligations under the Agreement.

(2) GECAFS has the requisite power and authority and legal right to execute and deliver, engage in the transactions contemplated by, and perform and observe the terms and conditions of, the Agreement. The person or persons signatory to the Agreement and any document executed pursuant to it on behalf of GECAFS have full power and authority to bind GECAFS. The execution, delivery and performance of the Agreement, and the performance by GECAFS of all transactions contemplated therein, have been duly authorized by all necessary and appropriate and corporate action on the part of GECAFS.

(3) The Agreement has been duly authorized and executed by GECAFS and is valid, binding and enforceable against GECAFS in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect relating to creditors' rights generally, and the execution, delivery and performance by GECAFS of the Agreement do not conflict with any term or provision of (a) its certificate of incorporation or bylaws, (b) any law, rule, regulation, order, judgment, writ, injunction or decree applicable to GECAFS of any court, regulatory body, administrative agency or governmental body having jurisdiction over GECAFS or (3) any agreement to which GECAFS is a party or by which its properly is bound.

(4) No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority or court is required under applicable law in connection with the execution, delivery and performance by GECAFS of the Agreement.

(5) There is no action, proceeding or investigation pending or, to the best knowledge of GECAFS, threatened against it before any court, administrative agency or other tribunal (a) asserting the invalidity of the Agreement, (b) seeking to prevent the consummation of any of the transactions contemplated by the Agreement, or (3) which could reasonably be expected to materially and adversely affect the performance by GECAFS of its obligations under, or the validity or enforceability of, the Agreement.

(6) GECAFS warrants that it has all regulatory approvals, authorizations, licenses, permits and other permissions, consents and authorities whatsoever, as needed (a) to offer and enter into the financing arrangements with Customers contemplated by the Agreement in each jurisdiction in the United States and to otherwise perform its obligations under the Agreement, and (b) to use any materials developed, provided or used by GECAFS in connection with the Agreement.

(7) GECAFS warrants that it has the legal and valid right to use any registered or unregistered trademark, trade name, service mark, logo,

emblem or other proprietary designation, or

-8-

any variations, derivatives and modifications thereof, used by it in any materials provided to ABTAC or used by GECAFS in connection with the Agreement.

SECTION 11.

INDEMNIFICATION

(A) ABTAC will defend, indemnify and hold harmless GECAFS and its affiliates and all of its and their officers, directors, owners, agents, attorneys, and employees, from and against any and all loss, liability, claims, damage, cost or expense (including attorneys' fees and costs) by third parties arising out of any gross negligence or intentional misconduct of ABTAC in connection with ABTAC's performance of its obligations under this Agreement or relating to any breach or alleged breach of a third party's proprietary rights in connection with any intellectual property (except if provided by GECAFS), used by ABTAC in performance of its obligations under this Agreement.

(B) GECAFS will defend, indemnify and hold harmless ABTAC and its affiliates and all of its and their officers, directors, owners, agents, attorneys, and employees, from and against any and all loss, liability, claims, damage, cost or expense (including attorneys' fees and costs) by third parties arising out of any gross negligence or intentional misconduct of GECAFS in connection with GECAFS' performance of its obligations under this Agreement or relating to any claim regarding GECAFS' conduct with respect to any financing transaction or proposed financing transaction (including Customer claims) in connection with this Agreement and any breach or alleged breach of any law by GECAFS relating to consumer financing (unless caused solely by ABTAC) in connection with this Agreement and the transactions contemplated thereby.

(C) The indemnified party must give the indemnifying party prompt notice of any claims covered by the indemnity of this Agreement. Each party will promptly notify the others of any legal or regulatory proceeding or threat of legal or regulatory proceeding with respect to any matters which are the subject of this Agreement; provided, however, that the failure to notify will not afford relief hereunder except to the extent that it results in prejudice.

SECTION 12.

TERM AND TERMINATION

(A) This Agreement will remain in effect for a period of three (3) years from the date hereof unless terminated by either party upon six months prior written notice. This Agreement will also terminate if, required by governmental authority or court of law, but only insofar as this Agreement applies to such jurisdiction affected. In consideration of the significant investment made by GECAFS in the implementation of this Agreement, a termination fee in the amount of fifty thousand dollars (\$50,000) will be due and payable from ABTAC to GECAFS in the event that ABTAC terminates this Agreement prior to the first anniversary hereof, except for cause as set forth

-9-

[*] CONFIDENTIAL TREATMENT REQUESTED

below. Notwithstanding the foregoing, such termination fee will be reduced by \$2,000 for each full calendar month during which the volume targets set forth in Section 1(F) are met and, provided further, that no termination penalty will be incurred in the event that the parties cannot agree in good faith upon the continued validity of the "competitiveness" standard after six months as set forth in Section 1(E).

(B) If any party will be in breach of any material obligation under this Agreement and such breach will remain uncured for a period of 30 days after written notice thereof from the other party (or, if such breach is curable and requires more than 30 days to cure, if such cure is not commenced

within 30 days and thereafter diligently prosecuted), then the other party may, by written notice sent, terminate this Agreement 30 days after delivery of such notice. Nonpayment of amounts due under this Agreement will be deemed to be a breach of a material obligation hereunder, but institution of suit for payment of amounts due under this Agreement will not be deemed to be an automatic termination hereunder.

(C) At any party's option, and upon written notice of exercise of the option, this Agreement will terminate upon the voluntary or involuntary bankruptcy or insolvency of a party, the voluntary or involuntary dissolution or liquidation of a party, the admission in writing by a party of its inability to pay its debts as they mature, or the assignment by a party for the benefit of creditors.

SECTION 13.

NOTICES

All notices or transmissions pursuant to this Agreement, unless otherwise specified, will be by facsimile transmission, by personal delivery, or by registered or certified mail, return receipt requested, to the addresses of the parties set forth in the Preamble to this Agreement or such other address as any party listed below will specify in writing to the others.

SECTION 14.

PROVISIONS OF GENERAL APPLICABILITY

(A) Entire Agreement. The Agreement and the exhibits thereto

constitute the entire agreement of the parties, and may be amended from time to time only upon the execution of a written amendment by the parties.

(B) Confidentiality. Both ABTAC and GECAFS have made and will

continue throughout the term of the Agreement to make available to the other party confidential and proprietary materials and information ("Proprietary Information"). Prospectively, each party will advise the other of material and information that is confidential and/or proprietary. Proprietary Information does not include material or information that: (1) are already, or otherwise become, generally known by third

-10-

[*] CONFIDENTIAL TREATMENT REQUESTED

parties as a result of no act or omission of the receiving party; (2) subsequent to disclosure hereunder are lawfully received from a third party having the right to disseminate the information and without restriction on disclosure; (3) are generally furnished to others by the disclosing party without restriction on disclosure; (4) were already known by the receiving party prior to receiving them from the disclosing party and were not received from a third party in breach of that third party's obligations or confidentiality; or (5) ideas, concepts, expressions, knowhow, skills and experience possessed by either party prior to its association with the other party or developed by either party during its association with the other party without regard to Proprietary Information.

Each party will maintain the confidentiality of the other's Proprietary Information and will not disclose such Proprietary Information without the written consent of the other party unless legally required by law, rule, regulation or court order of any applicable jurisdiction; in which case, each party will before disclosing the Information, (unless prior notice is prohibited), promptly notify the other of the compelled disclosure. If a protective order or other appropriate relief from compelled disclosure is not obtained before disclosure is due, or if compliance with the provisions of this section is waived, only that portion of the Information will be furnished which counsel advises is legally required. Each party will also keep confidential the terms of the Agreement. The confidentiality provisions of the Agreement will survive the termination of the Agreement.

(C) Limitation of Liability. In no event will either party be liable to the other party for any incidental, special, exemplary or consequential damages, even if advised of the possibility of such damages.

(D) Appointment or Assignment. ABTAC and GECAFS will have the right to appoint an affiliate to provide any services to be provided hereunder or to assign the Agreement to any affiliate at no charge or penalty; provided, however, that such appointee will agree to be governed by the provisions hereof with respect to the provision of such services and such assignee assumes the obligations of its assignor.

(E) Waiver. Neither party will be deemed to be in default of any provision of the Agreement or be liable to the other party or to any third party for any delay, error, failure in performance or interruption of performance resulting directly or indirectly from causes beyond that party's reasonable control. The period of performance will be extended to such extent as may be appropriate after the cause of the delay has been removed. If any excusable delay or failure to perform by a party exceeds 30 days, the other party will have the right to terminate the Agreement without liability.

(F) Severability. If any provision of the Agreement is declared or found to be illegal, unenforceable or void, then both parties will be relieved of all obligations arising under such provision, but only to the extent that such provision is illegal, unenforceable or void; it being the intent and agreement of the parties that the Agreement will be deemed amended by modifying such provision to the extent necessary to make it legal and enforceable while preserving its intent or, if that is not possible, by substituting therefore another provision that is legal and enforceable and achieves

-11-

the same objective. Each party agrees that it will perform its obligations hereunder in accordance with all applicable laws, rules and regulations now or hereafter in effect.

(G) Arbitration. Any controversy or claim arising out of or relating to the Agreement, or the breach of the same, will be settled through consultation and negotiation in good faith and a spirit of mutual cooperation. However, if those attempts fail, the parties agree that any misunderstandings or disputes arising from the Agreement will be decided by arbitration which will be conducted, upon request by either party, in Orange County, California, before three (3) arbitrators (unless both parties agree on one (1) arbitrator) designated by the American Arbitration Association (the "AAA"), in accordance with the terms of the Commercial Arbitration Rules of the AAA, and, to the maximum extent applicable, the United States Arbitration Act (Title 9 of the United States Code), or if such Act is not applicable, any substantially equivalent state law. The parties further agree that they will share the expense of the arbitration proceedings equally. Notwithstanding anything herein to the contrary, either party may proceed to a court of competent jurisdiction to obtain injunctive relief at any time.

(H) Media Releases. ABTAC and GECAFS may utilize media releases to publicize their business relationship only with the prior approval of the other party which will not be unreasonably withheld. ABTAC and GECAFS will not use any trade name, service mark or any other information which identifies the other in sales, marketing and publicity materials without obtaining the prior written approval of the other.

(I) Governing Law. The Agreement will be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of law principles.

-12-

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officer on the date first above written.

GENERAL ELECTRIC CAPITAL AUTO FINANCIAL
SERVICES, INC.

By: _____
Its: _____

AUTO-BY-TEL ACCEPTANCE CORPORATION

By: /s/ W. Randolph Ellspermann _____
Its: Chief Operating Officer _____

AUTO-BY-TEL, CORPORATION, as Guarantor

By: /s/ Mark W. Lorimer _____
Its: Vice President/General Counsel _____

-13-

GE CAPITAL
CONSUMER APPLICATION

EXHIBIT A

Consumer application for automobile financing with various fields for
information.

14

Exhibit A: Continued

Description	Length	Type (Alpha/Num)	Required
Applicants			
Primary First Name *	10	A	[*]
" Middle Initial*	1	A	[*]
" Last Name*	15(*12)	A	[*]
" Date of Birth*	6	N	[*]
" Social Security No. *	9	N	[*]
" # of Dependents	2	N	[*]
" Telephone Number *	10	N	[*]
" Current Address *	19	A/N	[*]
" Current City *	12(*13)	A	[*]
" Current State *	2	A	[*]
" Current Zip Code *	5	N	[*]
" Current Time at Addr. *	2	N	[*]
" Previous Address	19	A/N	[*]

"	Previous City	12	A	[*]
"	Previous State	2	A	[*]
"	Previous Zip Code	5	N	[*]
"	Previous Time at Addr.	2	N	[*]
"	Employer Name*	20	A/N	[*]
"	Employment Time *	2	N	[*]
"	Occupation Code	2	N	[*]
"	Occupation Description *	20(*15)	A	[*]
"	Self-Employment Flag *	1	A	[*]
"	Employer Telephone #*	10	N	[*]
"	Employer Address *	20	A/N	[*]
"	Employer City *	13	A	[*]
"	Employer State *	2	A	[*]
"	Employer Zip Code *	5	N	[*]
"	Gross Income *	6	N	[*]
"	Gross Income Flag (A,M,W,B) *	1	A	[*]
"	Other Income *	6	N	[*]
"	Other Income Flag *	1	A	[*]
"	Other Income Source *	13	A	[*]
"	Previous Employer *	20	A	[*]
"	Previous Employer Phone *	9	N	[*]
"	Previous Employer Time *	2	N	[*]
"	Previous Employer Occupation	15	A	[*]

* Denotes Same Specifications for Joint Applicant
[*] = Confidential Treatment

Exhibit A: Continued

Description	Length	Type	Required
		(Alpha/Num)	
Collateral			

New, Used, Demo (N/U/D)	1	A	[*]
Use (Personal, Business)	1	A	[*]
Product (Retail, Flex, Lease)	1	A	[*]
Received Date	6	N	[*]
Received Time	4	N	[*]
Dealer Number	5	N	[*]
Dealer Name	20	A/N	[*]
Dealer Telephone Number	10	N	[*]
Dealer Contact	11	A	[*]
Vehicle Year	2	N	[*]
Vehicle Make	4	A	[*]
Joint Venture Flag (IV)	1	A	[*]
Model Code	2	N	[*]
Cap Cost	6	N	[*]
Invoice (MSRP)	6	N	[*]
Down Payment	5	N	[*]
Trade-In Amount	6	N	[*]
Term	2	N	[*]
Monthly Lease Payment	4	N	[*]
Guar/CoSign (G/C/N)	1	N	[*]
For	20	A/N	[*]

- (a- Cannot Be A Saturday or Sunday (subject to change ?????)
- (b- Automatically Generated From Lock-Up Table Based On GECAL Dealer Number
- (c- Default to "N"
- (d- Required If Guar/CoSign Field Is "C" or "G"

Exhibit A: Continued

Description	Length	Type (Alpha/Num)	Required
Applicants continued			
Joint - Relationship	7	A	[*]
Residence (O,R,L. M)	1	A	[*]
Landlord/Lien holder	20	A/N	[*]
Mortgage/Rent Amount	5	N	[*]

Previous Vehicle (Lease, Purch, None)	1	A	[*]
Previous Vehicle Creditor	15	A	[*]
Driver Info (Lines 1 and 2)			
Driver (Primary, Joint, Other)	1	A	[*]
Percentage Use	3	N	[*]

- (e- Required If Current Address Is 0 or 1 year.
- (f- Default to "N"
- (g- Required If Income Is Input
- (h- Sum of Lines 1 and 2 Must Equal 100%

Exhibit B

Flowchart

[*]

[*] Confidential Treatment

EXHIBIT C

to

Financing Inquiry Referral Agreement,
dated as of February 1, 1997, between
General Electric Capital Auto Financial Services, Inc.
and Auto-By-Tel Acceptance Corporation
and Auto-By-Tel, Inc., as Guarantor (the "Agreement")

INFORMATION STANDARDS

- . GECAL will either provide ABT or make available to ABT its unique code sets on a periodic basis as deemed necessary including:
 - . [*]
 - . [*]
 - . Makes
 - . Models
 - . Dealer Information (i.e. ID, name, location)
 - . [*]
 - . others as required
- . ABT will send all transactions to GECAL in the predefined format utilizing the GECAL code sets.
- . Conditional data edits (i.e. if field A=1, then field B must=2) will be incorporated into the online credit application by ABT. These edits will be provided to ABT from GECAL as the detailed design tasks are completed.
- . The ABT lease calculator will utilize GECAL rates and residuals, but will also include a disclaimer to the consumer that the amounts shown (i.e. monthly payment) are estimates only.
- . The [*] query originated by ABT and sent [*] to the GECAL [*] will be based off of GECAL makes, models and body styles

The specifics of these requirements are subject to change as the detailed design and implementation of the various system components are finalized. Both ABT and GECAL agree in good faith to implement these and any other requirements as they

are encountered.