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

For the fiscal year ended December 31, 2011

or

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

For the transition period from _____ to _____

Commission File Number 1-34761

Autobytel Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware 33-0711569
(State of Incorporation) (I.R.S. Employer Identification No.)

18872 MacArthur Boulevard, Suite 200
Irvine, California 92612-1400
(Address of principal executive offices) (Zip Code)

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

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

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<th>Title of each class</th>
<th>Name of each exchange on which registered</th>
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<tr>
<td>Common Stock, par value $0.001 per share</td>
<td>The NASDAQ Global Market</td>
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<tr>
<td>Preferred Stock Purchase Right</td>
<td>The NASDAQ Global Market</td>
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Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted its Annual Report on Form 10-K to the SEC EDGAR Web site. Yes ☑ No ☐

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

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☑
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No X
Based on the closing sale price of $1.13 for our common stock on The NASDAQ Global Market on June 30, 2011, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately $52 million.

As of February 27, 2012, 46,123,232 shares of our common stock were outstanding.
Documents Incorporated by Reference

Portions of our Definitive Proxy Statement for the 2012 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.
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FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. Business

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

Overview

We are an automotive marketing services company that assists automotive retail dealers ("Dealers") and automotive manufacturers ("Manufacturers") market and sell new and used vehicles to consumers through our programs for online purchase request referrals ("Purchase Requests"), Dealer marketing products and services, and online advertising programs and data products. Our network of Company-owned, consumer-facing automotive websites ("Company-Owned Websites"), which includes our flagship website Autobytel.com®, with a mission to be Your Lifetime Automotive Advisor™, provides consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles ("Vehicle Purchase Requests"). For consumers who may not be able to secure loans through conventional lending sources, our Company-Owned Websites provide these consumers the ability to submit inquiries requesting Dealers or other lenders that may offer vehicle financing to these consumers to contact the consumers regarding vehicle financing ("Finance Purchase Requests").

Available Information

Our corporate website is located at www.autobytel.com. Information on our website is not incorporated by reference in this Annual Report on Form 10-K. At or through the Investor Relations section of our website we make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports as soon as practicable after this material is electronically filed with or furnished to the SEC and The NASDAQ Stock Market. Our Code of Conduct and Ethics is available at the Corporate Governance link of the Investor Relations section of our website. In addition, you may obtain, free of charge, a copy of this Code of Conduct and Ethics by writing to the Corporate Secretary, Autobytel Inc., 18872 MacArthur Boulevard, Suite 200, Irvine, California 92612-1400.

Significant Business Developments

Profitability for 2011

For the year ended December 31, 2011, we achieved net income of $0.4 million. This is the first time since the fiscal year ended 2004 that we have achieved profitability for the full year.
**Website Enhancements**

During 2011, we launched the first phase of a multi-phase redesign of our flagship website, Autobytel.com, and a new consumer proposition to be Your Lifetime Automotive Advisor™. The launch of the redesigned Autobytel.com reflects ongoing consumer internet and automotive shopping behavioral research, as well as design and navigational principles which we believe will offer consumers a richer and more customized experience. The objective of the redesign is centered on the Your Lifetime Automotive Advisor™ consumer proposition that expands our offerings and serves the entire automotive lifecycle for visitors to our website. Specifically, the new Autobytel.com reflects enhanced content and tools for those researching a vehicle purchase while at the same time, through our new MyGarage® vehicle ownership service, offering specific destinations for consumers to better manage maintenance for their vehicles, shop for competitive insurance pricing, and stay informed of Manufacturer recalls and special offers, as well as explore their options given the equity they have in an existing vehicle and financial options for trade-ins or private resell.

By expanding Autobytel.com’s offerings to serve as Your Lifetime Automotive Advisor™, our goal is to attract a broad scope of consumers to interact with our brand on an on-going basis rather than only serving their automotive shopping needs every three to seven years. Ongoing site enhancements such as exclusive vehicle video reviews and comprehensive mobile offerings beginning in the second quarter of 2012 ensures that we are serving consumers across multiple channels and devices in recognition of the dynamic evolution of their media and shopping behavior. We believe that this consumer proposition will ultimately enable us to reposition our brand to benefit from greater consumer satisfaction and recommendations, thus increasing our visitor footprint and driving growth across our Purchase Request, advertising and data products and services.

**Performance Analytics and Sales Focus**

Purchase request quality is measured by the conversion of Purchase Requests to actual vehicle sales. We rely on detailed feedback from Manufacturer and wholesale customers to confirm the performance of our Purchase Requests. In addition, in 2011 we started using R.L. Polk to evaluate the performance quality of both our Internally-Generated Purchase Requests as well as those we acquire from our third party Purchase Request suppliers. Our Manufacturer and wholesale customers and R.L. Polk match the Purchases Requests we deliver to our customers against vehicle sales data to provide us with closing rates for the Purchase Requests we deliver to our customers and information that allows us to compare these closing rates to the closing rates of the Purchase Requests we acquire from third party suppliers. Some of the data providers also provide comparisons to closing rates of third party Purchase Requests delivered by third parties and not delivered by us to our customers. Based on our evaluation of this information, we believe that the Purchase Requests we deliver to our customers generally are out-performing the closing rates of the Purchase Requests delivered by our third party Purchase Request suppliers. With this information, we report a number of key metrics to our customers, allowing them to gain a better understanding of the revenue opportunities that they may realize from acquiring Purchase Requests from us. We can now optimize the mix of Purchase Requests we deliver to our Dealers based on multiple sources of quality measurements. By providing actionable data, we are now placing considerable intelligence in the hands of our customers, and are seeing increased budget allocations for purchasing Purchase Requests from us.

Also during 2011, we began focusing our Dealer acquisition and retention strategies on dealerships to which we could deliver a higher percentage of our Internally-Generated Purchase Requests and that are more cost effective for us to support. We believe this will result in increased vehicle sales for our Dealers and ultimately stronger relationships with us because, based on our evaluation of the third party performance data discussed above, we believe our Internally-Generated Purchase Requests are of high quality. We believe that this strategy should allow us to have more profitable relationships with our Dealers both in terms of cost to supply Purchase Requests and to support the Dealers.

**Stock Repurchase**

On February 13, 2012, we announced that our Board of Directors had approved a stock repurchase program that authorizes the repurchase of up to $1.5 million of our common stock. Under the repurchase program, we may repurchase common stock from time to time on the open market or in private transactions. This authorization does not require us to purchase a specific number of shares, and the Board of Directors may suspend, modify or terminate it at any time. We will fund repurchases through the use of available cash. We currently anticipate that we may initiate repurchases in the open market during the week of March 5, 2012, but the timing and extent of repurchases will depend upon market conditions, legal constraints and other corporate considerations at the Company’s sole discretion.
We received a letter dated September 15, 2011, from The NASDAQ Stock Market LLC, notifying us that during the preceding 30 consecutive business days, the closing bid price of our common stock was below the $1.00 minimum bid price per share required for continued listing on the NASDAQ Global Market. This notification did not result in the immediate delisting of Autobytel’s common stock from the NASDAQ Global Market.

In accordance with NASDAQ rules, Autobytel has 180 calendar days, or until March 13, 2012, to regain compliance with the minimum bid price requirement by maintaining a closing bid price of $1.00 per share or higher for a minimum of 10 consecutive business days. Under the Listing Rules, the NASDAQ staff may exercise its discretion to extend this 10-day period. As of the filing of this Annual Report on Form 10-K with the SEC, the Company has not regained compliance with the minimum bid price requirement and will not be able to regain compliance prior to March 13, 2012 due to the condition that the common stock must satisfy the minimum bid requirement for a minimum of 10 consecutive business days. As a result, NASDAQ will provide notice to Autobytel that Autobytel’s common stock is subject to delisting from the NASDAQ Global Market. Once Autobytel receives such a notice, it may appeal the delisting determination to the NASDAQ Hearing Panel or may apply to transfer the listing of its common stock to the NASDAQ Capital Market if Autobytel satisfies all criteria for initial listing on the NASDAQ Capital Market, other than compliance with the minimum bid price requirement. If such application to the NASDAQ Capital Market is approved, then Autobytel may be eligible for an additional grace period. We are evaluating various options for regaining compliance with the minimum bid price requirement, including a reverse stock split of our common stock.

Industry Background

The internet has been rapidly adopted by consumers engaged in the vehicle purchasing process, primarily because the internet has become the best method to easily find the information necessary to make informed buying decisions. Additionally, the internet has become a primary tool for consumers to begin communicating with local automotive Dealers regarding vehicle pricing, availability, options, and financing. J.D. Power and Associates reported in 2012 that 81% of all U.S. new light vehicle consumer buyers have moved to the internet as a primary vehicle research and shopping tool. CNW Marketing/Research reported in 2010 that during several phases of the purchase process, more in-market shoppers considered third party websites (which include Autobytel.com) as their primary source for information, thus, surpassing both television and magazines. In addition, many Dealers and all Manufacturers use the internet as an efficient way to reach those consumers through marketing programs.

According to a 2012 presentation by J.D. Power & Associates, U.S. light vehicle sales increased 9% in 2011 compared to 2010, or 12.7 million for 2011 from 11.6 million for 2010. The U.S. automotive market shows signs of continued recovery with R.L. Polk and J.D. Power and Associates forecasting 2012 U.S. light vehicle sales at 13.7 million and 14.0 million, respectively, fueled by the increase in the average age of vehicles as well as loosening credit. We believe this recovery should result in increased use of the internet for consumers engaged in the vehicle purchasing process and increased submission of Purchase Requests by consumers in 2012.

Strategy

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

Increase Revenues from the Traffic on our Company-Owned Websites. Traffic to our Company-Owned Websites is obtained through a variety of sources and methods, including direct navigation to our Company-Owned Websites, natural search (search engine optimization or “SEO”, which is the practice of optimizing keywords in website content to drive traffic to a website), paid search (search engine marketing, or “SEM,” which is the practice of bidding on keywords on search engines to drive traffic to a website), direct marketing, and partnering with other website publishers that provide links to our websites. Traffic to our Company-Owned Websites is monetized primarily through the creation of Vehicle Purchase Requests that are delivered to our Dealer and Manufacturer customers to help them market and sell new and used vehicles, and through the sale of advertising space on our Company-Owned Websites. We plan to increase revenues from our Company-Owned Websites by:

- Increasing the Quality of our Purchase Requests. High quality Purchase Requests are those Purchase Requests that result in high transaction (i.e., purchase) closing rates for our Dealer customers. Purchase Requests are internally generated from our Company-Owned Websites (“Internally-Generated Purchase Requests”) or acquired (“Non-Internally-Generated Purchase Requests”) from third parties that generate Purchase Requests from their websites (“Non-Company-Owned Websites”). Internally-Generated Purchase Requests are generally higher quality than Non-Internally-Generated Purchase Requests and increase the overall quality of our Purchase Request portfolio. Non-Internally-Generated Purchase Requests are of varying quality. Therefore, we plan to continue to develop and maintain strong relationships only with suppliers of Non-Internally-Generated Purchase Requests that consistently provide high quality Purchase Requests.
Requests. We sell Internally-Generated Purchase Requests and Non-Internally-Generated Purchase Requests directly to Dealers and indirectly
to Dealers through a wholesale market consisting of Manufacturers and other third parties in the automotive Purchase Request distribution
industry. In conjunction with our Purchase Request programs, we also offer Dealers and Manufacturers other products and services, including
our iControl by Autobytel™, WebLeads™, Email Marketing Manager, and Lead Call products and services, to assist them in capturing online,
in-market customers and selling more vehicles by improving conversion of Purchase Requests to sale transactions.

**Increasing traffic acquisition activities.** We plan to increase the traffic to our Company-Owned Websites through enhancements to our
Company-Owned Websites and effective SEO and SEM traffic acquisition activities. Our goal is that over time, paid traffic such as SEM will
be balanced by greater visitation from direct navigation and SEO, which we expect to result in increased gross profit margins.

**Enhancing the quality and user experience of our Company-Owned Websites.** We continuously make enhancements to our Company-
Owned Websites, including enhancements of the design and functionality of our Company-Owned Websites. These enhancements are
intended to position our Company-Owned Websites as comprehensive best in class destinations for automotive purchase research by
consumers. For 2011, our most significant website enhancement involved the redesign of our Autobytel.com website as discussed above
under the section of this Item 1 entitled “Significant Business Developments—Website Enhancements.”

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

**Increase Purchase Request Sales to Our Dealer Customers.** Sales of Vehicle Purchase Requests to our Dealer network constitute a significant source of
our revenues. Our goal is to increase the number of Vehicle Purchase Requests sold to our retail Dealer customers by:

- increasing the quality of the Vehicle Purchase Requests sold to our Dealers,
- increasing the number of Vehicle Purchase Requests sold to each of our Dealers,
- increasing the number of Dealers in our Dealer network,
- providing customizable Purchase Request programs to meet our Dealers’ unique marketing requirements,
- providing additional value added marketing services that help Dealers more effectively utilize the internet to market and sell new and
  used vehicles, and
- increasing overall Dealer satisfaction by improving all aspects of our services.

**Increase Vehicle Purchase Request Sales to New and Existing Manufacturer Customers.** We have existing relationships with most Manufacturers
that market their vehicles in the U.S. We sell Vehicle Purchase Requests to our Manufacturer customers that they in turn provide to their Dealers to help them
market and sell new and used vehicles. Our goal is to increase our sales to these existing customers, as well as new customers, primarily by increasing the
quality of the Purchase Requests we deliver to them.

**Increase Advertising Revenues.** As traffic to and time spent on our Company-Owned Websites by consumers increases, we will seek to increase our
advertising revenues. We intend to leverage our relationships with Manufacturers and their advertising agencies to garner higher rates for our traditional
display advertising. We also intend to provide new advertising offerings built around the enhancements to our Company-Owned Websites, including new
editorial opportunities and high-demand sales event promotions for individual Manufacturers. It is our belief that if the volume of our traffic and
performance of the advertisements placed by Manufacturers continue to increase (as measured by the click through rates and other metrics typically
monitored by online marketers), existing and prospective advertisers will recognize this increased value by agreeing to pay higher prices for the advertising
space available on our Company-Owned Websites. Finally, our goal is to increase the number of our advertising customers and to expand beyond
Manufacturers to include non-Manufacturer advertising customers.
Expand our Products and Services. We gather significant amounts of data on consumer intent as it relates to purchasing vehicles. We intend to use these data to create products and services, including direct business database offerings, which we believe will ultimately help Manufacturers and Dealers market and sell more new and used vehicles. Our objective is to generate revenues from this asset in the most effective and efficient ways possible.

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

Our ability to implement the foregoing strategies and plans is subject to risks and uncertainties, many of which are beyond our control. Accordingly, there is no assurance that we will successfully implement our strategies and plans. See “Item 1A. Risk Factors.”

Products and Services

Vehicle Purchase Request Programs

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

New Vehicle Purchase Request Program. Our Vehicle Purchase Request program for new vehicles allows consumers to submit requests for pricing and availability of specific makes and models. A new Vehicle Purchase Request provides information regarding the make and model of a vehicle, and may also include additional data regarding the consumers’ needs, including the vehicle they wish to trade-in, whether they wish to lease or buy, and other options that are important to their vehicle acquisition decision. A Purchase Request will usually also include the consumer’s name, phone number, and email address and may include their home address.

Our Purchase Requests are subject to a quality verification that is designed to maintain the high quality of our Purchase Requests and increase the Purchase Request closing rates for our Purchase Request customers. Quality verification includes the validation of name, phone number, email address, and postal address. Our quality verification also involves proprietary systems as well as partnerships with vendors specializing in customer validation. After a Purchase Request has been subjected to quality verification, if we have placement coverage for the Purchase Request within our own Dealer network, we send the Purchase Request to Dealers that sell the type of vehicle requested in the consumer’s geographic area. We also send an email message to the consumer with the Dealer’s name and phone number and if the Dealer has a dedicated internet manager, the name of that manager. Dealers contact the consumer, generally within 24 hours of receiving the Purchase Request with a price quote and availability information for the requested vehicle. In addition to sales of Purchase Requests direct to Dealers in our network, we also sell Purchase Requests wholesale to Manufacturers for delivery to their Dealers and to third parties that have placement coverage for the lead with their own customers.

Dealers participate in our retail new Vehicle Purchase Request program by entering into contracts directly with us or through major Dealer groups. Generally, our Dealer contracts may be terminated by either party on 30 days’ notice and are non-exclusive. The majority of our retail new Vehicle Purchase Request revenues consist of either a monthly subscription or a per Purchase Request fee paid by Dealers in our network; however, under our recently introduced Pay-per-Sale program, we offer a limited number of Dealers in states where we are permitted to charge on a per transaction basis the opportunity to pay a flat per transaction fee for a Purchase Request that results in a vehicle sale. We reserve the right to adjust our fees to retail Dealers upon 30 days’ prior notice at any time during the term of the contract. Manufacturers (directly or through their marketing agencies) and other third parties participate in our wholesale new Vehicle Purchase Request programs generally by entering into agreements where either party has the right to terminate upon prior notice, with the length of the time for notice
varying by contract. Revenues from retail new Vehicle Purchase Requests accounted for 30% and 37% of total revenues in 2011 and 2010, respectively. Revenues from wholesale Purchase Requests accounted for 46% and 34% of total revenues in 2011 and 2010, respectively.

**Used Vehicle Purchase Request Program.** Our used Vehicle Purchase Request program allows consumers to search for used vehicles according to specific search parameters, such as the price, make, model, mileage, year and location of the vehicle. The consumer is able to locate and display the description, price, and, if available, digital images of vehicles that satisfy the consumer’s search parameters. The consumer can then submit a Purchase Request for additional information regarding a specific vehicle that we then deliver to the Dealer offering the vehicle. In addition to sending Purchase Requests directly to Dealers through our Purchase Request delivery system, consumers may choose to contact the Dealer using a toll free number posted next to the vehicle search results. We charge each Dealer that participates in the used Vehicle Purchase Request program a monthly subscription or per Purchase Request fee. Revenues from used Vehicle Purchase Requests accounted for 6% and 8% of total revenues in 2011 and 2010, respectively.

**Finance Purchase Request Program**

Our Finance Purchase Requests program is designed to provide consumers who may not be able to secure loans through conventional lending sources the opportunity to obtain vehicle financing and other services from Dealers or finance institutions offering vehicle financing to these consumers. Consumers can submit a request for vehicle financing or submit a credit questionnaire for a credit report or other credit services that are provided by third party providers. Finance Purchase Requests are forwarded to the nearest participating Dealer that offers financing or, if a Dealer is not available, to an automotive finance institution. We charge each Dealer and finance institution that participates in the Finance Purchase Request program a monthly subscription or per Purchase Request fee. Revenues from Finance Purchase Requests accounted for 12% and 13% of total revenues in 2011 and 2010, respectively. We have a call center program that consists of telephone surveys of Finance Purchase Request consumers. The purpose of this program is to evaluate consumer experience with our Dealers and other financing customers and our finance Purchase Request program and to determine whether or not the consumers purchased a vehicle. In addition, we inquire about the consumer’s interest in obtaining information or quotes for relevant products and services, including credit report repair and vehicle loan refinancing, offered by third parties. If the consumer expresses an interest, we refer the consumer to the third party and obtain a referral fee.

**Other Dealer Products and Services**

In conjunction with our automotive Vehicle Purchase Request programs, we also offer products and services that assist Dealers in connecting with in-market consumers and closing vehicle sales.

**iControl by Autobytel™**. iControl by Autobytel™ is our proprietary technology that allows Dealers many options to filter and control their Vehicle Purchase Requests. iControl by Autobytel™ can be controlled at the dealership or at the Dealer group level from a web-based, easy-to-use console that makes it quick and simple for dealerships to change their Vehicle Purchase Request acquisition strategy; to adjust for inventory conditions at their stores, and broader industry patterns (such as increases in gas prices or changes in consumer demand). From the console, dealerships can easily contract or expand territories and increase, restrict or block specific model and Purchase Request web sources, making it much easier to target inventory challenges and focus marketing resources more efficiently. Dealers can manage their Vehicle Purchase Requests as follows:

- **Purchase Request Web Source** – segments Purchase Request sources into five categories (‘research,’ ‘quote,’ ‘buying,’ ‘enthusiast,’ and ‘portal’) based on the type of automotive publisher from where the Purchase Request is coming. This enables Dealers to configure their mix according to their dealership resources and goals – along with the actual performance of a particular source.

- **Territory** – enables Dealers to apply different territories/zip codes to each of their models and Purchase Request sources. Dealers can make territory decisions to protect their local market and expand their marketing reach by increasing their territory range. For example, a dealership may choose to increase the territory range for vehicles with higher closing ratios and are a greater distance from the dealership.

- **Make/Model** – helps Dealers spend their budget more effectively by allowing them to increase the number of Vehicle Purchase Requests for hard to move models or, conversely, block or restrict Purchase Requests by model for those with limited availability.

We now have approximately one-half of our new vehicle Dealers participating in our iControl by Autobytel™ product.

**WebLeads+.** Designed to work in connection with a Dealer’s participation in our traditional Purchase Request programs, WebLeads+ offers a Dealer multiple coupon options that display timely and relevant marketing messages to consumers visiting the Dealer’s web site. When a Dealer uses WebLeads+, consumers visiting the Dealer’s website are
encouraged to take action in two ways. First, while visiting the Dealer website, a consumer who clicks on certain targeted areas of the site, such as a “Used Car” or “Specials” tab, is presented with a customized special offer formatted for easy Purchase Request submission. If a vehicle quote is requested, the Purchase Request goes directly into the dealership management tool, so a salesperson can promptly address the customer’s questions. Second, if the consumer leaves the Dealer website, but remains online, Autobytel’s WebLeads+ product keeps the coupon active under the consumer’s browser windows, providing the Dealer a repeat branding opportunity and giving the consumer an easy way to re-engage with the Dealer's website through submission of a Purchase Request. The additional Purchase Requests generated by the coupons are seamlessly integrated into our Extranet tool.

**Email Manager and Lead Call.** Email Manager provides, on behalf of the Dealers, timely and relevant follow up emails to consumers who have submitted Purchase Requests on scheduled intervals following a consumer’s Purchase Request submission. After submission of a Purchase Request, Lead Call provides a live phone call to the Dealer to ensure that the Dealer contacts the consumer in a timely manner.

**Advertising Programs**

Our Company-Owned Websites attract an audience of prospective automotive buyers that advertisers can target through display advertising. A primary way advertisers use our Company-Owned Websites to reach consumers is through vehicle content targeting. This allows automotive marketers to reach consumers while they are researching one of our comprehensive automotive segments such as mini-vans or SUVs. We sell fixed placement advertising across our Company-Owned Websites and offer Manufacturers sponsorship opportunities to assist in their efforts both in terms of customer retention and conquest strategies. We also have a direct marketing platform that enables Manufacturers to selectively target in-market consumers during the often-extended vehicle shopping process. Designed to keep a specific automotive brand in consideration, our direct marketing programs allow automotive marketers to deliver specific communication through either email or direct mail formats to in-market consumers during their purchase cycle. Our Company-Owned Websites offer Manufacturers the opportunity to feature their makes and models within highly contextual content. Through their advertising placements, Manufacturers can direct consumers to their respective websites for further information. We believe this transfer of consumers from our Company-Owned Websites to Manufacturer sites is the most significant action measured by Manufacturers in evaluating our performance and value as a marketing partner. Most of the Manufacturers advertising on our Company-Owned Websites have benefitted from above average performance with regard to our performance metrics such as click-through rates and actions taken once consumers reach the Manufacturer’s site. One hundred percent of the consumer page views generated from Manufacturer advertising on our Company-Owned Websites are transferred to Manufacturer sites. Advertising revenues including direct marketing accounted for 6% and 8% of total revenues in 2011 and 2010, respectively.

**Data Licensing**

We have developed, internally or in partnership with others, data and market analytics products utilizing information from users of our Company-Owned Websites. These products provide marketing insights to advertisers and agencies demanding better performance from their advertising dollars across online and offline sources. We license the use of our aggregated Purchase Request data to third parties for the purposes of advertising targeting and optimization. We also license our audience (i.e., website cookie) data to various advertising targeters to add to their existing cookie pools that they offer to advertisers. We sell our data direct to advertisers and other users of our data without the use of third party advertising targeters.

**Seasonality**

Our quarterly operating results have fluctuated in the past and may fluctuate in the future due to unforeseen events affecting the economy and industry in which we operate. Other factors that may adversely affect our quarterly operating results include our Purchase Request volume, which fluctuates with automotive industry sales volume that has some measure of seasonality. Typically, volume is highest in the spring and summer months, with lower volume in the fall and winter months. As a result of the effects of seasonality, investors may not be able to predict our annual operating results based on a quarter-to-quarter comparison of our operating results. Seasonality in the automotive industry is likely to cause fluctuations in our operating results and could have a material adverse effect on our business, results of operations, and financial condition.

**Intellectual Property**

Our intellectual property includes patents and patent applications related to our innovations, products and services; trademarks related to our brands, products and services; copyrights in software and creative content; trade secrets; and other intellectual property rights and licenses of various kinds. We seek to protect our intellectual property assets through patent,
We believe that our future success is significantly dependent upon our ability to continue to deliver high-performance, reliable and comprehensive websites, enhance consumer and Dealer product and service offerings, maintain the highest levels of information privacy and ensure transactional security. Our Company-Owned Websites are hosted at secure third-party data center facilities. These data centers include redundant power infrastructure, redundant network connectivity, fire detection and suppression systems and security systems to prevent unauthorized access. Our network and computer systems are built on industry standard technology.

System enhancements are primarily intended to accommodate increased traffic across our Company-Owned websites, improve the speed in which Purchase Requests are processed and introduce new and enhanced products and services. System enhancements entail the implementation of sophisticated new technology and system processes. We plan to continue to make investments in technology as we believe appropriate.

Government Regulation

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

Employees

As of February 27, 2012 we had 118 employees. We also use independent contractors as required. None of our employees are represented by labor unions. We have not experienced any work stoppages and consider our employee relations to be generally good.
Item 1A. Risk Factors

In addition to the factors discussed in the “Liquidity and Capital Resources” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K, the following additional factors may materially and adversely affect our business, results of operations and financial condition. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, results of operations and financial condition.

Except for fiscal years 2003, 2004 and 2011, we have had a history of net annual losses. We may not be profitable in the future. If we are unable to sustain profitability in the future and we again experience losses, our business may not be financially viable.

Except for fiscal years 2003, 2004 and 2011 we have experienced net annual losses, and as of December 31, 2011 we had an accumulated deficit of $282 million. We may not be able to sustain profitability in the future, and our potential for future profitability must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered generally by companies in rapidly evolving markets such as the market for internet commerce and specifically by companies in the automotive marketing services industry. We believe that to sustain profitability, we must, among other things:

- Increase revenues derived from our Purchase Requests and advertising services; and
- Continue to manage our expenses in a disciplined manner.

Our ability to increase Vehicle Purchase Request revenues is dependent on a mix of interrelated factors, including our ability to provide high quality Vehicle Purchase Requests to our customers.

We derive more than 87% of our revenues from Vehicle Purchase Request fees paid by Dealers and Manufacturers participating in our Purchase Request programs. Our ability to increase revenues from sales of Vehicle Purchase Requests is dependent on a mix of interrelated factors that include increasing Vehicle Purchase Request revenues by attracting and retaining Dealers and Manufacturers, increasing the number of high quality Vehicle Purchase Requests we sell to individual Dealers and Manufacturers, and improving margins by increasing the number of Internally-Generated Purchase Requests that we sell to our customers. During 2011 we began focusing our Dealer acquisition and retention strategies on dealerships where we could deliver a higher percentage of our Internally-Generated Purchase Requests. We are also focused on higher revenue Dealers, which purchase more of our Internally-Generated Purchase Requests and are more cost-effective to support. These changes in our sales strategy are intended to result in more profitable relationships with our Dealers both in terms of cost to supply Purchase Requests and to support the Dealers. For 2011, we experienced attrition in the number of our Dealers and ended the year with 2% fewer Dealers compared to the number of Dealers at year-end 2010. If Dealer attrition continues to occur and our new sales focus does not mitigate the loss in revenues by maintaining the overall number of Purchase Requests sold by increasing sales to other Dealers or Manufacturers while maintaining the overall margins we receive from the Purchase Requests sold, our revenues would decrease. We cannot provide any assurances that we will be able to prevent Dealer attrition or to offset the revenues lost due to Dealer attrition by other means, and our failure to do so could materially and adversely affect our business, results of operations and financial condition.

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

Our ability to increase advertising revenues is largely dependent on our ability to increase consumer traffic to our websites.

We depend on automotive Manufacturers for substantially all of our advertising revenues. The termination of any of these relationships, a decline in the level of advertising with us, reductions in advertising rates or any significant failure to develop additional sources of advertising would cause our advertising revenues to decline, which could have a material adverse effect on our business, results of operations and financial condition. We periodically negotiate revisions to existing agreements and these revisions could decrease our advertising revenues in future periods and a number of our advertising agreements with Manufacturers may be terminated at any time without cause. We may not be able to maintain our relationship with Manufacturers on favorable terms or find alternative comparable relationships capable of replacing...
advertising revenues on terms satisfactory to us. If we cannot do so, our advertising revenues would decline, which could have a material adverse effect on our business, results of operations and financial condition.

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

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

Our business, results of operations and financial condition are affected by general economic and market factors, conditions in the automotive industry, and the market for automotive marketing services, including, but not limited to, the following:

- The adverse effect of high unemployment on the number of vehicle purchasers;
- General uncertainty about the economy;
- Availability of, and interest rates for, financing for vehicle purchases;
- Pricing and purchase incentives for vehicles;
- Disruption in the available inventory of automobiles;
- The adverse effect of high demand/low supply vehicles on the need for Purchase Requests for such vehicles;
- Gasoline prices;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations;
- Decreases in the number of retail Dealers in the industry; and
- The impact of market factors on our ability to continue to attract, train, retain and motivate qualified personnel.

Concentration of credit risk and risks due to significant customers could materially and adversely affect our business, results of operations and financial condition.

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are primarily maintained with two financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. Generally these deposits may be redeemed upon demand. Accounts receivable are primarily derived from fees billed to automotive Dealers and Manufacturers. We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with AutoNation, General Motors and Urban Science Applications. During 2011 approximately 24% of the Company’s total revenues were derived from these customers, and approximately 27% or $2.9 million of gross accounts receivable are receivable from them at December 31, 2011. No collateral is required to support our accounts receivables and we maintain an allowance for bad debts for potential credit losses. If there is a decline in the general economic environment that negatively affects the financial condition of our customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required and the adverse impact on the our business, results of operations or financial condition could be material.

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

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

We may be considered to “operate” or “do business” in states where our customers conduct their business, resulting in regulatory action. In the event any state’s regulatory requirements impose state specific requirements on us or include us within an industry-specific regulatory scheme, we may be required to modify our marketing programs in that state in a manner that may undermine the program’s attractiveness to consumers or Dealers. In the alternative, if we determine that the licensing and related requirements are overly burdensome, we may elect to terminate operations in that state. In each case, our business, results of operations and financial condition could be materially and adversely affected. We have identified below areas of government regulation, which if changed or interpreted to apply to our business, we believe could be costly for us.

Automotive Dealer/ Broker and Vehicle Advertising Laws. All states comprehensively regulate vehicle sales and lease transactions, including strict licensure requirements for Dealers (and, in some states, brokers) and vehicle advertising. Most of these laws and regulations, we believe, specifically address only traditional vehicle purchase and lease transactions, not internet-based Purchase Request referral programs such as our programs. We do not believe that our marketing services programs qualify as automobile brokerage activity in most states and, therefore, we do not believe that state motor vehicle Dealer or broker licensing requirements apply to us in most states. If we determine that the licensing or other regulatory requirements in a given state are applicable to us or to a particular marketing services program, we may elect to obtain required licenses and comply with applicable regulatory requirements. However, if licensing or other regulatory requirements are overly burdensome, we may elect to terminate operations or particular marketing services programs in that state or elect to not operate or introduce particular marketing services programs in that state. In some states we have modified our marketing programs or pricing models to reduce uncertainty regarding our compliance with local laws. As we introduce new services, we may need to incur additional costs associated with additional licensing regulations and regulatory requirements. If any state’s licensing or other regulatory requirements relating to motor vehicle Dealers or brokers are deemed applicable to us or to any particular marketing services program and we do not comply with those regulatory requirements, we may become subject to fines, penalties or other requirements and may be required to modify our marketing programs or pricing models in those states in a manner that undermines the attractiveness of the program to consumers or Dealers.

Financial Broker and Consumer Credit Laws. We provide a connection through our websites that allows consumers to obtain finance information and submit Purchase Requests for vehicle financing to third party lenders. We also acquire finance-related Purchase Requests from third parties. We receive marketing fees from financial institutions and Dealers in connection with this marketing activity. We do not demand nor do we receive any fees from consumers for this service. In the event states require us to be licensed as a financial broker, we may be unable to comply with a state’s laws or regulations, or we could be required to incur significant fees and expenses to obtain any financial broker required license and comply with regulatory requirements. In the event states require us to be licensed and we are unable to do so, or we are otherwise unable to comply with laws or regulations required by changes in current operations or the introduction of new services, we could be subject to fines or other penalties or be compelled to discontinue operations in those states. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act established a new consumer financial protection bureau with broad regulatory powers, which could lead to regulation of our Finance Purchase Request business directly or indirectly through regulation of automotive finance companies and other financial institutions.

Insurance Broker Laws. We provide links on our websites and referrals from call centers enabling consumers to be referred to third parties to receive quotes for insurance and extended warranty coverage from such third parties. All on-line applications for quotes are completed on the respective insurance carriers’ or other third party websites, and all applications for quotes obtained through call center referrals are conducted by the insurance carrier or other third party. We receive marketing fees from participants in connection with this marketing activity. We do not receive any premiums from consumers nor do we charge consumers fees for our services. We do not believe that these activities require us to be licensed under state insurance laws. However, if any state insurance licensing laws were determined to be applicable to us and if we are required to be licensed and we are unable to do so, or we are otherwise unable to comply with laws or regulations, we could be subject to fines or other penalties or be compelled to discontinue operations in those states.

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

Because our business is dependent on the internet, the adoption of new local, state or federal tax laws or regulations or new interpretations of existing laws or regulations by governmental authorities may subject us to additional local, state or
federal sales, use or income taxes and could decrease the growth of internet usage or marketing or the acceptance of internet commerce which could, in turn, decrease the demand for our services and increase our costs. As a result, our business, results of operations and financial condition could be materially and adversely affected. Tax authorities in a number of states are currently reviewing and re-evaluating the tax treatment of companies engaged in internet commerce, including the application of sales taxes to internet marketing businesses similar to ours. We accrue for tax contingencies based upon our estimate of the taxes ultimately expected to be paid, which we update over time as more information becomes available, new legislation or rules are adopted or taxing authorities interpret their existing statutes and rules to apply to internet commerce, including internet marketing businesses similar to ours. The amounts ultimately paid in resolution of reviews or audits by taxing authorities could be materially different from the amounts we have accrued and result in additional tax expense, and our business, results of operations and financial condition could be materially and adversely affected. We were audited in June 2011 by the New York State Department of Taxation and Finance for sales tax for the period December 1, 2003 through February 28, 2011, and we are awaiting the results of the state’s audit. We are also in an on-going income tax examination by the New York State Department of Taxation and Finance for the period January 1, 2006 through December 31, 2008.

Data Security and Privacy Risks

Our business is subject to various laws, rules and regulations relating to data security and privacy. New data security and privacy laws, rules and regulations may be adopted regarding the internet or other on-line services that could limit our business flexibility or cause us to incur higher compliance costs. In each case, our business, results of operations and financial condition could be materially and adversely affected. We have identified below some of these risks that we believe could be costly for us.

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

Data privacy laws, rules and regulations. Various laws, rules and regulations govern the collection, use, retention, sharing and security of data that we receive from our users, advertisers, and affiliates. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use and disclosure of user data and personal information. Any failure, or perceived failure, by us to comply with our posted privacy policies, Federal Trade Commission requirements or orders or other federal or state privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others. Further, failure or perceived failure by us to comply with our policies, applicable requirements, or industry self-regulatory principles related to the collection, use, sharing or security of personal information or other privacy-related matters could result in a loss of user confidence in us, damage to our brands, and ultimately in a loss of users, advertisers, or Purchase Request referral and advertising affiliates. We can not predict whether new legislation or regulations concerning data privacy and retention issues related to our business will be adopted, or if adopted, whether they could impose requirements that may result in a decrease in our user registrations and materially and adversely affect our revenues, results of operations and financial condition. Proposals that have or that are currently being considered includes restrictions relating to the collection and use of data and information obtained through the tracking of internet use, including the possible implementation of a “Do Not Track” list, that would allow internet users to opt-out of such tracking.

Security risks associated with on-line Purchase Requests collection and referral, advertising and e-commerce. A significant issue for on-line businesses like ours is the secure transmission of confidential and personal information over public networks. Concerns over the security of transactions conducted on the internet, consumer identity theft and user privacy issues have been significant barriers to growth in consumer use of the internet, on-line advertising, and e-commerce. Despite our implementation of security measures, our computer systems may be susceptible to electronic or physical computer break-ins, viruses and other disruptive harms and security breaches. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may specifically compromise our security measures. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any perceived or actual unauthorized disclosure of personally identifiable information regarding website visitors, whether through breach of our network by an unauthorized party, employee theft or misuse, or otherwise, could harm our reputation and brands, substantially impair our ability to attract and retain our audiences, or subject us to claims or litigation arising from damages suffered by consumers. If consumers experience identity theft after
using any of our websites, we may be exposed to liability, adverse publicity and damage to our reputation. To the extent that identity theft gives rise to reluctance to use our websites or a decline in consumer confidence in financial transactions over the internet, our business could be adversely affected. Alleged or actual breaches of the network of one of our business partners or competitors whom consumers associate with us could also harm our reputation and brands. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. For example, California law requires companies to inform individuals of any security breaches that result in their personal information being stolen. Because our success depends on the acceptance of on-line services and e-commerce, we may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by those breaches. Internet fraud has been increasing over the past few years, and fraudulent on-line transactions, should they continue to increase in prevalence, could also materially and adversely affect the customer experience and therefore our business, operating results and financial condition. We are insured for some, but not all, of the foregoing risks. Even for those risks for which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all costs, liabilities or losses we might incur or experience.

Technology Risks

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

Interruptions or failures in our information technology platforms, communication systems, or security systems could materially and adversely affect our business, results of operations or financial conditions. Our information technology and communications systems are susceptible to outages and interruptions due to fire, flood, earthquake, power loss, telecommunications failures, cyber attacks, terrorist attacks, failure of redundant systems and disaster recovery plans and similar events. Such outages and interruptions could damage our reputation and harm our operating results. Despite our network security measures, our information technology platforms are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage, and similar disruptions from unauthorized tampering, as well as coordinated denial-of-service attacks. We do not have multiple site capacity for all of our services. In the event of delays or disruptions to services we rely on third-party providers to perform disaster recovery planning and services on our behalf. We are vulnerable to extended failures to the extent that planning and services are not adequate to meet our continued technology platform, communication or security systems’ needs. We rely on third-party providers for our primary and secondary internet connections. Our co-location service which provides environmental and power support for our technology platforms, communication systems, and security systems is received from a third-party provider. We have little or no control over these third-party providers. Any disruption of the services they provide us or any failure of these third-party providers to effectively plan for increases in capacity could, in turn, cause delays or disruptions in our services. We are insured for some, but not all, of these events. Even for those events for which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all losses we might incur or experience.
We are exposed to risks associated with outsourcing of software development overseas.

We currently outsource software development and maintenance for some of our systems to overseas contractors. Overseas outsourcing is subject to many inherent risks, including but not limited to:

- political, social and economic instability;
- exposure to different business practices and legal standards, particularly with respect to intellectual property;
- continuation of overseas conflicts and the risk of terrorist attacks and resulting heightened security;
- the imposition of governmental controls and restrictions and unexpected changes in regulatory requirements;
- nationalization of business and blocking of cash flows;
- changes in taxation and tariffs; and
- difficulties in staffing and managing international operations.

Securities Market Risks

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

- Actual or anticipated variations in our quarterly operating results;
- Historical and anticipated operating metrics such as the number of participating Dealers, volume of Purchase Request deliveries to Dealers, the number of visitors to our Company-Owned Websites and the frequency with which they interact with our Company-Owned Websites;
- Announcements of new product or service offerings;
- Technological innovations;
- Low trading volumes;
- Concentration of holdings in our common stock resulting in low public float for our shares;
- Decisions by holders of large blocks of our stock to sell their holdings on accelerated time schedules, including by reason of their decision to liquidate investment funds that hold our stock;
- Limited analyst coverage of the Company;
- Competitive developments, including actions by Manufacturers;
- Changes in financial estimates by securities analysts or our failure to meet such estimates;
- Conditions and trends in the internet, electronic commerce and automotive industries;
- Our ability to comply with the conditions to continued listing of our stock on The NASDAQ Global Market;
- Adoption of new accounting standards affecting the technology or automotive industry;
- The impact of open market repurchases of our common stock; and
- General market or economic conditions and other factors.

Further, the stock markets, and in particular The NASDAQ Global Market, have experienced price and volume fluctuations that have particularly affected the market prices of equity securities of many technology companies and have often been unrelated or disproportionate to the operating performance of those companies. These broad market factors have affected and may adversely affect the market price of our common stock. In addition, general economic, political and market conditions, such as recessions, interest rates, energy prices, international currency fluctuations, terrorist acts, political revolutions, military actions or wars, may adversely affect the market price of our common stock. In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been instituted against companies with publicly traded securities. This litigation could result in substantial costs and a diversion of management’s attention and resources, which would have a material adverse effect on our business, results of operations and financial condition.

Our common stock could be delisted from the NASDAQ Global Market if we are not able to satisfy continued listing requirements, and if this were to occur, the price of our common stock and our ability to raise additional capital may be adversely affected and the ability to buy and sell our stock may be less orderly and efficient. Our common stock is currently listed on the NASDAQ Global Market. Continued listing of a security on the NASDAQ Global Market is conditioned upon compliance with various continued listing standards. There can be no assurance that we will continue to satisfy the requirements for maintaining a NASDAQ Global Market listing. The standards for continued listing require, among other things, that the closing minimum bid price for the listed securities be at least $1.00 per share for 30 consecutive
trading days. With very few exceptions, the closing bid price for our shares has been less than $1.00 per share since August 1, 2011, and there can be no assurances made that we will satisfy the $1.00 minimum bid price required for continued listing of our common stock on the NASDAQ Global Market.

We received a letter dated September 15, 2011, from The NASDAQ Stock Market LLC, notifying us that during the preceding 30 consecutive business days, the closing bid price of our common stock was below the $1.00 minimum bid price per share required for continued listing on the NASDAQ Global Market. This notification did not result in the immediate delisting of Autobytel's common stock from the NASDAQ Global Market.

In accordance with NASDAQ rules, Autobytel has 180 calendar days, or until March 13, 2012, to regain compliance with the minimum bid price requirement by maintaining a closing bid price of $1.00 per share or higher for a minimum of 10 consecutive business days. Under the Listing Rules, the NASDAQ staff may exercise its discretion to extend this 10-day period. As of the filing of this Annual Report on 10-K with the SEC, the Company has not regained compliance with the minimum bid price requirement and will not be able to regain compliance prior to March 13, 2012 due to the condition that the common stock must satisfy the minimum bid requirement for a minimum of 10 consecutive business days. As a result, NASDAQ will provide notice to Autobytel that Autobytel’s common stock is subject to delisting from the NASDAQ Global Market. Once Autobytel receives this notice, it may appeal the delisting determination to the NASDAQ Hearing Panel or may apply to transfer the listing of its common stock to the NASDAQ Capital Market if Autobytel satisfies all criteria for initial listing on the NASDAQ Capital Market, other than compliance with the minimum bid price requirement. If such application to the NASDAQ Capital Market is approved, then Autobytel may be eligible for an additional grace period. We are evaluating various options for regaining compliance with the minimum bid price requirement, including a reverse stock split of our common stock.

Risks Associated with Litigation

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

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

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

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

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

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

Our amended and restated certificate of incorporation allow us to issue preferred stock with rights senior to those of the common stock without any further vote or action by the stockholders. Our amended and restated certificate of incorporation also provides that the board of directors is divided into three classes, which may have the effect of delaying or preventing changes in control or change in our management because less than a majority of the board of directors are up for election at each annual meeting. In addition, provisions in our amended and restated certificate of incorporation and bylaws impose various procedural and other requirements which could make it more difficult for stockholders to effect corporate actions such as a merger, asset sale or other change of control of us.

Under our Tax Benefit Preservation Plan, rights to purchase capital stock of the Company ("Rights") have been distributed as a dividend at the rate of one Right for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $8.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company’s outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company’ s outstanding common stock. If a person or group acquires 4.90% or more of our common stock, all Rights holders, except the acquirer, will be entitled to acquire at the then exercise price of a Right that number of shares of our common stock which, at the time, has a market value of two times the exercise price of the Right. The Tax Benefit Preservation Plan authorizes our Board of Directors to exercise discretionary authority to deem a person acquiring common stock in excess of 4.90% not to be an "Acquiring Person" under the Tax Benefit Preservation Plan, and thereby not trigger the Rights, if the Board finds that the beneficial ownership of shares by the person acquiring the shares will not be likely to directly or indirectly limit the availability to the Company of the net operating loss carryovers and other tax attributes that the plan is intended to preserve or is otherwise in the best interests of the Company.

We are also subject to Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a “business combination” includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an “interested stockholder” is a person who, together with affiliates and associates, owns or did own 15% or more of the corporation’s voting stock. Section 203 could discourage a third party from attempting to acquire control of us.
If our internal controls and procedures fail, our financial condition, results of operations and cash flow could be materially and adversely affected.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In making its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2011, management used the criteria described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Management determined that we had no material weaknesses in our internal control over financial reporting as of December 31, 2011. Our internal controls may not prevent all potential errors and fraud, because any control system, no matter how well designed, can only provide reasonable and not absolute assurance that the objectives of the control system will be achieved. We have had material weaknesses in our internal control over financial reporting in the past and there is no assurance that we will not have one or more material weaknesses in the future resulting from failure of our internal controls and procedures.

Our ability to report our financial results on a timely and accurate basis could be adversely affected by a failure in our internal control over financial reporting. If our financial statements are not fairly presented, investors may not have an accurate understanding of our operating results and financial condition. If our financial statements are not timely filed with the SEC, we could be delisted from The NASDAQ Global Market. If either or both of these events occur, it could have a material adverse affect on our ability to operate our business and the market price of our common stock. In addition, a failure in our internal control over financial reporting could materially and adversely affect our financial condition, results of operations and cash flow.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our headquarters are located in an office building in Irvine, California. Our headquarters consist of approximately 26,000 square feet of leased space. The headquarters lease expires on July 31, 2013 with a one-year extension option available. Our finance leads operations are located in an office building in Troy, Michigan and occupies approximately 5,449 square feet. This lease expires on July 31, 2013 with an option to extend the term for one term of three years. We also have offices located in Tampa, Florida, which consists of approximately 2,843 rentable square feet. This lease expires May 31, 2013. We believe that our existing facilities are adequate to meet our needs and that existing needs and future growth can be accommodated by leasing alternative or additional space.

Item 3. Legal Proceedings

See Note 6 of the “Notes to Consolidated Financial Statements” in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.
## Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock, par value $0.001 per share, is listed on The NASDAQ Global Market and trades under the symbol “ABTL.” The following table sets forth, for the calendar quarters indicated, the range of high and low sales prices of our common stock.

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Quarter</td>
<td>$1.14</td>
<td>$0.90</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>$1.28</td>
<td>$0.79</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>$1.21</td>
<td>$0.80</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>$0.89</td>
<td>$0.74</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Quarter</td>
<td>$1.47</td>
<td>$0.86</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>$1.46</td>
<td>$0.98</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>$1.18</td>
<td>$0.82</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>$0.92</td>
<td>$0.70</td>
</tr>
</tbody>
</table>

As of February 27, 2012, there were 469 holders of record of our common stock. We have never declared or paid any cash dividends on our common stock and we do not expect to pay any cash dividends in the foreseeable future. As of February 27, 2012, our common stock closing price was $1.01 per share.
Item 6.  Selected Financial Data

Not applicable.

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

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

Overview

For the year ended December 31, 2011, our business, results of operations and financial condition were affected and may continue to be affected in the future, by general economic and market factors, including, conditions in the automotive industry, the market for Purchase Requests and the market for advertising services, including, but not limited to, the following:

- The adverse effect of high unemployment on the number of vehicle purchasers;
- General uncertainty of the economy;
- Availability of, and interest rates for, financing for vehicle purchases;
- Pricing and purchase incentives for vehicles;
- Disruption in the available inventory of automobiles;
- Gasoline prices;
- The effects of competition and Purchase Request sourcing (i.e., Internally-Generated Purchase Requests versus Non-Internally Generated Purchase Requests) on our supply and acquisition costs of quality Purchase Requests and the resulting effects on sales, pricing and margins for our services and products;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale Manufacturers in our customer base;
- Continued volatility in spending by Manufacturers and others in marketing allocations;
- The amount of visits (traffic) to our Company-Owned Websites;
- The cost of acquiring traffic to our Company-Owned Websites; and
- The rates attainable from our advertisers.
Results of Operations

The following table sets forth our results of operations as a percentage of revenues:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Requests</td>
<td>94%</td>
<td>92%</td>
</tr>
<tr>
<td>Advertising</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total revenues:</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>59%</td>
<td>62%</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>41%</td>
<td>38%</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>Technology support</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>12%</td>
<td>23%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Litigation settlements</td>
<td>(1%)</td>
<td>(6%)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>39%</td>
<td>55%</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>2%</td>
<td>(17)%</td>
</tr>
<tr>
<td><strong>Interest and other income</strong></td>
<td>—</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Income tax provision</strong></td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>1%</td>
<td>(17)%</td>
</tr>
</tbody>
</table>

Revenues by groups of similar services and gross profits are as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2011</th>
<th>2010</th>
<th>2011 vs. 2010 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td>(dollar amounts in thousands)</td>
</tr>
<tr>
<td>Purchase Requests</td>
<td>$59,735</td>
<td>$47,609</td>
<td>$12,126 25%</td>
</tr>
<tr>
<td>Advertising</td>
<td>3,850</td>
<td>3,815</td>
<td>35 1%</td>
</tr>
<tr>
<td>Other revenues</td>
<td>227</td>
<td>110</td>
<td>117 106%</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$ 63,812</td>
<td>$ 51,534</td>
<td>$ 12,278 24%</td>
</tr>
<tr>
<td>Cost of revenues (excludes depreciation of $221 in 2011 and $243 in 2010)</td>
<td>37,829</td>
<td>32,032</td>
<td>5,797 18%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$ 25,983</td>
<td>$ 19,502</td>
<td>$ 6,481 33%</td>
</tr>
</tbody>
</table>

**Purchase Requests.** Purchase Requests revenues increased $12.1 million or 25% in 2011 compared to 2010. The increase in Purchase Requests revenues was primarily due to the acquisition of Autotropolis, Inc. and Cyber Ventures, Inc. ("Auto/Cyber") as of September 17, 2010 and corresponding volume, as well as an increase in finance Purchase Request revenues. Vehicle Purchase Request volume increased over 30%, while Finance Purchase Requests growth was driven by better monetization of volume.

**Advertising.** The $35,000 or 1% increase in advertising revenues in 2011 compared to 2010 was primarily due to recognition of $0.3 million of deferred advertising revenues related to advertising campaigns that were closed out with one of the Company’s advertisers offset by a decrease in advertising revenues as a result of the earthquake and tsunami in Japan.

**Other revenues.** Other revenues increased $117,000 or 106% in 2011 compared to 2010. The increase in other revenues was primarily related to increased call center and Dealer SEM service revenues.
Cost of Revenues. Cost of revenues consists of Purchase Request and traffic acquisition costs, and other cost of revenues. Purchase Request and traffic acquisition costs consist of payments made to our Purchase Request providers, including internet portals and on-line automotive information providers. Other cost of revenues consists of search engine marketing (“SEM”) and fees paid to third parties for data and content, including search engine optimization (“SEO”) activity, included on our properties, connectivity costs, development costs related to our websites, compensation related expense and technology license fees, server equipment depreciation and technology amortization directly related to the Company’s websites. SEM, sometimes referred to as paid search marketing, is the practice of bidding on keywords on search engines to drive traffic to a website.

The $5.8 million or 18% increase in the cost of revenues in 2011 compared to 2010 was primarily due to the Auto/Cyber acquisition and corresponding increase in automotive Purchase Request volume.

Operating expenses were as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31, 2011 vs. 2010 Change</th>
<th>2011</th>
<th>2010</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(dollar amounts in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Operating expenses:

| Sales and marketing                           | $ 8,864 | $11,282 | $(2,418) | (21%) |
| Severance included in sales and marketing    | 42      | 301     | (259)    | (86)  |
| Total sales and marketing                    | 8,906   | 11,583  | (2,677)  | (23)  |

Technology support:

| Technology support                            | 7,045   | 6,593   | 452   | 7    |
| Severance included in technology support     | —       | 362     | (362) | (100)|
| Acquisition costs included in technology support | —     | 8       | (8)   | (100)|
| Total technology support                      | 7,045   | 6,963   | 82    | 1    |

General and administrative:

| General and administrative                    | 7,987   | 10,490  | (2,503) | (24) |
| Severance included in general and administrative | —     | 599     | (599)  | (100)|
| Acquisition costs included in general and administrative | —       | 679     | (679)  | (100)|
| Total general and administrative              | 7,987   | 11,768  | (3,781) | (32) |

Depreciation and amortization:

| Depreciation and amortization                 | 698     | 717     | (19)   | (3)  |
| Amortization related to acquired intangible assets | 1,073   | 382     | 691    | 181  |
| Total depreciation and amortization           | 1,771   | 1,099   | 672    | 61   |

Litigation settlements:

| Litigation settlements                        | (451)   | (2,939) | 2,488  | (85) |
| Total operating expenses                      | $ 25,258 | $28,474 | $(3,216) | (11%) |

Sales and Marketing. Sales and marketing expense includes costs for developing our brand equity, personnel costs, and other costs associated with Dealer sales, website advertising, Dealer support, and bad debt expense. Sales and marketing expense for the year ended December 31, 2011 decreased by $2.7 million or 23% compared to the prior year, due principally to decreased personnel costs. Sales and marketing expense also included $42,000 and $0.3 million in severance related costs during 2011 and 2010, respectively.
Technology Support. Technology support include compensation, benefits, software licenses and other direct costs incurred by the Company to enhance, manage, maintain, support, monitor and operate the Company's websites and related technologies, and to operate the Company's internal technology infrastructure.

Technology support expense for the year ended December 31, 2011 increased by $82,000 or 1% compared to the prior year, primarily due to increased costs associated with the Auto/Cyber acquisition offset with non-recurring website redesign costs spent in 2010.

General and Administrative. General and administrative expense for the year ended December 31, 2011 decreased by $3.8 million compared to the prior year. The decrease was primarily due to decreased headcount-related compensation costs and a decrease in professional fees offset by $0.2 million accrued in 2011 related to an estimated liability associated with a sales tax audit performed by the New York State Department of Taxation and Finance.

Depreciation and amortization. Depreciation and amortization expense for the year ended December 31, 2011 increased by $0.7 million primarily due to the addition of intangible assets related to the Auto/Cyber acquisition offset by a decrease in depreciation and amortization related to fixed assets that became fully amortized in 2011.

Litigation Settlements. Litigation settlements for the year ended December 31, 2011 were $0.5 million compared to $2.9 million in the prior year. The $0.5 million in the year ended December 31, 2011 was primarily from the settlement of an arbitration claim seeking indemnification from a third party supplier relating to the third party’s method of soliciting Purchase Requests. The arbitration settlement represented the recovery of legal fees and other related expenses previously expensed under General and Administrative operating expenses. In 2004, we brought a lawsuit for patent infringement against Dealix Corporation ("Dealix"). In December 2006, we entered into a settlement agreement with Dealix ("Settlement Agreement"). The Settlement Agreement provided for Dealix to pay us a total of $20.0 million in settlement payments for a mutual release of claims and a license from us to Dealix and its parent company, the Cobalt Group, of certain of our patent and patent applications. On March 13, 2007, we received the initial $12.0 million settlement payment with the remainder to be paid out in installments of $2.7 million on the next three annual anniversary dates of the initial payment. As of December 31, 2010 we received the final annual installment payment of $2.7 million. We recorded the payment as patent litigation settlement in the period payment was received, as a reduction to operating expenses.

Interest and Other Income. Interest and other income decreased by $0.5 million or 93% to $40,000 for the year ended December 31, 2011, compared to $0.6 million for the prior year. Interest and other income for 2011 primarily consist of license fees and other income of $0.3 million received offset by interest expense of $0.3 million related to the Auto/Cyber acquisition.

Segment Information

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

Liquidity and Capital Resources

The table below sets forth a summary of our cash flow for the years ended December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>$2,204</td>
<td>$4,346</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>164</td>
<td>(12,197)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>22</td>
<td>265</td>
</tr>
</tbody>
</table>

Our principal sources of liquidity are our cash and cash equivalents balances. Our cash and cash equivalents totaled $11.2 million as of December 31, 2011 compared to cash and cash equivalents of $8.8 million as of December 31, 2010.

We believe our current cash and cash equivalent balances, together with anticipated cash flows from operations, will be sufficient to satisfy our working capital and capital expenditure requirements for at least the next 12 months.

On February 13, 2012, we announced that our Board of Directors had approved a stock repurchase program that authorizes the repurchase of up to $1.5 million of our common stock. Under the repurchase program, we may repurchase
We may repurchase, from time to time on the open market or in private transactions. This authorization does not require us to purchase a specific number of shares, and the Board of Directors may suspend, modify or terminate it at any time. We will fund repurchases through the use of available cash. We currently anticipate that we may initiate repurchases in the open market during the week of March 5, 2012 but the timing and extent of repurchases will depend upon market conditions, legal constraints and other corporate considerations at the Company’s sole discretion.

**Net Cash Provided by (Used in) Operating Activities.** Net cash provided by operating activities in 2011 of $2.2 million resulted primarily from net income of $0.4 million, as adjusted for non-cash charges to earnings, offset by a decrease in working capital, which was the result of a year-over-year decrease in our accounts receivable balance of $2.0 million and accounts payable balance of $0.6 million.

Net cash used in operating activities in 2010 of $4.3 million resulted primarily from a net operating loss offset by an increase in working capital, which was the result of a year-over-year increase in accounts payable and accrued liabilities offset by cash used in prepaid expenses and other assets. The increase in accounts payable and accrued liabilities of $1.2 million was due to additional accounts payables generated from the acquisition of Auto/Cyber in addition to the timing of vendor payments. The decrease in cash used in prepaid expenses and other current assets of $0.2 million was due to an increase in prepaid expenses and other current assets.

**Net Cash Provided by (Used in) Investing Activities.** Net cash provided by investing activities of $0.2 million consisted of proceeds received from a long-term strategic investment of $0.8 million offset by $0.6 million of purchases of property and equipment.

Our primary use of cash from investing activities in 2010 of $12.2 million is primarily related to the purchase of Auto/Cyber in September 2010. We also used $1.0 million to make a long-term strategic investment. In December 2010 we also purchased a $0.4 million certificate of deposit to secure the processing of certain SEM activity.

**Net Cash Provided by Financing Activities.** Our primary source of cash from financing activities is from the exercise of stock options. 433,221 options were exercised during 2011 resulting in $0.4 million of cash inflow. We also made payments in 2011 of $0.3 million related to contingent consideration for the Auto/Cyber acquisition. 539,386 options were exercised during 2010 resulting in $0.3 million of cash inflow. Our future cash flows from employee stock option exercises, if any, will depend on the future timing, value, and amount of stock option exercises.

**Contractual Obligations**

The following table provides aggregated information about our outstanding contractual obligations as of December 31, 2011:

<table>
<thead>
<tr>
<th>Years Ending December 31, (in thousands)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 and thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases (a)</td>
<td>$735</td>
<td>$389</td>
<td>$22</td>
<td>$1</td>
<td>—</td>
<td>$1,147</td>
</tr>
<tr>
<td>Long-term debt obligations (b)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,000</td>
<td>—</td>
<td>5,000</td>
</tr>
<tr>
<td>Total</td>
<td>$735</td>
<td>$389</td>
<td>$22</td>
<td>$5,001</td>
<td>—</td>
<td>$6,147</td>
</tr>
</tbody>
</table>

(a) Operating lease obligations as defined by FASB Topic, “Accounting for Leases,” and disclosed in Note 6 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(b) Long-term debt obligations as defined by FASB Topic, “Debt,” and disclosed in Note 3 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

**Off-Balance Sheet Arrangements**

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

**Critical Accounting Policies and Estimates**

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We believe the following critical accounting policies, among others,
Revenue Recognition. Purchase Requests consist of vehicle buying purchase requests for new and used vehicles, and finance request fees. Fees paid by Dealers and Manufacturers participating in our Purchase Request programs are comprised of monthly transaction and/or subscription fees. Advertising revenues represent fees for display advertising on our websites.

We recognize revenues when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and delivery or performance of service has occurred. Purchase Requests are generally recognized as revenues in the period the service is provided. Advertising revenues are generally recognized in the period the advertisements are displayed on our websites. Fees billed prior to providing services are deferred, as they do not satisfy all U.S. GAAP revenue recognition criteria. Deferred revenues are recognized as revenue over the periods services are provided.

Investments. In August 2010 we acquired less than a 5% equity interest in Driverside, Inc. ("Driverside"), a non-publicly traded company, for $1.0 million. Driverside provides consumers with a broad set of content, features, tools, technology, systems, products, services and programs related to the efficient ownership of motor vehicles. We received 1,352,082 shares of Series C preferred stock in Driverside for our investment. We made an additional investment in Driverside in 2011 for $16,737. The Company recorded the investments in Driverside at cost because we do not have significant influence over Driverside. In 2011, Driverside merged with another entity and we received a cash payment of $823,000, representing our pro rata share of the initial merger consideration. The $823,000 received at closing of the transaction was recorded as a reduction to the Driverside investment on the consolidated balance sheet. We are also entitled to receive the pro rata share of amounts, if any, payable upon satisfaction of contingent payment milestones by Driverside and amounts, if any, released from an escrow account established to satisfy post-closing indemnification claims. We review the investment for indicators of impairment on a quarterly basis by evaluating whether an event or change in circumstance has occurred that may have a significant adverse effect on the value of the investment. As of December 31, 2011, there were no other changes in the recognized amount of the investment in Driverside.

Allowances for Bad Debt and Customer Credits. We estimate and record allowances for potential bad debts and customer credits based on factors such as the write-off percentages, the current business environment and known concerns within our accounts receivable balances.

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

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

If there is a decline in the general economic environment that negatively affects the financial condition of our customers or an increase in the number of customers that are dissatisfied with our services, additional estimated allowances for bad debts and customer credits may be required and the impact on our business, results of operations or financial condition could be material. We generally do not require collateral to support our accounts receivables.

Contingencies. From time to time we may be subject to proceedings, lawsuits and other claims. We assess the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. We record a loss contingency when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated.
The amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter. We accrued $175,000 in the year ended December 31, 2011 as the estimated liability related to a New York State Department of Taxation and Finance sales tax audit. Gain contingencies are not recorded until all elements necessary to realize the revenue are present. Any legal fees incurred in connection with a contingency are expensed as incurred.

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

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – Inputs include management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument’s valuation.

The total consideration paid as part of the acquisition of Auto/Cyber on September 17, 2010 included contingent consideration of up to $1.0 million. On the Acquisition Date, a liability was recognized for an estimate of the Acquisition Date fair value of the contingent consideration based on the probability of achieving the targets and the probability weighted discount on cash flows. The fair value of the contingent consideration arrangement as of the Acquisition Date was $526,000. We recorded an additional $388,000 of fair value since the third quarter of 2010 to account for changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition of Auto/Cyber, which was included in the Statement of Operations. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. See Part II, Item 8, Note 3, “Acquisition of Autotropolis, Inc. and Cyber Ventures, Inc.”, for further discussion of the contingent consideration and key assumptions used in the Level 3 measurement. Future changes in fair value of the contingent consideration, as a result of changes in significant inputs, could have a material effect on the statement of operations in the period of the change.

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

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

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

**Share-Based Compensation Expense.** We account for our share-based compensation using the fair value method in accordance with the Stock Compensation Topic of the Codification. Under these provisions, we recognize share-based
Calculating share-based compensation expense requires the input of highly subjective assumptions, including the expected term of the share-based awards, expected stock price volatility, and expected pre-vesting option forfeitures. We estimate the expected life of options granted based on historical experience, which we believe are representative of future behavior. We estimate the volatility of the price of our common stock at the date of grant based on historical volatility of the price of our common stock for a period equal to the expected term of the awards. We have used historical volatility because we have a limited number of options traded on our common stock to support the use of an implied volatility or a combination of both historical and implied volatility. The assumptions used in calculating the fair value of share-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our share-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience of our share-based awards that are granted, exercised and cancelled. If our actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be significantly different from what we have recorded in the current period.

**Income Taxes.** We account for income taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We record a valuation allowance, if necessary, to reduce deferred tax assets to an amount we believe is more likely than not to be realized. During the current period, we continued to maintain a full valuation allowance against our net deferred tax asset.

As of December 31, 2011, we had $0.5 million of unrecognized tax benefits. These unrecognized tax benefits reduced our deferred tax assets which were subject to a valuation allowance of $0.5 million. There were no material changes to our uncertain tax positions during the current period. Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2011, we did not have any accrued interest or penalties associated with any unrecognized tax benefits, and no interest expense was recognized in 2011.

Deferred tax liabilities related to an asset with an indefinite useful life (goodwill and indefinite-lived intangible assets) in jurisdictions where there is a finite loss carryforward period will ordinarily not serve as a source of income for the realization of deferred tax assets because the deferred tax liability will not reverse until some indefinite future period when the asset is sold or written down due to impairment. During 2010, we recorded $11.7 million of goodwill related to the acquisition of Auto/Cyber. For tax purposes, we are amortizing tax basis goodwill of $10.3 million over 15 years. The tax amortization resulted in a deferred tax liability of $354,000 at December 31, 2011.

**Goodwill.** Goodwill represents the excess of the purchase price for business acquisitions over the fair value of identifiable assets and liabilities acquired. We evaluate the carrying value of enterprise goodwill for impairment. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the enterprise’s carrying value to its fair value. If the fair value is less than the carrying value, enterprise goodwill is potentially impaired and we then complete the second step to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of enterprise goodwill, an impairment loss is recognized equal to the difference. We evaluate enterprise goodwill, at a minimum, on an annual basis, in the fourth quarter of each year or whenever events or changes in circumstances suggest that the carrying amount of goodwill may be impaired. During 2010 we recognized $11.7 million in goodwill related to the acquisition of Auto/Cyber and as of December 31, 2011, there were no changes in the recognized amount of goodwill.

**Impairment of Long-Lived Assets and Other Intangible Assets.** We periodically review long-lived assets to determine if there is any impairment of these assets. We assess the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our long-lived assets and other intangibles. Future events could cause us to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. We assess the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of
an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset’s carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, we will write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on our financial condition and results of operations. During 2010 we recorded $4.5 million of intangible assets related to the Auto/Cyber acquisition. At December 31, 2011, we had approximately $2.9 million of remaining long-lived assets that could be subject to future impairment. We did not record any impairment in 2011.

Recent Accounting Pronouncements

Comprehensive Income

Accounting Standards Codification (“ASC”) 220 “Comprehensive Income.” In December 2011, Accounting Standards Update (“ASU”) 2011-12, “Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05,” was issued. This ASU defers the ASU 2011-05 requirement that companies present accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. The ASU also defers the requirement to report reclassification adjustments in interim periods. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not believe adoption of this ASU will have a material effect on our consolidated financial results.

Fair Value Measurement

ASC 820 “Fair Value Measurement.” In May 2011, ASU Update No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” was issued. The amendments in this ASU update result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (“IFRS”). Consequently, the amendments converge the fair value measurement guidance in U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. The amendments in this ASU update that change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements include the following: 1) measuring the fair value of financial instruments that are managed within a portfolio, 2) application of premiums and discounts in a fair value measurement, and 3) additional disclosures about fair value measurements. The amendments in this ASU update are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. We do not believe that adoption of this ASU update will have a material impact on our consolidated financial statements.

Intangibles – Goodwill and Other

ASC 350 “Intangibles – Goodwill and Other.” In September 2011, ASU No. 2011-08, “Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment” was issued. The objective of this ASU update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The ASU update permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Previous guidance under Topic 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Under this ASU update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. This ASU update is effective for annual or interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We do not believe that adoption of this ASU will have a material impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

At December 31, 2011 we had $11.2 million in cash and cash equivalents.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Balance Sheets as of December 31, 2011 and 2010 and our Consolidated Statements of Operations and Comprehensive Income (Loss), Stockholders’ Equity and Cash Flows for each of the years in the two-year period ended December 31, 2011, together with the report of our independent registered public accounting firm, begin on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as of December 31, 2011. Based on this evaluation, the chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2011.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Company’s chief executive officer and chief financial officer, management conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2011. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In making this assessment, management used the criteria set forth in the framework issued by the COSO entitled Internal Control—Integrated Framework. Based on this evaluation, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2011.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 of the Exchange Act that have occurred during the fourth quarter of fiscal year 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.
PART III

Information called for by the Items included under this Part III is incorporated by reference to the sections listed below of our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders that will be filed not later than 120 days after December 31, 2011, ("2011 Proxy Statement").

Item 10  Directors, Executive Officers and Corporate Governance

The information called for by this Item 10 is incorporated by reference to the following sections of the 2012 Proxy Statement: “Proposal 1- Nomination and Election of Directors;” “Board of Directors;” “Executive Officers;” “Section 16(a) Beneficial Ownership Reporting Compliance;” and the following paragraphs under the section “Corporate Governance Matters” “--Committees of the Board of Directors—Audit Committee,” and “--Code of Conduct and Ethics.”

Item 11  Executive Compensation

The information called for in this Item 11 is incorporated by reference to the following sections of the 2012 Proxy Statement: “Executive Compensation,” “Corporate Governance Matters—Compensation Committee Interlocks and Insider Participation,” and “Executive Compensation— Compensation Committee Report.”

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

The information called for in this Item 12 is incorporated by reference to the following sections of the 2012 Proxy Statement: “Security Ownership of Certain Beneficial Owners and Management” and “Executive Compensation— Equity Compensation Plans.”

Item 13  Certain Relationships and Related Transactions, and Director Independence

The information called for in this Item 13 is incorporated by reference to the following sections of the 2012 Proxy Statement: “Corporate Governance Matters—Certain Relationships and Related Party Transactions” and “--Director Independence.”

Item 14  Principal Accountant Fees and Services

The information called for in this Item 14 is incorporated by reference to the following sections of the 2012 Proxy Statement: “Independent Registered Public Accounting Firm and Audit Committee Report--Principal Accountant Fees and Services,” “--Audit Related Fees,” “--Tax Fees,” “--All Other Fees,” and “--Pre-Approval Policy for Services.”
PART IV

Item 15.  Exhibits and Financial Statement Schedules

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

(1)  Financial Statements:

<table>
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<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>F-1</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>F-2</td>
</tr>
<tr>
<td>Consolidated Statements of Operations and Comprehensive Income (Loss)</td>
<td>F-3</td>
</tr>
<tr>
<td>Consolidated Statements of Stockholders' Equity</td>
<td>F-4</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>F-5</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>F-6</td>
</tr>
</tbody>
</table>

(2)  Financial Statement Schedules:

| Schedule II—Valuation and Qualifying Accounts | F-27 |

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

(3)  Exhibits:

The exhibits filed or furnished as part of this Annual Report on Form 10-K are listed in the Index to Exhibits immediately preceding such exhibits, which Index to Exhibits is incorporated herein by reference.
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of March, 2012.

AUTOBYTEL INC.

By: /s/ JEFFREY H. COATS

Jeffrey H. Coats
President, Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each of Autobytel Inc., a Delaware corporation, and the undersigned Directors and Officers of Autobytel Inc. hereby constitute and appoint Jeffrey H. Coats, Curtis E. DeWalt or Glenn E. Fuller as its or his true and lawful attorneys-in-fact and agents, for it or him and in its or his name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this report, and to file each such amendment to this report, with all exhibits thereto, and any and all documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in connection therewith, as fully to all intents and purposes as it or he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them may lawfully do or cause to be done by virtue hereof.

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

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ MICHAEL J. FUCHS</td>
<td>Chairman of the Board and Director</td>
<td>March 1, 2012</td>
</tr>
<tr>
<td>Michael J. Fuchs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JEFFREY H. COATS</td>
<td>President, Chief Executive Officer and Director</td>
<td>March 1, 2012</td>
</tr>
<tr>
<td>Jeffrey H. Coats</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ CURTIS E. DEWALT</td>
<td>Senior Vice President and Chief Financial Officer</td>
<td>March 1, 2012</td>
</tr>
<tr>
<td>Curtis E. Dewalt</td>
<td></td>
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<tr>
<td>/s/ WESLEY OZIMA</td>
<td>Vice President and Controller (Principal Accounting Officer)</td>
<td>March 1, 2012</td>
</tr>
<tr>
<td>Wesley Ozima</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ MARK N. KAPLAN</td>
<td>Director</td>
<td>March 1, 2012</td>
</tr>
<tr>
<td>Mark N. Kaplan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JEFFREY M. STIBEL</td>
<td>Director</td>
<td>March 1, 2012</td>
</tr>
<tr>
<td>Jeffrey M. Stibel</td>
<td></td>
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<tr>
<td>/s/ JANET M. THOMPSON</td>
<td>Director</td>
<td>March 1, 2012</td>
</tr>
<tr>
<td>Janet M. Thompson</td>
<td></td>
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</tbody>
</table>

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<table>
<thead>
<tr>
<th>Report</th>
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<td>F-7</td>
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</tbody>
</table>
Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Autobytel Inc.

We have audited the accompanying consolidated balance sheets of Autobytel Inc. as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive loss, stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial position of Autobytel Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Orange County, California
March 1, 2012

/s/ ERNST & YOUNG LLP
## AUTOBYTEL INC.
**CONSOLIDATED BALANCE SHEETS**
*(in thousands, except per-share and share data)*

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
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<tbody>
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<td><strong>Current assets:</strong></td>
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</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$11,209</td>
<td>$8,819</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Accounts receivable, net of allowances for bad debts and customer credits of $540 and $621 at December 31, 2011 and 2010, respectively</td>
<td>10,144</td>
<td>9,067</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>571</td>
<td>797</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>22,324</strong></td>
<td><strong>19,083</strong></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,629</td>
<td>1,733</td>
</tr>
<tr>
<td>Long-term strategic investment</td>
<td>194</td>
<td>1,000</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>2,893</td>
<td>4,258</td>
</tr>
<tr>
<td>Goodwill</td>
<td>11,677</td>
<td>11,677</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td>77</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$38,794</strong></td>
<td><strong>$37,832</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Stockholders’ Equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,081</td>
<td>$3,713</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>4,994</td>
<td>4,995</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>216</td>
<td>564</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>8,291</strong></td>
<td><strong>9,272</strong></td>
</tr>
<tr>
<td>Convertible note payable</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>607</td>
<td>457</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>13,898</strong></td>
<td><strong>14,729</strong></td>
</tr>
<tr>
<td>Commitments and contingencies (Note 6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stockholders’ equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, $0.001 par value; 11,445,187 shares authorized; none outstanding</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.001 par value; 200,000,000 shares authorized; 46,121,727 and 45,689,062 shares issued and outstanding at December 31, 2011 and 2010, respectively</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>306,733</td>
<td>305,356</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(281,883)</td>
<td>(282,299)</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity</strong></td>
<td><strong>24,896</strong></td>
<td><strong>23,103</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders’ equity</strong></td>
<td><strong>$38,794</strong></td>
<td><strong>$37,832</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
## AUTOBYTEL INC.
### CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per-share data)

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase requests</td>
<td>$ 59,735</td>
<td>$ 47,609</td>
</tr>
<tr>
<td>Advertising</td>
<td>3,850</td>
<td>3,815</td>
</tr>
<tr>
<td>Other revenues</td>
<td>227</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>63,812</td>
<td>51,534</td>
</tr>
<tr>
<td><strong>Cost of revenues (excludes depreciation of $221 in 2011 and $243 in 2010)</strong></td>
<td>37,829</td>
<td>32,032</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>25,983</td>
<td>19,502</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>8,906</td>
<td>11,583</td>
</tr>
<tr>
<td>Technology support</td>
<td>7,045</td>
<td>6,963</td>
</tr>
<tr>
<td>General and administrative</td>
<td>7,987</td>
<td>11,768</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,771</td>
<td>1,099</td>
</tr>
<tr>
<td>Litigation settlements</td>
<td>(451)</td>
<td>(2,939)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>25,258</td>
<td>28,474</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>725</td>
<td>(8,972)</td>
</tr>
<tr>
<td><strong>Interest and other income, net</strong></td>
<td>40</td>
<td>590</td>
</tr>
<tr>
<td><strong>Income tax provision</strong></td>
<td>349</td>
<td>182</td>
</tr>
<tr>
<td><strong>Net income (loss) and comprehensive income (loss)</strong></td>
<td>$ 416</td>
<td>$ (8,564)</td>
</tr>
<tr>
<td><strong>Basic and diluted earnings (loss) per common share</strong></td>
<td>$ 0.01</td>
<td>$ (0.19)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Deficit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Shares</td>
<td>Amount</td>
<td>Capital</td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 2009</td>
<td>45,168,706</td>
<td>$45</td>
<td>$301,831</td>
</tr>
<tr>
<td>Shares forfeited pursuant to stock awards</td>
<td>(19,030)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>—</td>
<td>—</td>
<td>1,101</td>
</tr>
<tr>
<td>Issuance of warrants</td>
<td>—</td>
<td>—</td>
<td>1,260</td>
</tr>
<tr>
<td>Premium on convertible note</td>
<td>—</td>
<td>—</td>
<td>900</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>539,386</td>
<td>1</td>
<td>264</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance, December 31, 2010</td>
<td>45,689,062</td>
<td>46</td>
<td>305,356</td>
</tr>
<tr>
<td>Shares forfeited pursuant to stock awards</td>
<td>(556)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>—</td>
<td>—</td>
<td>1,032</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>433,221</td>
<td>—</td>
<td>345</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance, December 31, 2011</td>
<td>46,121,727</td>
<td>46</td>
<td>306,733</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
# AUTOBYTEL INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
**(in thousands)**

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ 416</td>
<td>$(8,564)</td>
</tr>
<tr>
<td>Adjustments to reconcile net income (loss) to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,106</td>
<td>1,365</td>
</tr>
<tr>
<td>Provision for bad debt</td>
<td>131</td>
<td>105</td>
</tr>
<tr>
<td>Provision for customer credits</td>
<td>833</td>
<td>714</td>
</tr>
<tr>
<td>Write-down of property and equipment</td>
<td>5</td>
<td>—</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>1,022</td>
<td>1,101</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(2,041)</td>
<td>(17)</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>226</td>
<td>(191)</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>4</td>
<td>48</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(632)</td>
<td>747</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>332</td>
<td>428</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>(348)</td>
<td>(39)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>150</td>
<td>(43)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>2,204</td>
<td>$(4,346)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of Autotropolis and Cyber Ventures</td>
<td>—</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Change in long-term strategic investment</td>
<td>806</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(642)</td>
<td>(1,797)</td>
</tr>
<tr>
<td>Purchase of short-term investment</td>
<td>—</td>
<td>(400)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>164</td>
<td>(12,197)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net proceeds from stock option exercises</td>
<td>355</td>
<td>265</td>
</tr>
<tr>
<td>Payment of contingent fee arrangement</td>
<td>(333)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>22</td>
<td>265</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>2,390</td>
<td>(16,278)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of period</td>
<td>8,819</td>
<td>25,097</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of period</td>
<td>$11,209</td>
<td>$8,819</td>
</tr>
<tr>
<td><strong>Supplemental disclosure of cash flow information:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for income taxes</td>
<td>$84</td>
<td>$166</td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>$312</td>
<td>—</td>
</tr>
<tr>
<td><strong>Supplemental disclosure of non-cash financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of convertible note related to Autotropolis/Cyber Ventures acquisition</td>
<td>—</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
1. Organization and Operations of Autobytel

Autobytel Inc. ("Autobytel" or the "Company") is an automotive marketing services company that assists automotive retail dealers ("Dealers") and automotive manufacturers ("Manufacturers") market and sell new and used vehicles through its programs for online purchase request referrals ("Purchase Requests"), Dealer marketing products and services, and online advertising programs and data products.

The Company's network of Company-owned, consumer-facing automotive websites ("Company-Owned Websites"), which includes its flagship website Autobytel.com®, with a mission to be Your Lifetime Automotive Advisor™, provides consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles ("Vehicle Purchase Requests"). For consumers who may not be able to secure loans through conventional lending sources, the Company-Owned Websites provide these consumers the ability to submit inquiries requesting Dealers or other lenders that may offer vehicle financing to these consumers to contact the consumers regarding vehicle financing ("Finance Purchase Requests").

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

In June 2011, the Company launched the first phase of a multi-phase redesign of its flagship website, Autobytel.com.

On September 17, 2010 ("Acquisition Date"), the Company acquired substantially all of the assets of privately-held Autotropolis, Inc., a Florida corporation, and Cyber Ventures, Inc., a Florida corporation (collectively, "Auto/Cyber"). The business acquired from Cyber Ventures, Inc. generates and sells in-market consumer automotive Purchase Requests. The business acquired from Autotropolis, Inc., through its Autotropolis.com website, provides new vehicle Purchase Requests and related products and services directly to Dealers and expanded the Company’s ability to monetize the acquired, incremental traffic through advertising on the site. Auto/Cyber’s results of operations are included in the Company’s consolidated financial statements beginning September 17, 2010.

Although the Company achieved positive cash flow for the year ended December 31, 2011, the Company has historically experienced negative cash flow and at December 31, 2011 had an accumulated deficit of $282 million. Based on the Company’s current operating plan for 2012, the Company expects that its net operating cash flows will improve from 2011 levels. The Company continues to face many risks and uncertainties related to the general economic conditions and the automotive industry in particular; however, the Company believes current cash and cash equivalents are sufficient to meet anticipated cash needs for working capital and capital expenditures for at least the next 12 months.

2. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

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

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

Restricted Cash. In December 2010, the Company paid $0.4 million for a certificate of deposit to secure processing of certain search engine marketing ("SEM") activity. The certificate of deposit matures in December 2012.
Investments. In August 2010, the Company acquired less than a 5% equity interest in Driverside, Inc. ("Driverside"), a non-publicly traded company, for $1.0 million. Driverside provides consumers with a broad set of content, features, tools, technology, systems, products, services and programs related to the efficient ownership of motor vehicles. The Company received 1,352,082 shares of Series C preferred stock in Driverside for its investment. The Company made an additional investment in Driverside in 2011 for $16,737. The Company recorded the investments in Driverside at cost because the Company does not have significant influence over Driverside. In 2011, Driverside merged with another entity and the Company received a cash payment of $823,000, representing the Company’s pro rata share of the initial merger consideration. The $823,000 received at closing of the transaction was recorded as a reduction to the Driverside investment on the Company’s consolidated balance sheet. The Company is also entitled to receive its pro rata share of amounts, if any, payable upon satisfaction of contingent payment milestones by Driverside and amounts, if any, released from an escrow account established to satisfy post-closing indemnification claims. The Company will review the investment for indicators of impairment on a quarterly basis by evaluating whether an event or change in circumstances has occurred that may have a significant adverse effect on the value of the investment. As of December 31, 2011, there were no other changes in the recognized amount of the investment in Driverside.

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

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

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

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

Contingencies. From time to time the Company may be subject to proceedings, lawsuits and other claims. The Company assesses the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. The Company records a loss contingency when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. The amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter. The Company was audited in June 2011 by the New York State Department of Taxation and Finance for sales tax for the period December 1, 2003 through February 28, 2011 and is awaiting the results of the state’s audit. The Company accrued $175,000 in the year ended December 31, 2011 as the estimated liability related to this sales tax audit. Gain contingencies are not recorded until all elements necessary to realize the revenue are present. Any legal fees incurred in connection with a contingency are expensed as incurred.

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

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

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

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

The total consideration paid as part of the acquisition of Auto/Cyber on September 17, 2010 (“Acquisition Date”) included contingent consideration of up to $1.0 million. On the Acquisition Date, a liability was recognized for an estimate of the Acquisition Date fair value of the contingent consideration based on the probability of achieving the targets and the probability weighted discount on cash flows. The fair value of the contingent consideration arrangement as of the Acquisition Date was $526,000. The Company recorded an additional $388,000 of fair value since the third quarter of 2010 to account for changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition of Auto/Cyber, which was included in the Statement of Operations. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. See Note 3 for further discussion of the contingent consideration and key assumptions used in the Level 3 measurement. Future changes in fair value of the contingent consideration, as a result of changes in significant inputs, could have a material effect on the Statement of Operations in the period of the change.

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

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

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, particularly with AutoNation, General Motors and Urban Science Applications. During 2011, approximately 24% of the Company’s total revenues were derived from these three customers, and approximately 27% or $2.9 million of gross accounts receivable related to these three customers at December 31, 2011.

In 2011, no customer accounted for greater than 10% of total revenues. The Company’s balances due from AutoNation accounted for 10% of the total accounts receivable as of December 31, 2011.

In 2010, no customer accounted for greater than 10% of total revenues, and the Company had no balances due from any customer that accounted for more than 10% of total accounts receivable as of December 31, 2010.

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

**Operating Leases.** The Company leases office space, certain office equipment and a domain name under operating lease agreements which expire on various dates through 2015, with options to renew on expiration of the original lease terms.

Reimbursed tenant improvements are considered in determining straight-line rent expense, and are amortized over the shorter of their estimated useful lives or the lease term. The lease term begins on the date of initial possession of the leased property for purposes of recognizing rent expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term.

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

**Impairment of Long-Lived Assets.** The Company periodically reviews long-lived assets to determine if there is any impairment of these assets. The Company assesses the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of the long-lived assets and other intangibles. Future events could cause the Company to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. The Company assesses the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset’s carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, the Company will write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on the Company’s financial condition and results of operations. During 2010 the Company recorded $4.5 million of intangible assets related to the Auto/Cyber acquisition. At December 31, 2011, the Company had approximately $2.9 million of remaining long-lived assets that could be subject to future impairment. The Company did not record any impairment in 2011 or 2010.

**Goodwill.** Goodwill represents the excess of the purchase price for business acquisitions over the fair value of identifiable assets and liabilities acquired. The Company evaluates the carrying value of enterprise goodwill for impairment. Testing for impairment of goodwill is a two-step process. The first step requires the Company to compare the enterprise’s carrying value to its fair value. If the fair value is less than the carrying value, enterprise goodwill is potentially impaired and the Company then completes the second step to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of enterprise goodwill, an impairment loss is recognized equal to the difference. The Company evaluates enterprise goodwill, at a minimum, on an annual basis, in the fourth quarter of each year or whenever events or changes in circumstances suggest that the carrying amount of goodwill may be impaired. During 2010 the Company recognized $11.7 million in goodwill related to the acquisition of Auto/Cyber and as of December 31, 2011, there were no changes in the recognized amount of goodwill.

**Revenue Recognition.** Purchase Requests consist of vehicle buying purchase request fees for new and used vehicles, and finance request fees. Fees paid by customers participating in the Company’s Purchase Request programs are comprised of monthly transaction and/or subscription fees. Advertising revenues represent fees for display advertising on the Company’s websites.

The Company recognizes revenues when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and delivery or performance of service has occurred. Purchase Requests are generally recognized as revenues in the period the service is provided. Advertising revenues are generally recognized in the period the advertisements are displayed on the Company’s websites. Fees billed prior to providing services are deferred, as they do not satisfy all U.S. GAAP revenue recognition criteria. Deferred revenues are recognized as revenue over the periods services are provided.

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

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

Deferred tax liabilities related to an asset with an indefinite useful life (goodwill and indefinite-lived intangible assets) in jurisdictions where there is a finite loss carryforward period will ordinarily not serve as a source of income for the realization of deferred tax assets because the deferred tax liability will not reverse until some indefinite future period when the asset is sold or written down due to impairment. During 2010, the Company recorded $11.7 million of goodwill related to the acquisition of Auto/Cyber. For tax purposes, the Company is amortizing tax basis goodwill of $10.3 million over 15 years. The tax amortization resulted in a deferred tax liability of $354,000 at December 31, 2011.

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

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average common shares outstanding</td>
<td>46,018,271</td>
<td>45,354,243</td>
</tr>
<tr>
<td>Weighted average unvested restricted stock</td>
<td>(50,509)</td>
<td>(264,279)</td>
</tr>
<tr>
<td>Basic Shares</td>
<td>45,967,762</td>
<td>45,089,964</td>
</tr>
<tr>
<td>Diluted Shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Shares</td>
<td>45,967,762</td>
<td>45,089,964</td>
</tr>
<tr>
<td>Weighted average dilutive securities</td>
<td>1,713,790</td>
<td>—</td>
</tr>
<tr>
<td>Dilutive Shares</td>
<td>47,681,552</td>
<td>45,089,964</td>
</tr>
</tbody>
</table>

Potentially dilutive securities representing approximately 11.6 million and 13.8 million shares of common stock for the years ended December 31, 2011 and 2010, respectively, were excluded from the computation of diluted earnings (loss) per share for these periods because their effect would have been anti-dilutive.

**Share-Based Compensation.** The Company grants restricted stock and stock option awards (the “Awards”) under several of its share-based compensation Plans (the “Plans”), that are more fully described in Note 8. The Company recognizes share-based compensation based on the Awards’ fair value, net of estimated forfeitures on a straight line basis over the requisite service periods, which is generally over the awards’ respective vesting period, or on an accelerated basis over the estimated performance periods for options with performance conditions.

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

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

**Advertising Expense.** Advertising costs are expensed in the period incurred. Advertising expense in 2011 and 2010 was $0.8 million and $0.9 million, respectively.

**Recent Accounting Pronouncements**

**Comprehensive Income**

*Accounting Standards Codification ("ASC") 220 “Comprehensive Income.”* In December 2011, Accounting Standards Update ("ASU") 2011-12, “Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05,” was issued. This ASU defers the ASU 2011-05 requirement that companies present accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. The ASU also defers the requirement to report reclassification adjustments in interim periods. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not believe adoption of this ASU will have a material effect on its consolidated financial results.
**Fair Value Measurement**

ASC 820 “Fair Value Measurement.” In May 2011, ASU Update No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” was issued. The amendments in this ASU update result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (“IFRS”). Consequently, the amendments converge the fair value measurement guidance in U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. The amendments in this ASU Update that change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements include the following: 1) measuring the fair value of financial instruments that are managed within a portfolio, 2) application of premiums and discounts in a fair value measurement, and 3) additional disclosures about fair value measurements. The amendments in this ASU update are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. The Company does not believe that adoption of this ASU update will have a material impact on its consolidated financial statements.

**Intangibles – Goodwill and Other**

ASC 350 “Intangibles – Goodwill and Other.” In September 2011, ASU No. 2011-08, “Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment” was issued. The objective of this ASU update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The ASU update permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Previous guidance under Topic 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Under this ASU update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. This ASU update is effective for annual or interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company does not believe that adoption of this ASU will have a material impact on its consolidated financial statements.

3. **Acquisition of Autotropolis, Inc. and Cyber Ventures, Inc.**

On the Acquisition Date, the Company acquired substantially all of the assets of Auto/Cyber. The results of Auto/Cyber’s operations have been included in the consolidated financial statements since that date. The businesses acquired generate and sell in-market consumer automotive Purchase Requests and, through the Autotropolis.com website, provides new car Purchase Requests and related digital products directly to Dealers. The two former owners of the acquired businesses were employed by the Company upon closing of the acquisition. Payments of purchase consideration are made to entities controlled by the former owners. Prior to the acquisition, Cyber Ventures, Inc. was a Purchase Request provider for the Company.

The final fair value allocation of consideration for Auto/Cyber is presented below:

<table>
<thead>
<tr>
<th>Description</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>9,000</td>
</tr>
<tr>
<td>Convertible subordinated promissory note</td>
<td>5,900</td>
</tr>
<tr>
<td>Warrant to purchase 2,000,000 shares of Company Common Stock</td>
<td>1,260</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>526</td>
</tr>
<tr>
<td>Working capital adjustment</td>
<td>99</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,785</strong></td>
</tr>
</tbody>
</table>

As part of the consideration paid for the acquisition, the Company issued a convertible subordinated promissory note for $5.0 million (“Note”) to the sellers. The fair value of the Note as of the Acquisition Date was $5.9 million. This valuation was estimated using a binomial option pricing method. Key assumptions used in valuing the Note include a market yield of 15.0% and stock price volatility of 77.5%. As the Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The entire outstanding balance of the Note is to be paid in full on September 30, 2015. At any time after September 30, 2013, the holders of the Note may convert all or any part of, but in 200,000 minimum share increments, the then outstanding and unpaid principal of the Note into fully paid shares of the Company’s common stock at a conversion price of $0.93 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The right to convert the Note into common stock of the Company is accelerated in the event of a change in control of the Company. In the event of default, the entire unpaid balance of the Note will become immediately due and payable and will bear interest at the lower of 8% per year and the highest legal rate permissible under applicable law.

The warrant to purchase 2,000,000 shares of Company common stock issued in connection with the acquisition (“Warrant”) was valued as of the Acquisition Date at $0.63 per share for a total value of $1.3 million. The Company used an option pricing model to determine the value of the Warrant. Key assumptions used in valuing the Warrant are as follows: risk-free rate of 2.3%, stock price volatility of 77.5% and a term of 8.04 years. The Warrant was valued based on long-term volatilities of the Company and comparable public companies as of the Acquisition Date. The exercise price of the Warrant is $0.93 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The Warrant becomes exercisable on the third anniversary of the issuance date and expires on the eighth anniversary of the issuance date. The right to exercise the Warrant is accelerated in the event of a change in control of the Company.
The contingent consideration arrangement ("Contingent Consideration") requires the Company to pay up to $1.0 million (representing quarterly payments of up to $83,334 beginning fourth quarter 2010 and ending third quarter 2013) of additional consideration to the sellers if certain quarterly Purchase Request volume, Purchase Request quality and gross margin targets are met. The targets were met for the quarter ended December 31, 2011, and the Company will pay the sellers $83,334 for the quarter. The fair value of the Contingent Consideration as of the Acquisition Date was $526,000. The fair value of the Contingent Consideration was estimated using a Monte Carlo Simulation. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820, Fair Value Measurements and Disclosures.

The key assumptions in applying the Monte Carlo Simulation consisted of minimum, maximum and modal values for the expected quarterly incremental Purchase Request volume, close rate index and gross margin growth rate as well as a triangular distribution assumption. The Company recorded an additional $388,000 since the third quarter of 2010 to account for changes in the range of outcomes for the Contingent Consideration recognized as a result of the acquisition of Auto/Cyber. The Company has recorded a liability of $581,000 related to the Contingent Consideration as of December 31, 2011.

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair Value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>$1,296</td>
</tr>
<tr>
<td>Prepaid online advertising</td>
<td>12</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>56</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total tangible assets acquired</strong></td>
<td><strong>1,370</strong></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>662</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total liabilities assumed</strong></td>
<td><strong>762</strong></td>
</tr>
<tr>
<td><strong>Net identifiable assets acquired</strong></td>
<td><strong>608</strong></td>
</tr>
<tr>
<td>Definite-lived intangible assets acquired</td>
<td>4,500</td>
</tr>
<tr>
<td>Goodwill</td>
<td>11,677</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td><strong>$16,785</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Estimated Fair Value (in thousands)</th>
<th>Remaining Useful Lives (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment/Non-compete agreements</td>
<td>Discounted Cash Flow (2)</td>
<td>$500</td>
</tr>
<tr>
<td>Publications</td>
<td>Cost Approach (3)</td>
<td>500</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Excess of Earnings (4)</td>
<td>1,870</td>
</tr>
<tr>
<td>Trademarks and trade names</td>
<td>Relief from Royalty (5)</td>
<td>830</td>
</tr>
<tr>
<td>Software</td>
<td>Cost Approach (3)</td>
<td>800</td>
</tr>
<tr>
<td><strong>Total purchased intangible assets</strong></td>
<td></td>
<td><strong>$4,500</strong></td>
</tr>
</tbody>
</table>

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

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

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

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

(5) The relief from royalty method is an earnings approach which assesses the royalty savings an entity realizes since it owns the asset and doesn’t have to pay a third party a license fee for its use.
Some of the more significant estimates and assumptions inherent in the estimate of the fair value of the identifiable purchased intangible assets include all assumptions associated with forecasting cash flows and profitability. The primary assumptions used for the determination of the fair value of the purchased intangible assets were generally based upon the present value of anticipated cash flows discounted at a rate of 18.0%. Estimated years of projected earnings generally follow the range of estimated remaining useful lives for each intangible asset class.

The goodwill recognized of $11.7 million is attributable primarily to expected synergies and the assembled workforce of Auto/Cyber. Of this amount, approximately $10.3 million is amortizable for income tax purposes. As of December 31, 2011, there were no changes in the recognized amounts of goodwill resulting from the acquisition of Auto/Cyber.

The Company incurred $687,000 of acquisition related costs related to Auto/Cyber, all of which was expensed in 2010.

The following unaudited pro forma information presents the consolidated results of the Company and Auto/Cyber for the year ended December 31, 2010 with adjustments to give effect to pro forma events that are directly attributable to the acquisition and have a continuing impact, but exclude the impact of pro forma events that are directly attributable to the acquisition and are one-time occurrences. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods, the results of operations that actually would have been realized had the entities been a single company during the period presented or the results of operations that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur as a result of the acquisition and combining the operations of the companies.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2010, are as follows:

<table>
<thead>
<tr>
<th>Unaudited pro forma consolidated results:</th>
<th>For the year ended December 31, 2010 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$59,414</td>
</tr>
<tr>
<td>Net loss</td>
<td>$9,304</td>
</tr>
</tbody>
</table>

F-14
4. Selected Balance Sheet Accounts

Property and Equipment

Property and equipment consists of the following:

<table>
<thead>
<tr>
<th>Property and Equipment</th>
<th>As of December 31, 2011 (in thousands)</th>
<th>2010 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software and hardware and capitalized internal use software</td>
<td>$12,035</td>
<td>$11,651</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>1,272</td>
<td>1,505</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>942</td>
<td>1,024</td>
</tr>
<tr>
<td><strong>Less—Accumulated depreciation and amortization</strong></td>
<td><strong>(12,620)</strong></td>
<td><strong>(12,447)</strong></td>
</tr>
<tr>
<td><strong>Property and Equipment, net</strong></td>
<td><strong>$1,629</strong></td>
<td><strong>$1,733</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2011 and 2010, capitalized internal use software, net of amortization, was $0.9 million and $0.2 million, respectively. Depreciation and amortization expense related to property and equipment was $0.7 million for the year ended December 31, 2011. Of this amount, $0.1 million was recorded in cost of revenues and $0.6 million was recorded in operating expenses. Depreciation and amortization expense related to property and equipment was $1.0 million for the year ended December 31, 2010. Of this amount, $0.3 million was recorded in cost of revenues and $0.7 million was recorded in operating expenses.

Investments. On August 16, 2010, the Company acquired less than a 5% interest in Driverside, Inc. for $1,000,000. The Company made an additional investment in Driverside in 2011 for $16,737. The Company recorded the investments in Driverside at cost because the Company does not have significant influence over Driverside. In 2011, Driverside merged with another entity and the Company received a cash payment of $823,000, representing the Company’s pro rata share of the initial merger consideration. The $823,000 received at closing of the transaction was recorded as a reduction to the Driverside investment on the Company’s consolidated balance sheet. The Company is also entitled to receive its pro rata share of amounts, if any, payable upon satisfaction of contingent payment milestones by Driverside and amounts, if any, released from an escrow account established to satisfy post-closing indemnification claims. The Company reviews for indicators of impairment on a quarterly basis by evaluating whether an event or change in circumstance has occurred that may have a significant adverse effect on the value of the investment. As of December 31, 2011, there were no other changes in the recognized amount of the investment in Driverside.

Intangible Assets. The Company amortizes specifically identified intangible assets using the straight-line method over the estimated useful lives of the assets. In connection with the acquisition of Auto/Cyber on September 17, 2010, the Company identified $4.5 million of intangible assets. The Company’s intangible assets will be amortized over the following estimated useful lives:
Intangible Asset

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Estimated Useful Life</th>
<th>Gross</th>
<th>Accumulated Amortization</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademarks/trade names</td>
<td>5 years</td>
<td>$5,540</td>
<td>$4,826</td>
<td>$714</td>
</tr>
<tr>
<td>Software and publications</td>
<td>3 years</td>
<td>1,300</td>
<td>(559)</td>
<td>741</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>3 years</td>
<td>1,870</td>
<td>(803)</td>
<td>1,067</td>
</tr>
<tr>
<td>Employment/non-compete agreements</td>
<td>5 years</td>
<td>500</td>
<td>(129)</td>
<td>371</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$9,210</td>
<td>$6,317</td>
<td>$2,893</td>
</tr>
</tbody>
</table>

Amortization expense is included in “Depreciation and amortization” in the Statement of Operations. Amortization expense for intangible assets for the next five years is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amortization Expense (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,353</td>
</tr>
<tr>
<td>2013</td>
<td>1,035</td>
</tr>
<tr>
<td>2014</td>
<td>283</td>
</tr>
<tr>
<td>2015</td>
<td>206</td>
</tr>
<tr>
<td>2016</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td></td>
<td>$2,880</td>
</tr>
</tbody>
</table>

**Goodwill.** The Company recorded $11.7 million in goodwill related to the acquisition of Auto/Cyber. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or whenever events or circumstances indicate that the carrying value of such assets may not be recoverable. See Note 3 for further discussion of goodwill.

Accrued Expenses and Other Current Liabilities

As of December 31, 2011 and 2010, accrued expenses and other current liabilities consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Compensation and related costs</td>
<td>$2,084</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>2,221</td>
</tr>
<tr>
<td>Amounts due to customers</td>
<td>180</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>509</td>
</tr>
<tr>
<td><strong>Total accrued expenses and other current liabilities</strong></td>
<td>$4,994</td>
</tr>
</tbody>
</table>

**Long-term debt.** In connection with the acquisition of Auto/Cyber, the Company issued the Note. Interest is payable at an annual interest rate of 6% in quarterly installments. As of December 31, 2011, the Company had accrued interest of $75,000 related to the Note. The entire outstanding balance of the Note is to be paid in full on September 30, 2015.

At any time after September 30, 2013, holders of the Note may convert all or any part of, but in 200,000 minimum share increments, the then outstanding and unpaid principal of the Note into fully paid shares of the Company’s Common

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Stock at a conversion price of $0.93 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The right to convert the Note into Common Stock of the Company is accelerated in the event of a change in control of the Company. In the event of default, the entire unpaid balance of the Note will become immediately due and payable and will bear interest at the lower of 8% per year and the highest legal rate permissible under applicable law. See Note 3 for further discussion of the convertible subordinated promissory note.

5. Litigation Settlements

Dealix Patent Litigation Settlement. In 2004, the Company brought a lawsuit for patent infringement against Dealix Corporation ("Dealix"). In December 2006, the Company entered into a settlement agreement with Dealix ("Settlement Agreement"). The Settlement Agreement required Dealix to pay the Company a total of $20.0 million in settlement payments for a mutual release of claims and a license from the Company to Dealix and its parent company, the Cobalt Group, for certain of the Company’s patent and patent applications. On March 13, 2007, the Company received the initial $12.0 million settlement payment with the remainder to be paid out in installments of $2.7 million on the next three anniversary dates of the initial payment.

The Company did not have reasonable assurance that it would receive the remaining payment on its due date and therefore had not recorded any amounts receivable related to the Settlement Agreement as of December 31, 2009. On March 15, 2010, the Company had received the final annual installment payment of $2.7 million. The Company recorded the payment as patent litigation settlement in the period payment was received, as a reduction to operating expenses.

Texas and California Patent Litigation Settlements. In April 2009, the Company entered into a settlement agreement with Insweb Corporation ("Insweb"), Leadpoint, Inc. ("Leadpoint"), and Internet Brands, Inc. ("Internet Brands") settling and dismissing with prejudice various patent-related and other claims by and against the Company. Under the settlement terms, Autobytel granted to Insweb, Leadpoint and Internet Brands, and Insweb, Leadpoint and Internet Brands each granted to Autobytel, a non-exclusive perpetual license to their respective patents as well as long-term covenants not to sue any of the parties for infringement of current or future patents; and mutual releases of claims. In connection with the settlement, (i) Autobytel and Autodata Solutions, Inc. ("Autodata"), a wholly owned subsidiary of Internet Brands, entered into a Master License and Services Agreement pursuant to which the Company will have the right to publish certain editorial content, images, shopping tools and vehicle data provided by Autodata for a term of five years; and (ii) shares of Internet Brands’ common stock previously issued to one of the Company’s subsidiaries but held by Internet Brands was released to the Company. In addition, InsWeb and Autobytel entered into a Content License Agreement pursuant to which Autobytel will receive specific auto insurance editorial content, data and interactive tools from Insweb. The content and tools will contain links to one of Insweb’s insurance websites, and Autobytel and Insweb will share the revenue associated with consumer activity generated by the links. LeadPoint agreed to pay Autobytel $200,000, $100,000 of which was paid in connection with the signing of the settlement, to be followed by $50,000 installments payable on or before March 31, 2010 and September 30, 2010, respectively. The $50,000 payments were received in April and October of 2010, respectively. In connection with the settlement, all claims brought by Insweb, Internet Brands and Leadpoint against Dominion Enterprises ("Dominion"), the purchaser of the Company’s AVV business, and Retention Performance Marketing, Inc. ("RPM"), and OneCommand, Inc. ("OneCommand"), the purchaser of the Company’s RPM business, were also dismissed with prejudice, with Internet Brands, Leadpoint and Insweb each providing Dominion, OneCommand and RPM covenants not to sue for infringement of the Insweb patent at issue in the litigation, and Dominion, OneCommand and RPM each granting to Insweb, Internet Brands and Leadpoint, and Insweb, Internet Brands and Leadpoint each granting to Dominion, OneCommand and RPM, mutual releases of claims.

6. Commitments and Contingencies

Operating Leases

The Company leases its facilities and certain office equipment under operating leases which expire on various dates through 2015. The Company’s headquarters are located in an office building in Irvine, California. The Company’s headquarters consist of approximately 26,000 square feet of leased space. The headquarters lease expires on July 31, 2013 with a one-year extension option available. The Company’s finance leads operations are located in an office building in Troy, Michigan and occupies approximately 5,449 square feet. This lease expires on July 31, 2013 with an option to extend the term for one term of three years. The Company also has offices located in Tampa, Florida, which consists of approximately 2,843 rentable square feet. This lease expires May 31, 2013. The Company’s future minimum lease payments on leases with non-cancelable terms in excess of one year were as follows (in thousands):

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Rent expense included in operating expenses was $0.7 million for both of the years ended December 31, 2011 and 2010.

Employment Agreements

The Company has employment agreements and retention agreements with certain key employees. A number of these agreements require severance payments, continuation of certain insurance benefits and acceleration of vesting of stock options and restricted stock units in the event of a termination of employment without cause or for good reason. In addition, these employees were also granted stock options and awarded restricted stock, the agreements for which provide for acceleration of vesting upon a change of control of the Company.

Litigation

In August 2001, a purported class action lawsuit was filed in the United States District Court for the Southern District of New York against Autobytel, certain of the Company’s current and former directors and officers (“Autobytel Individual Defendants”) and underwriters involved in the Company’s initial public offering. A Consolidated Amended Complaint, which is now the operative complaint, was filed on April 19, 2002. This action purports to allege violations of the Securities Act of 1933 (“Securities Act”) and the Securities Exchange Act of 1934 (“Exchange Act”). Plaintiffs allege that the underwriter defendants agreed to allocate stock in the Company’s initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at predetermined prices. Plaintiffs allege that the prospectus for the Company’s initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. The action is being coordinated with approximately 300 other nearly identical actions filed against other companies. The parties in the approximately 300 coordinated cases, including the parties in the Autobytel case, reached a settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Autobytel. On October 6, 2009, the Court granted final approval of the settlement. One appeal was dismissed and the second appeal was remanded to the District Court to determine if the appellant is a class member with standing to appeal. The District Court ruled that the appellant lacked standing. The appellant appealed the District Court’s decision to the Second Circuit. Subsequently, appellant entered into a settlement agreement with counsel for the plaintiff class pursuant to which he dismissed his appeal with prejudice. As a result, the settlement among the parties in the IPO Litigation is final and the case against Autobytel and the Autobytel Individual Defendants is concluded.

Between April and September 2001, eight separate purported class actions virtually identical to the one filed against Autobytel were filed against Autoweb.com, Inc. (“Autoweb”), certain of Autoweb’s former directors and officers (“Autoweb Individual Defendants”) and underwriters involved in Autoweb’s initial public offering. A Consolidated Amended Complaint, which is now the operative complaint, was filed on April 19, 2002. It purports to allege violations of the Securities Act and the Exchange Act. Plaintiffs allege that the underwriter defendants agreed to allocate stock in Autoweb’s initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at predetermined prices. Plaintiffs also allege that the prospectus for Autoweb’s initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. The action is being coordinated with approximately 300 other nearly identical actions filed against other companies. The parties in the approximately 300 coordinated cases, including Autoweb’s case, reached a settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Autoweb. On October 6, 2009, the Court granted final approval of the settlement. The settlement approval was appealed to the United States Court of Appeals for the Second Circuit. One appeal was dismissed and the second appeal was remanded to the District Court to determine if the appellant is a class member with standing to appeal. The District Court ruled that the appellant lacked standing. The appellant appealed the District Court’s decision to the Second Circuit. Subsequently, appellant entered into a settlement agreement with counsel for the plaintiff class pursuant to which he dismissed his appeal with prejudice. As a result, the settlement among the parties in the IPO Litigation is final and the case against Autoweb and the Autoweb Individual Defendants is concluded.

<table>
<thead>
<tr>
<th>Year Ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$735</td>
</tr>
<tr>
<td>2013</td>
<td>389</td>
</tr>
<tr>
<td>Thereafter</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>$1,147</td>
</tr>
</tbody>
</table>
for the plaintiff class pursuant to which he dismissed his appeal with prejudice. As a result, the settlement among the parties in the IPO Litigation is final and the case against Autoweb and the Autoweb Individual Defendants is concluded.

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

7. Retirement Savings Plan

The Company has a retirement savings plan which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code ("IRC") (the "401(k) Plan"). The 401(k) Plan covers all employees of the Company who are over 21 years of age and is effective on the first day of the month following date of hire. Under the 401(k) Plan, participating employees are allowed to defer up to 100% of their pretax salaries not to exceed the maximum IRC deferral amount. The Company contributions to the 401(k) Plan are discretionary. The Company did not make a contribution in the year ended December 31, 2011. The Company contributed $0.2 million in the year ended December 31, 2010.

8. Stockholders’ Equity

Stock-Based Incentive Plans

The Company has established several Plans that provide for stock-based awards ("Awards") primarily in the form of stock options and restricted stock awards ("RSAs"). Certain of these Plans provide for awards to employees, the Company’s Board of Directors, and independent consultants. The Awards were granted under the 1996 Stock Incentive Plan, the 1998 Stock Option Plan, the 1999 Stock Option Plan, the 1999 Employee and Acquisition Related Stock Option Plan, the 2000 Stock Option Plan, the Amended and Restated 2001 Restricted Stock and Option Plan, the 2004 Restricted Stock and Option Plan, the 2006 Inducement Stock Option Plan and the 2010 Equity Incentive Plan. As of June 24, 2010, awards may only be granted under the 2010 Equity Incentive Plan. An aggregate of 3.0 million shares of Company common stock are reserved for future issuance under the 2010 Equity Incentive Plan at December 31, 2011.

Share-based compensation expense is included in costs and expenses in the Consolidated Statements of Operations as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based compensation expense:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>$34</td>
<td>$33</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>358</td>
<td>301</td>
</tr>
<tr>
<td>Technology support</td>
<td>332</td>
<td>196</td>
</tr>
<tr>
<td>General and administrative</td>
<td>308</td>
<td>571</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>1,032</td>
<td>1,101</td>
</tr>
<tr>
<td>Amount capitalized to internal use software</td>
<td>10</td>
<td>—</td>
</tr>
<tr>
<td>Total share-based compensation expense</td>
<td>$1,022</td>
<td>$1,101</td>
</tr>
</tbody>
</table>

Certain Awards accelerated their vesting in accordance with their respective original award agreements. The total expense related to these accelerated vested Awards was approximately $0.1 million for the year ended December 31, 2010. There was no expense related to accelerated awards for the year ended December 31, 2011. As of December 31, 2011 and December 31, 2010, there was approximately $1.4 million and $0.8 million, respectively, of unrecognized compensation expense related to unvested stock options. This expense is expected to be recognized over a weighted average period of approximately 2.0 years.
Stock Options

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

The Company grants its options at exercise prices that are not less than the fair market value of the Company’s common stock on the date of grant. Stock options generally have a seven or ten year maximum contractual term and generally vest one-third on the first anniversary of the grant date and ratably over twenty-four months, thereafter. The vesting of certain stock options is accelerated under certain conditions, including upon a change in control of the Company or involuntary termination of employment.

Awards granted under the Company’s stock option plans were estimated to have a weighted average grant date fair value per share of $0.61 and $0.58 for the years ended December 31, 2011 and 2010, respectively, based on the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>84%</td>
</tr>
<tr>
<td>Expected risk-free interest rate</td>
<td>1.4%</td>
</tr>
<tr>
<td>Expected life (years)</td>
<td>4.1</td>
</tr>
</tbody>
</table>

A summary of the Company’s outstanding stock options as of December 31, 2011, and changes during the year then ended is presented below:

<table>
<thead>
<tr>
<th></th>
<th>Number of Options</th>
<th>Weighted Average Exercise Price per Share</th>
<th>Weighted Average Remaining Contractual Term (years)</th>
<th>Aggregate Intrinsic Value (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at December 31, 2010</td>
<td>6,843,957</td>
<td>$1.76</td>
<td>6.9</td>
<td>$565</td>
</tr>
<tr>
<td>Granted</td>
<td>2,491,538</td>
<td>0.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(433,221)</td>
<td>0.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited or expired</td>
<td>(1,164,753)</td>
<td>3.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at December 31, 2011</td>
<td>7,737,521</td>
<td>$1.29</td>
<td>6.3</td>
<td>$565</td>
</tr>
<tr>
<td>Vested and expected to vest at December 31, 2011</td>
<td>7,437,026</td>
<td>$1.31</td>
<td>6.3</td>
<td>$565</td>
</tr>
<tr>
<td>Exercisable at December 31, 2011</td>
<td>4,296,865</td>
<td>$1.57</td>
<td>6.2</td>
<td>$541</td>
</tr>
</tbody>
</table>

Service-Based Options

During the years ended December 31, 2011 and 2010, the Company granted 1,214,548 and 1,961,210 service-based stock options, with weighted average grant date fair values of $0.62 and $0.58, respectively.

Performance-Based Options. During the year ended December 31, 2011, the Company granted 1,276,990 performance-based stock options (“Performance Options”) to certain employees with a weighted average grant date fair value of $0.60, using a Black-Scholes option pricing model. The Performance Options are subject to two vesting requirements and conditions: i) percentage achievement of 2011 revenues and earnings before interest, taxes, depreciation and amortization (“EBITDA”) goals and ii) service vesting. Based on the Company’s 2011 revenues and EBITDA performance, 726,666
Performance Options vested under the performance vesting condition, and one-third of these options vested on the first anniversary of the grant date and the remainder will vest ratably over twenty-four months, thereafter.

**Market Condition Options**

In 2009 the Company granted 1,068,250 stock options to substantially all employees at exercise prices equal to the price of the stock on the grant date of $0.35, with a fair market value per option granted of $0.19, using a Black-Scholes option pricing model. One-third of these options cliff vest on the first anniversary following the grant date and the remaining two-thirds vest ratably over twenty-four months thereafter. In addition, the remaining two-thirds of the awards must meet additional conditions in order to be exercisable. One-third of the remaining options must also satisfy the condition that the closing price of Autobytel’s common stock over any 30 consecutive trading days is at least two times the option exercise price to be exercisable (“Market Condition A”). The final one-third of the remaining options must also satisfy the condition that the closing price of Autobytel’s common stock over any 30 consecutive trading days is at least three times the option exercise price to be exercisable (“Market Condition B”). Certain of these options will accelerate vesting upon a change in control of the Company. Market Condition A was achieved during 2009 and Market Condition B was achieved in July 2010. During 2011, 40,926 stock options were exercised related to these market condition options.

During 2011, 433,221 options were exercised (inclusive of the 40,926 market condition stock options exercised during 2011), with an aggregate weighted average exercise price of $0.80. During 2010, 539,386 options were exercised (inclusive of 163,882 market condition stock options exercised during 2010), with an aggregate weighted average exercise price of $0.49. The total intrinsic value of options exercised during 2011 and 2010 was $165,000 and $222,000, respectively.

**Restricted Stock Awards (“RSAs”)**

During 2008, the Company granted an aggregate of 1,020,000 RSAs that are subject to forfeiture. The forfeiture restrictions lapse as to one-third of the restricted stock awards on the first anniversary of the grant date and ratably over twenty-four months thereafter. The lapsing of the forfeiture restrictions is accelerated under certain conditions, including upon a change of control of the Company or involuntary termination. Compensation expense for restricted stock awards is measured on the grant date using the quoted market price of the Company’s common stock on the grant date. As of December 31, 2011, all shares of restricted stock had vested.

A summary of the changes in the Company’s RSAs during the year ended December 31, 2011 are presented below:

<table>
<thead>
<tr>
<th>RSA Units</th>
<th>Weighted Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested at December 31, 2010</td>
<td>123,776</td>
</tr>
<tr>
<td>Vested/forfeiture restriction lapse</td>
<td>(123,220)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(556)</td>
</tr>
<tr>
<td>Unvested at December 31, 2011</td>
<td>0</td>
</tr>
</tbody>
</table>

**Employee Stock Purchase Plan**

The Company’s Employee Stock Purchase Plan (“ESPP”) was adopted in 1996, amended in 2003 and 2007, and terminates in 2017. The ESPP permits eligible employees to purchase shares of the Company’s common stock at 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. The ESPP authorized the purchase of up to 650,000 shares of common stock. The ESPP was suspended by the Company’s Board of Directors during 2008 and continued to be suspended in 2011.

**Tax Benefit Preservation Plan**

On May 26, 2010, the Board of Directors of the Company approved, and the Company entered into, a Tax Benefit Preservation Plan, between the Company and Computershare Trust Company, N.A., as rights agent (the “Tax Benefit Preservation Plan”). The Tax Benefit Preservation Plan was approved by stockholders at the Company’s annual meeting of stockholders held June 23, 2011. The Board of Directors of the Company adopted the Tax Benefit Preservation Plan to
protect stockholder value by preserving important tax assets. Under the Tax Benefit Preservation Plan, rights to purchase capital stock of the Company ("Rights") have been distributed as a dividend at the rate of one Right for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $8.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company’s outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company’s outstanding common stock. If a person or group acquires 4.90% or more of the Company’s common stock, all rights holders, except the acquirer, will be entitled to acquire at the then exercise price of a right that number of shares of the Company common stock which, at the time, has a market value of two times the exercise price of the Right. The Rights will expire upon the earliest of: (i) the close of business on May 26, 2014 unless that date is advanced or extended, (ii) the time at which the Rights are redeemed or exchanged under the Tax Benefit Preservation Plan, (iii) the repeal of Section 382 or any successor statute if the Board determines that the Tax Benefit Preservation Plan is no longer necessary for the preservation of the Company’s Tax Benefits, (iv) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, or (v) such time as the Board determines that a limitation on the use of the Tax Benefits under Section 382 would no longer be material to the Company.

Warrant

As part of the acquisition of Auto/Cyber on September 17, 2010, the Company issued a warrant to purchase 2,000,000 shares of Company common stock ("Warrant") at an exercise price of $0.93 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The Warrant becomes exercisable on the third anniversary of the issuance date and expires on the eighth anniversary of the issuance date. The right to exercise the Warrant is accelerated in the event of a change in control of the Company. The Warrant was valued at $0.63 per share for a total value of $1,260,000, which is recorded as additional paid-in-capital. The Company used an option pricing model to determine the fair value. See Note 3 for further discussion of the Warrant.

Shares Reserved for Future Issuance

The Company had the following shares of common stock reserved for future issuance upon the exercise or issuance of equity instruments as of December 31, 2011:

<table>
<thead>
<tr>
<th>Shares</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock options outstanding</td>
<td>7,737,521</td>
</tr>
<tr>
<td>Authorized for future grants under stock-based incentive plans</td>
<td>2,997,614</td>
</tr>
<tr>
<td>Authorized for future issuance under employee stock purchase plan</td>
<td>650,000</td>
</tr>
<tr>
<td>Reserved for exercise of Warrant</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Reserved for conversion of promissory note</td>
<td>5,376,344</td>
</tr>
<tr>
<td>Total</td>
<td>18,761,479</td>
</tr>
</tbody>
</table>

9. Severance Costs

The Company recorded $42,000 of severance in 2011. The Company’s Board of Directors, at the recommendation of management, approved a reduction in the number of its employee workforce by approximately 20 employees (the "Reductions") during fourth quarter of 2010. The Reductions reinforced management’s commitment to improve cash flow and reduce further losses. As a result of the Reductions, the Company recorded a $0.9 million charge, consisting of severance and other related termination expenses, during the year ended December 31, 2010. The Company paid approximately $0.4 million of the severance and other related termination costs related to the Reduction during 2010 and paid substantially all the remaining cost amounts during the first quarter of 2011.
In addition to severance related to the Reduction, the Company also incurred $0.4 million in additional severance costs during the year ended December 31, 2010. Total severance costs and other related termination expenses incurred by the Company during the year ended December 31, 2010 is summarized as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year Ended December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and marketing</td>
<td>$301</td>
</tr>
<tr>
<td>Technology support</td>
<td>362</td>
</tr>
<tr>
<td>General and administrative</td>
<td>599</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,262</strong></td>
</tr>
</tbody>
</table>

10. **Income Taxes**

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>—</td>
<td>$—</td>
</tr>
<tr>
<td>State</td>
<td>91</td>
<td>86</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>91</td>
<td>86</td>
</tr>
<tr>
<td><strong>Deferred:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>218</td>
<td>81</td>
</tr>
<tr>
<td>State</td>
<td>40</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>258</td>
<td>96</td>
</tr>
<tr>
<td><strong>Total income tax expense</strong></td>
<td>$349</td>
<td>$182</td>
</tr>
</tbody>
</table>

The reconciliations of the U.S. federal statutory rate to the effective income tax rate for the years ended December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax provision at U.S. federal statutory rates</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>State taxes</td>
<td>11.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Non-deductible permanent items</td>
<td>2.0</td>
<td>10.8</td>
</tr>
<tr>
<td>Incentive stock options</td>
<td>0.4</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Return to provision items</td>
<td>9.2</td>
<td>(15.7)</td>
</tr>
<tr>
<td>Change in federal valuation allowance</td>
<td>(12.9)</td>
<td>(36.3)</td>
</tr>
<tr>
<td><strong>Effective income tax rate</strong></td>
<td>45.6%</td>
<td>(2.2)%</td>
</tr>
</tbody>
</table>

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred taxes as of December 31, 2011 and 2010 are as follows:

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Deferred tax assets:

<table>
<thead>
<tr>
<th>Allowance for doubtful accounts</th>
<th>$211</th>
<th>$241</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued liabilities</td>
<td>269</td>
<td>238</td>
</tr>
<tr>
<td>Net operating loss carry-forwards</td>
<td>39,871</td>
<td>39,993</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>134</td>
<td>167</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>2,229</td>
<td>2,488</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>5,117</td>
<td>4,787</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>69</td>
<td>84</td>
</tr>
</tbody>
</table>

Total gross deferred tax assets 47,904 48,003

Valuation allowance (47,904) (48,003)

Deferred tax liabilities:

| Tax deductible goodwill         | (354)  | (96)   |

Total gross deferred tax liabilities (354) (96)

Net deferred income taxes $ (354) $(96)

At December 31, 2011, the Company had recorded a valuation allowance of $47.9 million on its net deferred tax assets. Based on the weight of available evidence, the Company believes that it is more likely than not that these deferred tax assets will not be realized.

At December 31, 2011, the Company had federal and state net operating loss carry-forwards of approximately $107.9 million and $71.5 million, respectively (“NOLs”). The federal net operating loss carry-forwards expire through 2031 as follows (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$25.4</td>
</tr>
<tr>
<td>2022</td>
<td>1.7</td>
</tr>
<tr>
<td>2023</td>
<td>—</td>
</tr>
<tr>
<td>2024</td>
<td>4.1</td>
</tr>
<tr>
<td>2025</td>
<td>7.7</td>
</tr>
<tr>
<td>2026</td>
<td>26.4</td>
</tr>
<tr>
<td>2027</td>
<td>15.5</td>
</tr>
<tr>
<td>2028</td>
<td>5.1</td>
</tr>
<tr>
<td>2029</td>
<td>8.6</td>
</tr>
<tr>
<td>2030</td>
<td>11.6</td>
</tr>
<tr>
<td>2031</td>
<td>1.8</td>
</tr>
</tbody>
</table>

$107.9

F-24
The state net operating loss carry-forwards expire through 2031 as follows (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$10.1</td>
</tr>
<tr>
<td>2012</td>
<td>3.4</td>
</tr>
<tr>
<td>2013</td>
<td>2.4</td>
</tr>
<tr>
<td>2014</td>
<td>3.9</td>
</tr>
<tr>
<td>2015</td>
<td>5.9</td>
</tr>
<tr>
<td>2016</td>
<td>21.3</td>
</tr>
<tr>
<td>2017</td>
<td>3.2</td>
</tr>
<tr>
<td>2028</td>
<td>2.7</td>
</tr>
<tr>
<td>2029</td>
<td>5.8</td>
</tr>
<tr>
<td>2030</td>
<td>11.0</td>
</tr>
<tr>
<td>2031</td>
<td>1.8</td>
</tr>
</tbody>
</table>

$71.5

Utilization of the net operating loss and tax credit carry-forwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), as well as similar state provisions. These ownership changes may limit the amount of NOL carry-forwards that can be utilized annually to offset future taxable income and tax, respectively. A Section 382 ownership change occurred in 2006; however, based on management’s current estimate, this change does not limit the utilization of the NOLs presented above as of December 31, 2011. As a result of an acquisition in 2001, approximately $9.9 million of the NOLs are subject to an annual limitation of approximately $0.5 million per year.

The federal and state net operating losses begin to expire in 2021 and 2011, respectively. Approximately $10.8 million and $5.0 million, respectively, of the federal and state net operating loss carry-forwards were incurred by subsidiaries prior to the date of the Company’s acquisition of such subsidiaries. These NOLs are subject to annual limitations based on the future realization of such net operating losses, as required by Section 382 of the Code. The Company established a valuation allowance of $4.1 million at the date of acquisitions related to these subsidiaries. The tax benefits associated with the realization of such net operating losses will be credited to the provision for income taxes. In addition, federal and state net operating losses of approximately $13.5 million and $8.5 million, respectively, relate to stock option deductions. Therefore, the extent to which the valuation allowance is reduced in the future and such options are realized, approximately $4.7 million and $0.5 million, respectively, will be credited to stockholders’ equity rather than to income tax benefit.

At December 31, 2011, deferred tax assets exclude approximately $0.6 million and $0.1 million of tax-effected federal and state net operating losses pertaining to tax deductions from stock-based compensation. Upon future realization of these benefits, the Company expects to increase additional paid-in capital and reduce income taxes payable. The benefit of excess stock option deductions is not recorded until such time that the deductions reduce income taxes payable. For purposes of determining when the stock options reduce income taxes payable, the Company has adopted the “with and without” approach whereby the Company considers net operating losses arising from continuing operations prior to net operating losses attributable to excess stock option deductions.

At December 31, 2011, the Company has federal and state research and development tax credit carry-forwards of $0.3 million and $0.2 million, respectively. The federal credits begin to expire in 2021. The state credits do not expire.

As of December 31, 2011 and 2010, the Company had unrecognized tax benefits of approximately $0.5 million, all of which, if subsequently recognized, would have affected the Company’s tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011 (in thousands)</th>
<th>2010 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>Additions based on tax positions related to the current year</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reductions based on tax positions related to prior years and settlements</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reductions based on the lapse of the statutes of limitations</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>$500</td>
<td>$500</td>
</tr>
</tbody>
</table>

The Company files income tax returns in the United States and various state jurisdictions. In general, the Company is no longer subject to U.S. federal and state income tax examinations for years prior to 2004 (except for the use of tax losses generated prior to 2004 that may be used to offset taxable income in subsequent years). The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.
The Company’s policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company did not have any accrued interest or penalties associated with any unrecognized tax benefits in the years ended December 31, 2011 and 2010.

The Company is also in an on-going income tax examination by the New York State Department of Taxation and Finance for the period January 1, 2006 through December 31, 2008. The Company believes it has made adequate reserves for state tax items through December 31, 2011.

11. Quarterly Financial Data (Unaudited)

Below is a summary table of the Company’s quarterly data for the years ended December 31, 2011 and December 31, 2010.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net revenues (in thousands, except per-share amounts)</td>
<td>$16,223</td>
<td>$16,310</td>
<td>$15,247</td>
<td>$14,659</td>
<td>$12,931</td>
<td>$12,131</td>
<td>$11,813</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>6,889</td>
<td>6,572</td>
<td>6,362</td>
<td>6,160</td>
<td>5,755</td>
<td>4,757</td>
<td>4,242</td>
<td>4,748</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$341</td>
<td>$446</td>
<td>$199</td>
<td>$(571)</td>
<td>$(3,299)</td>
<td>$(3,061)</td>
<td>$(3,001)</td>
<td>$797</td>
</tr>
<tr>
<td>Basic and diluted earnings per share</td>
<td>$0.01</td>
<td>$0.01</td>
<td>$0.00</td>
<td>$(0.01)</td>
<td>$(0.07)</td>
<td>$(0.07)</td>
<td>$(0.07)</td>
<td>$0.02</td>
</tr>
</tbody>
</table>

(a) Net loss includes $0.9 million of severance and other employee termination expenses.
(b) Net loss includes $0.1 million of severance and other employee termination expenses.
(c) Net loss includes $0.3 million of severance and other employee termination expenses.
(d) Net income includes a $2.7 million litigation settlement gain.

12. Subsequent Event

On February 13, 2012, the Company announced that the Board of Directors had approved a stock repurchase program that authorizes the repurchase of up to $1.5 million of Company Common Stock. Under the repurchase program, the Company may repurchase common stock from time to time on the open market or in private transactions. This authorization does not require us to purchase a specific number of shares, and the Board of Directors may suspend, modify or terminate it at any time. The Company will fund repurchases through the use of available cash. The Company currently anticipates that they may initiate repurchases in the open market during the week of March 5, 2012 but the timing and extent of repurchases will depend upon market conditions, legal constraints and other corporate considerations at the Company’s sole discretion.
## SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

**Years Ended December 31,**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allowance for bad debts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$355</td>
<td>$822</td>
</tr>
<tr>
<td>Additions</td>
<td>130</td>
<td>105</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(266)</td>
<td>(572)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>$219</td>
<td>$355</td>
</tr>
<tr>
<td><strong>Allowance for customer credits:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$266</td>
<td>$285</td>
</tr>
<tr>
<td>Additions</td>
<td>833</td>
<td>714</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(778)</td>
<td>(733)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>$321</td>
<td>$266</td>
</tr>
<tr>
<td><strong>Tax valuation allowance:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$48,003</td>
<td>$44,953</td>
</tr>
<tr>
<td>Charged (credited) to tax expense</td>
<td>(287)</td>
<td>4,273</td>
</tr>
<tr>
<td>Charged (credited) to other</td>
<td>188</td>
<td>(1,223)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>$47,904</td>
<td>$48,003</td>
</tr>
<tr>
<td>Number</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Third Amended and Restated Bylaws of Autobytel dated April 27, 2011, which is incorporated herein by reference to Exhibit 3.2 of the Current Report on Form 8-K filed with the SEC on April 29, 2011 (SEC File No. 000-22239)</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Form of Common Stock Certificate of Autobytel is incorporated herein by reference to Exhibit 4.1 of the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 filed with the SEC on November 14, 2001 (SEC File No. 000-22239)</td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Tax Benefit Preservation Plan dated as of May 26, 2010 between Autobytel and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Autobytel Inc., is incorporated hereby by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239)</td>
<td></td>
</tr>
<tr>
<td>10.1 **</td>
<td>Form of Amended and Restated Indemnification Agreement between Autobytel and its directors and officers is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 22, 2010 (SEC File No. 001-34761)</td>
<td></td>
</tr>
<tr>
<td>10.2 **</td>
<td>Form of Outside Director Stock Option Agreement pursuant to the 2004 Restricted Stock and Option Plan is incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on September 14, 2005 (SEC File No. 000-22239) (&quot;September 2005 Form 8-K&quot;)</td>
<td></td>
</tr>
<tr>
<td>10.3 **</td>
<td>Form of Letter Agreement (amending certain stock option agreements with Outside Directors) is incorporated herein by reference to Exhibit 10.3 of the September 2005 Form 8-K</td>
<td></td>
</tr>
<tr>
<td>10.4 **</td>
<td>Autobytel inc. 1998 Stock Option Plan is incorporated herein by reference to Exhibit 10.4 of Amendment No. 1 to the S-1 Registration Statement filed with the SEC on February 9, 1999 (SEC File No. 333-70621) (&quot;Amendment No. 1 to S-1 Registration Statement&quot;)</td>
<td></td>
</tr>
<tr>
<td>10.5 **</td>
<td>Autobytel inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit 10.5 of Amendment No.1 to S-1 Registration Statement</td>
<td></td>
</tr>
<tr>
<td>10.6 **</td>
<td>Autobytel inc. 1999 Employee and Acquisition Related Stock Option Plan is incorporated herein by reference to Exhibit 10.6 of the Registration Statement on Form S-8 filed with the SEC on November 1, 1999 (SEC File No. 333-90045)</td>
<td></td>
</tr>
<tr>
<td>10.7 **</td>
<td>Amendment No. 1 to the Autobytel inc. 1998 Stock Option Plan dated September 22, 1999 is incorporated herein by reference to Exhibit 10.7 of Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239)</td>
<td></td>
</tr>
<tr>
<td>10.8 **</td>
<td>Amendment No. 1 to the Autobytel inc. 1999 Stock Option Plan dated September 22, 1999 is incorporated herein by reference to Exhibit 10.8 of Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239)</td>
<td></td>
</tr>
<tr>
<td>10.9 **</td>
<td>Auto-By-Tel Corporation 1996 Stock Incentive Plan and related agreements are incorporated herein by reference to Exhibit 10.9 of Amendment No. 1 to S-1 Registration Statement</td>
<td></td>
</tr>
<tr>
<td>10.10 **</td>
<td>Autobytel.com Inc. 2000 Stock Option Plan is incorporated herein by reference to Exhibit 10.10 of the Registration Statement on Form S-8 filed with the SEC on June 15, 2000 (SEC File No. 333-39396)</td>
<td></td>
</tr>
<tr>
<td>10.11 **</td>
<td>Autobytel.com Inc. 2001 Restricted Stock Plan is incorporated herein by reference to Annex D to the Registration Statement on Form S-4 originally filed with the SEC on May 11, 2001 (SEC File No. 333-60798) and amended on July 17, 2001</td>
<td></td>
</tr>
<tr>
<td>10.12 **</td>
<td>Amendment No. 1 to the Auto-by-Tel Corporation 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit 10.12 of Schedule TO filed with the SEC on December 14, 2001 (SEC File No. 005-58067) (&quot;Schedule TO&quot;)</td>
<td></td>
</tr>
</tbody>
</table>
Amendment No. 2 to the Autobytel.com Inc. 1998 Stock Option Plan is incorporated herein by reference to Exhibit (d)(5) of the Schedule TO

Amendment No. 2 to the Autobytel.com Inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit (d)(8) of the Schedule TO

Amendment No. 1 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan is incorporated herein by reference to Exhibit (d)(10) of the Schedule TO

Amendment No. 1 to the Autobytel.com Inc. 2000 Stock Option Plan is incorporated herein by reference to Exhibit (d)(12) of the Schedule TO

Amendment No. 2 to the Autobytel.com Inc. 2000 Stock Option Plan is incorporated herein by reference to Exhibit 10.46 of the Annual Report on Form 10-K for the Year Ended December 31, 2001 filed with the SEC on March 22, 2002 (SEC File No. 000-22239)

Form of Stock Option Agreement pursuant to Auto-by-Tel Corporation 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit (d)(13) of the Schedule TO

Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1998 Stock Option Plan is incorporated herein by reference to Exhibit (d)(14) of the Schedule TO

Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit (d)(15) of the Schedule TO

Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan is incorporated herein by reference to Exhibit (d)(16) of the Schedule TO

Form of Stock Option Agreement pursuant to Autobytel.com Inc. 2000 Stock Option Plan is incorporated herein by reference to Exhibit (d)(17) of the Schedule TO

Form of Performance Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit (d)(18) of the Schedule TO

Form of Non-employee Director Stock Option Agreement pursuant to Auto-by-Tel Corporation 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit (d)(19) of the Schedule TO

Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan is incorporated herein by reference to Exhibit 4.7 of Post-Effective Amendment to Registration Statement on Form S-8 filed with the SEC on July 31, 2003 (SEC File No. 333-67692)

Form of Outside Director Stock Option Agreement pursuant to the Autobytel 1999 Stock Option Plan is incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on November 3, 2004 (SEC File No. 000-22239) ("November 3, 2004 Form 8-K")

Form of Outside Director Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan is incorporated herein by reference to Exhibit 10.2 of the November 3, 2004 Form 8-K

Autobytel Inc. 2004 Restricted Stock and Option Plan is incorporated herein by reference to Exhibit 4.8 of the Registration Statement on Form S-8 filed with the SEC on June 28, 2004 (SEC File No. 333-116930) ("2004 Form S-8")

Form of Employee Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan is incorporated herein by reference to Exhibit 4.9 of the 2004 Form S-8

Form of Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan is incorporated herein by reference to Exhibit 10.65 of the Annual Report on Form 10-K for the Year Ended December 31, 2004 filed with the SEC on May 31, 2005 (SEC File No. 000-22239)

2006 Inducement Stock Option Plan is incorporated herein by reference to Exhibit 4.9 of the Registration Statement on Form S-8 filed with the SEC on June 16, 2006 (SEC File No. 333-135076) ("2006 Form S-8")

Form of Employee Inducement Stock Option Agreement is incorporated herein by reference to Exhibit 4.10 of the 2006 Form S-8


Letter Agreement dated October 30, 2007 between the Company and Curtis DeWalt is incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on November 15, 2007 (SEC File No. 000-22239)

Letter Agreement dated October 10, 2006 between the Company and Glenn E. Fuller, as amended by Memorandum dated April 18, 2008, Memorandum dated as of December 8, 2008, and Memorandum dated as of March 1, 2009 is incorporated herein by reference to Exhibit 10.77 of the 2008 Form 10-K

Amended and Restated Severance Agreement dated as of September 29, 2008 between the Company and Glenn E. Fuller is incorporated herein by reference to Exhibit 10.4 of the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239)
Letter Agreement dated October 4, 2007 between the Company and Curtis E. DeWalt, as amended by Memorandum dated as of December 8, 2008 and Memorandum dated March 1, 2009 is incorporated herein by reference to Exhibit 10.79 of the 2008 Form 10-K

Amended and Restated Severance Agreement dated as of September 29, 2008 between the Company and Curtis E. DeWalt is incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on March 9, 2009 (SEC File No. 000-22239)

Letter Agreement dated August 6, 2004 between the Company and Wesley Ozima, as amended by Memorandum dated March 1, 2009 is incorporated herein by reference to Exhibit 10.81 of the 2008 Form 10-K

Amended and Restated Severance Agreement dated as of November 15, 2008 between the Company and Wesley Ozima is incorporated herein by reference to Exhibit 10.82 of the 2008 Form 10-K

Form of Restricted Stock Award Agreement pursuant to the Amended and Restated 2001 Restricted Stock and Option Plan and the 2004 Restricted Stock and Option Plan is incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239) (“October 2008 Form 8-K”)

Form of Employee Stock Option Agreement pursuant to the 1998 Stock Option Plan, the 1999 Employee and Acquisition Related Stock Option Plan and the 1999 Stock Option Plan is incorporated herein by reference to Exhibit 10.2 of the October 2008 Form 8-K

Auto-By-Tel Corporation 1996 Employee Stock Purchase Plan is incorporated herein by reference to Exhibit 10.7 of Amendment No. 1 to S-1 Registration Statement

2003 Amendment to Auto-By-Tel Corporation 1996 Employee Stock Purchase Plan is incorporated herein by reference to Exhibit 4.8 of the Registration Statement on Form S-8 filed with the SEC on July 31, 2003 (SEC File No. 333-107525)

2007 Amendment to Auto-By-Tel Corporation 1996 Employee Stock Purchase Plan is incorporated herein by reference to Exhibit 10.2 of Form 10-Q for the quarterly period ended June 30, 2007 filed with the SEC on August 9, 2007 (SEC File No. 000-22239)

Amendment No. 2 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan dated May 1, 2009 is incorporated herein by reference to Exhibit 10.86 of the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239) (“Second Quarter 2009 Form 10-Q”)

Amendment No. 3 to the Autobytel.com Inc. 2000 Stock Option Plan dated May 1, 2009 is incorporated herein by reference to Exhibit 10.87 of the Second Quarter 2009 Form 10-Q

Amendment No. 1 to the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan dated May 1, 2009 is incorporated herein by reference to Exhibit 10.88 of the Second Quarter 2009 Form 10-Q

Amendment No. 1 to the Autobytel Inc. 2004 Restricted Stock and Option Plan dated May 1, 2009 is incorporated herein by reference to Exhibit 10.89 of the Second Quarter 2009 Form 10-Q

Amendment No. 1 to the Autobytel Inc. 2006 Inducement Stock Option Plan dated May 1, 2009 is incorporated herein by reference to Exhibit 10.90 of the Second Quarter 2009 Form 10-Q

Autobytel Inc. Amended and Restated Employment Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats is incorporated herein by reference to Exhibit 10.91 of the Second Quarter 2009 Form 10-Q

Autobytel Inc. 2000 Stock Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats is incorporated herein by reference to Exhibit 10.92 of the Second Quarter 2009 Form 10-Q

Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats is incorporated herein by reference to Exhibit 10.93 of the Second Quarter 2009 Form 10-Q

Autobytel Inc. 2004 Restricted Stock and Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats is incorporated herein by reference to Exhibit 10.94 of the Second Quarter 2009 Form 10-Q

Employment Agreement dated February 1, 2010 between Autobytel and Stephen Lind is incorporated herein by reference to Exhibit 10.76 to the Annual Report on Form 10-K filed with the SEC on March 4, 2010 (SEC File No. 001-34761) (“2009 Form 10-K”)

Severance Benefits Agreement dated February 1, 2010 between Autobytel and Stephen Lind is incorporated herein by reference to Exhibit 10.77 of the 2009 Form 10-K

Autobytel Inc. 2010 Equity Incentive Plan is incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on June 25, 2010 (SEC File No. 001-34761) (“June 2010 Form 8-K”)

Form of Employee Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan

Form of Performance-Based Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan

Form of Non-Employee Director Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan

Form of (Management) Employee Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan
Form of Indemnification Agreement between Autobytel and its directors and officers is incorporated by reference to Exhibit 10.63 of the Annual Report on Form 10-K filed with the SEC on March 10, 2011 (SEC File No. 001-34761) ("2010 Form 10-K").

Amendment No. 1 to Amended and Restated Employment Agreement between Autobytel and Jeffrey H. Coats effective as of December 17, 2010 is incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on December 23, 2010 (SEC File No. 001-34761)

Severance Benefits Agreement between Autobytel and James Helberg dated May 25, 2010 is incorporated by reference to Exhibit 10.65 of the 2010 Form 10-K.

Letter Agreement between Autobytel and James Helberg dated June 2, 2010 is incorporated by reference to Exhibit 10.66 of the 2010 Form 10-K.

Severance Benefits Agreement between Autobytel and John Petrone dated February 25, 2011 is incorporated by reference to Exhibit 10.67 of the 2010 Form 10-K.

Letter Agreement between Autobytel and John Petrone dated December 20, 2010 is incorporated by reference to Exhibit 10.68 of the 2010 Form 10-K.


Standstill and Voting Agreement dated effective as of November 30, 2010 by and between Autobytel and Artis Capital Management, Inc., Artis Capital Management, L.P., and certain of its affiliates and subsidiaries, is incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on December 3, 2010 (SEC File No. 001-34761)

Convertible Subordinated Promissory Note dated September 16, 2010 (Principal Amount $5,000,000) issued by Autobytel to Autotropolis, Inc. and Cyber Ventures, Inc. is incorporated herein by reference to Exhibit 4.5 of the 3rd Quarter 2010 Form 10-Q.

Warrant to Purchase 2,000,000 Shares of Autobytel Common Stock dated September 16, 2010 issued by Autobytel to Autotropolis, Inc. and Cyber Ventures, Inc. is incorporated herein by reference to Exhibit 4.6 of the 3rd Quarter 2010 Form 10-Q.


Letter Agreement dated March 9, 2010 between Autobytel and Kimberly Boren, as amended by Memorandum dated December 21, 2010 and Memorandum as of December 1, 2011.

Amended and Restated Severance Benefits Agreement dated as of February 25, 2011 between Autobytel and Kimberly Boren.

Letter Agreement dated as of September 17, 2010 between Autobytel and William Ferriolo, as amended by Memorandum dated as of December 1, 2011.

Severance Benefits Agreement dated as of September 17, 2010 between Autobytel and William Ferriolo.


Severance Agreement dated as of October 1, 2009 between Autobytel and John Steerman.


Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP.

Power of Attorney (included in the signature page hereto).

Chief Executive Officer Section 302 Certification of Periodic Report dated March 1, 2012.


Chief Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated March 1, 2012.

Filed herewith.

Management Contract or Compensatory Plan or Arrangement.

Confidential treatment has been requested with regard to certain portions of this document. Such portions were filed separately with the Securities and Exchange Commission.
Certain schedules in this Exhibit have been omitted in accordance with Item 601(b)(2) of Regulation S-K. Autobytel Inc. will furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request; provided, however, that Autobytel Inc. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.
This Employee Stock Option Award Agreement ("Agreement") is entered into effective as of the Grant Date set forth on the signature page to this Agreement ("Grant Date") by and between Autobytel Inc., a Delaware corporation ("Company"), and the person set forth as Participant on the signature page hereto ("Participant").

This Agreement and the stock options granted hereby are subject to the provisions of the Autobytel Inc. 2010 Equity Incentive Plan ("Plan"). In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control. Capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Plan.

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

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

3. Vesting. The Options shall become vested and exercisable in accordance with the following vesting schedule: (i) thirty-three and one-third percent (33 1/3%) shall vest and become exercisable on the first anniversary after the Grant Date; and (ii) one thirty-sixth (1/36th) shall vest and become exercisable on each successive monthly anniversary thereafter for the following twenty-four (24) months ending on the third anniversary of such vesting commencement date. No installments of the Options shall vest after Participant's termination of employment for any reason.

4. Exercise of Options. (a) Manner of Exercise. To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to Company in accordance with Section 9(f) in such form as Company may require from time to time, or at the direction of Company, through the procedures established with Company's third party option administration service. Such notice shall specify the number of Shares subject to the Options as to which the Options are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (including same-day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5(b) of the Plan may only be made with the consent of the Committee. The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.
(b) Issuance of Shares. Upon exercise of the Options and payment of the Exercise Price for the Shares as to which the Options are exercised and satisfaction of all applicable tax withholding requirements, Company shall issue to Participant the applicable number of Shares in the form of fully paid and nonassessable Shares.

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

5. Termination of Options.

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

(b) Termination of Employment.

(i) Termination of Employment Other Than Due to Death, Disability or Cause. Participant may exercise the vested portion of the Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following any termination of Participant's employment with Company, either by Participant or Company, other than in the event of a termination of Participant's employment by Company for Cause or by reason of Participant's death or Disability. To the extent Participant is not entitled to exercise the Options at the date of termination of employment, or if Participant does not exercise the Options within the time specified in the Plan or this Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

(ii) Termination of Employment for Cause. Upon the termination of Participant's employment by Company for Cause, unless the Options have earlier terminated, the Options (whether vested or not) shall immediately terminate in their entirety and shall thereafter not be exercisable to any extent whatsoever; provided that Company, in its discretion, may, by written notice to Participant given as of the date of termination, authorize Participant to exercise any vested portion of the Options for a period of up to thirty (30) days following Participant's termination of employment for Cause, provided that in no event may Participant exercise the Options after the Option Expiration Date. For purposes of this Agreement, “Cause” shall mean (1) if a definition of Cause made specifically applicable to option awards held by Participant is provided in a written employment or severance agreement between Participant and Company or a severance plan of Company covering Participant (including a change in control severance agreement or plan) and any such agreement or plan is in effect at the time of the termination of
employment, Cause shall be as defined in such other agreement or plan; or (2) if no such other definition of Cause is in effect at the time of termination of employment, “Cause” shall mean a determination by Company in its sole discretion, that Participant (i) has breached Participant’s terms of employment with Company; (ii) has failed to comply with Company policies and procedures in a material manner; (iii) has engaged in disloyalty to Company, including, without limitation, fraud, embezzlement, theft or dishonesty in the course of Participant’s employment; (iv) has disclosed trade secrets or confidential information of Company to persons not entitled to receive such information; (v) has breached any agreement between Participant and Company; (vi) has engaged in such other behavior detrimental to the interests of Company; (vii) has been convicted of, or pled guilty or nolo contendere to any misdemeanor involving moral turpitude or any felony; (viii) has failed in any material manner to consistently discharge Participant’s employment duties to Company which failure continues for thirty (30) days following written notice from Company detailing the area or areas of such failure, other than such failure resulting from Participant’s Disability; (ix) has knowingly engaged in or aided any act or transaction by Company or a Subsidiary that results in the imposition of criminal, civil or administrative penalties against Company or any Subsidiary; or (x) has engaged in misconduct during the course of Participant’s employment by Company or any Subsidiary that results in an accounting restatement by Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Participant’s employment by Company or any Subsidiary.

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

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

(c) Change in Control. In the event of a Change in Control, the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 11 of the Plan), provided that (i) to the extent the Options are assumed or substituted by the successor company in connection with the Change in Control
(or the Options are continued by Company if it is the ultimate parent entity after the Change in Control), the Options will vest and become fully exercisable
in accordance with clause (i) of Section 11.2(a) of the Plan if within twenty-four (24) months following the date of the Change in Control Participant’s
employment is terminated by Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause, and any vested Options
(either vested prior to the Change in Control or accelerated by reason of this Section 5(c)) may be exercised for a period of twenty-four (24) months after the
date of such termination of employment (but in no event later than the Option Expiration Date; and (ii) any portion of the Options which vest and becomes
exercisable pursuant to Section 11.2(b) of the Plan as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of
the Change in Control if Participant is then employed by Company or a Subsidiary and (2) terminate on the date of the Change in Control. For purposes of
Section 11(a) of the Plan, the Options shall not be deemed assumed or substituted by a successor company (or continued by Company if it is the ultimate
parent entity after the Change in Control) if the Options are not assumed, substituted or continued with equity securities of the successor company or
Company, as applicable, that are publicly-traded and listed on an exchange in the United States and that have voting, dividend and other rights, preferences
and privileges substantially equivalent to the Shares. If the Options are not deemed assumed, substituted or continued for purposes of Section 11.2(a) of the
Plan, the Options shall be deemed not assumed, substituted or continued and governed by Section 11.2(b) of the Plan. Notwithstanding the foregoing, if on
the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price per Share, then the Options shall terminate as of the date
of the Change in Control except as otherwise determined by the Committee.

(d) **Extension of Exercise Period.** Notwithstanding any provisions of this Section 5 to the contrary, if exercise of the Options following
termination of employment or service during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on
exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Options
shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Options or sale of the Shares acquired on exercise would not be
a violation of the federal securities laws (or a related Company policy), or (ii) the end of the applicable time period based on the applicable reason for the
termination of employment as set forth in this Section 5; *provided, however,* that in no event shall the exercisability of the Options be extended beyond the
Option Expiration Date.

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

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

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

(h) **Reversion of Expired, Cancelled and Forfeited Options to Plan.** Any Options that do not vest or that are cancelled, terminated or expire unexercised are forfeited and revert to the Plan and shall again be available for Awards under the Plan.
6. Miscellaneous

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

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

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

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

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

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

Notices to Company should be addressed to:

Autobytel Inc.
18872 MacArthur Blvd., Suite 200
Irvine, CA 92612-1400
Attention: General Counsel

Notice to Participant should be addressed to Participant at Participant’s address as it appears on Company’s records.
Company or Participant may by writing to the other party designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

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

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

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

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

*Remainder of Page Intentionally Left Blank; Signature Page Follows*
IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Grant Date.

Grant Date: ____________________________
Total Options Awarded: ___________________
Exercise Price Per Share: ___________________

“Company”
Autobytel Inc., a Delaware corporation

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

“Participant”
[Printed Name of Participant]

8
Employee Stock Option Award Agreement

(Non-Qualified 2012 Performance Based Stock Options)

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

This Agreement and the stock options granted hereby are subject to the provisions of the Autobytel Inc. 2010 Equity Incentive Plan ("Plan"). In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control. Capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Plan.

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

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

3. Vesting. The Options shall become vested and exercisable in accordance with the vesting schedule attached hereto as Exhibit A and incorporated herein by reference ("Vesting Schedule"). No installments of the Options shall vest after Participant's termination of employment for any reason.

4. Exercise of Options.
   (a) Manner of Exercise. To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to Company in accordance with Section 9(f) in such form as Company may require from time to time, or at the direction of the Company, through the procedures established with the Company's third party option administration service. Such notice shall specify the number of Shares subject to the Options as to which the Options are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (including same-day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5(b) of the Plan may only be made with the consent of the Committee. The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.

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

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

5. **Termination of Options.**

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

(b) **Termination of Employment.**

(i) **Termination of Employment Other Than Due to Death, Disability or Cause.** Participant may exercise the vested portion of the Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following any termination of Participant’s employment with the Company, either by Participant or the Company, other than in the event of a termination of Participant’s employment by the Company for Cause or by reason of Participant’s death or Disability. To the extent Participant is not entitled to exercise the Options at the date of termination of employment, or if Participant does not exercise the Options within the time specified in the Plan or this Option Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

(ii) **Termination of Employment for Cause.** Upon the termination of Participant’s employment by Company for Cause, unless the Options have earlier terminated, the Options (whether vested or not) shall immediately terminate in their entirety and shall thereafter not be exercisable to any extent whatsoever, provided that the Company, in its discretion, may, by written notice to Participant given as of the date of termination, authorize Participant to exercise any vested portion of the Options for a period of up to thirty (30) days following Participant’s termination of employment for Cause, provided that in no event may Participant exercise the Options after the Option Expiration Date. For purposes of this Agreement, “Cause” shall mean (1) if a definition of Cause made specifically applicable to option awards or grants made to Participant is provided in a written employment or severance agreement between Participant and Company or a severance plan of Company covering Participant (including a change in control severance agreement or plan) and any such agreement or plan is in effect at the time of the termination of employment, Cause shall be as defined in such other agreement or plan; or (2) if no such other definition of Cause is in effect at the time of termination of employment, “Cause” shall mean a determination by the Company in its sole discretion, that Participant (i) has breached
Participant’s terms of employment with Company; (ii) has failed to comply with Company policies and procedures in a material manner; (iii) has engaged in disloyalty to Company, including, without limitation, fraud, embezzlement, theft or dishonesty in the course of Participant’s employment; (iv) has disclosed trade secrets or confidential information of Company to persons not entitled to receive such information; (v) has breached any agreement between Participant and Company; (vi) has engaged in such other behavior detrimental to the interests of Company; (vii) has been convicted of, or pled guilty or nolo contendere to any misdemeanor involving moral turpitude or any felony; (viii) has failed in any material manner to consistently discharge Participant’s employment duties to the Company which failure continues for thirty (30) days following written notice from the Company detailing the area or areas of such failure, other than such failure resulting from Employee’s Disability; (ix) has knowingly engaged in or aided any act or transaction by the Company or a Subsidiary that results in the imposition of criminal, civil or administrative penalties against the Company or any Subsidiary; or (x) has engaged in misconduct during the course of Participant’s employment by the Company or any Subsidiary that results in an accounting restatement by the Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Participant’s employment by the Company or any Subsidiary.

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

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

(c) **Change in Control.** In the event of a Change in Control, the effect of the Change in Control on the Option shall be determined by the applicable provisions of the Plan (including, without limitation, Article 11 of the Plan), provided that (i) to the extent the Option is assumed or substituted for in connection with the Change in Control, or Company is the ultimate parent corporation upon the consummation of the Change in Control and Company continues the Options, the Options will vest and become fully exercisable in accordance with clause (i) of Section 11.2(a) of the Plan only if within twelve (12) months following the date of the Change in
Control Participant’s employment is terminated by Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause; and
(ii) any portion of the Options which vests and becomes exercisable pursuant to Section 11.2(b) of the Plan as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Participant is then employed by Company or a Subsidiary and (2) terminate on the date of the Change in Control. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

( d ) Extension of Exercise Period. Notwithstanding any provisions of this Section 5 to the contrary, if exercise of the Options following termination of employment or service during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Options shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Options or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the applicable time period based on the applicable reason for the termination of employment as set forth in this Section 5; provided, however, that in no event shall the exercisability of the Options be extended beyond the Option Expiration Date.

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

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

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

(h) **Reversion of Expired, Cancelled and Forfeited Options to Plan.** Any Options that do not vest or that are cancelled, terminated or expire unexercised are forfeited and revert to the Plan and shall again be available for Awards under the Plan.

6. **Miscellaneous.**

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

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

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

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

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

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

   Notices to Company should be addressed to:

   Autobytel Inc.
   18872 MacArthur Blvd., Suite 200
   Irvine, CA 92612-1400
   Attention: General Counsel

   Notice to Participant should be addressed to Participant at Participant’s address as it appears on Company’s records.

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

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

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

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

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

*Remainder of Page Intentionally Left Blank; Signature Page Follows*
IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Grant Date.

<table>
<thead>
<tr>
<th>Grant Date:</th>
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<tbody>
<tr>
<td>Total Options Granted:</td>
<td></td>
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<tr>
<td>(Maximum Vesting Eligible Performance Options)</td>
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<tr>
<td>Exercise Price Per Share:</td>
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</table>

“Company”

Autobytel Inc., a Delaware corporation

By: ________________________________

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

“Participant”

[Printed Name of Participant]
The Options granted under this Agreement shall be subject to two vesting requirements and conditions: (i) percentage achievement (based on the 2012 Incentive Compensation Achievement Scale) of the 2012 EBITDA Goal and 2012 Revenue Goal, as determined below (“Company Performance Goals Component”); and (ii) time vesting based on the time vesting schedule (“Time Vesting Schedule”) set forth below (“Time Vesting Component”). For Options to vest and become exercisable, the number of Options eligible to vest under the Time Vesting Component must first be determined under the Company Performance Goals Component in accordance with the formulas set forth below (“Vesting Eligible Performance Options”). The aggregate number of Vesting Eligible Performance Options is determined based upon achievement of Company performance goals. Once the aggregate number of Vesting Eligible Performance Options is determined, the Vesting Eligible Performance Options are then subject to vesting under the Time Vesting Component in accordance with the Time Vesting Schedule. Options that are not determined to be Vesting Eligible Performance Options shall not vest and shall be cancelled as soon as the number of Vesting Eligible Performance Options is determined by the Committee. Any Options that do not vest or that are cancelled, terminated or expire unexercised are forfeited and revert to the Plan and shall again be available for Awards under the Plan.

The number of Vesting Eligible Performance Options (which may not exceed the Maximum Number of Vesting Eligible Performance Options) is determined in accordance with the following formula:

\[
[2012 \text{ Combined Company Performance Goals Funded Percentage}] \times \text{[Maximum Number of Vesting Eligible Performance Options]}
\]

The following definitions apply to this Vesting Schedule:

**EBITDA** means earnings before, interest, taxes, depreciation and amortization. EBITDA is calculated as follows: 2012 Company Net Income plus interest, taxes, depreciation and amortization, all as determined in accordance with GAAP.

**GAAP** means generally accepted accounting principles.

**Maximum Number of Vesting Eligible Performance Options** means the maximum number of Options that can be determined to be Vesting Eligible Performance Options. The Maximum Number of Vesting Eligible Performance Options is set forth on the signature page to this Agreement.

**Revenues** means the Company’s total net revenues for 2012 as determined in accordance with GAAP.
**Time Vesting Schedule** means the following vesting schedule for Vesting Eligible Performance Options: (1) thirty-three and one-third percent (33 1/3%) of the Vesting Eligible Performance Options shall vest and become exercisable on the first anniversary of the Grant Date; and (2) one thirty-sixth (1/36th) of the Vesting Eligible Performance Options shall vest and become exercisable on each successive monthly anniversary thereafter for the following twenty-four (24) months ending on the third anniversary of the Grant Date.

**2012 Combined Company Performance Goals Funded Percentage** means the percentage resulting from the following calculation:

\[
\text{2012 EBITDA Goal Funded Percentage} \times \text{2012 EBITDA Goal Allocation Percentage} + \text{2012 Revenue Goal Funded Percentage} \times \text{2012 Revenue Goal Allocation Percentage}
\]

**2012 EBITDA Goal** means the target goal set for the Company’s 2012 EBITDA. The 2012 EBITDA Goal is ________________________________.

**2012 EBITDA Goal Allocation Percentage** means the percentage of the 2012 Target Incentive Compensation Opportunity allocated to the EBITDA goal component. The 2012 Revenue Goal Allocation Percentage is seventy percent (70%).

**2012 EBITDA Goal Funded Percentage** means the percentage obtained from the column entitled “**Funded Percentage**” in the 2012 Incentive Compensation Achievement Scale applicable to the 2012 EBITDA Goal Percentage Achieved.

**2012 EBITDA Goal Percentage Achieved** means the percentage of the Company’s 2012 EBITDA Goal achieved calculated by dividing the Company’s 2012 actual EBITDA achieved by the Company’s 2012 EBITDA Goal; provided that the 2012 EBITDA Goal Percentage Achieved may not be less than seventy-five (75%) or greater than one hundred (100%).
### 2012 Incentive Compensation Achievement Scale:

<table>
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<tr>
<th>Revenue</th>
<th>2012 Revenue Scale</th>
<th>Award Opportunity</th>
<th>2012 EBITDA Scale</th>
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2012 Revenue Goal means the target goal set for the Company’s 2012 Revenues. The 2012 Revenue Goal is __________________________.

2012 Revenue Goal Allocation Percentage means the percentage of the 2012 Target Incentive Compensation Opportunity allocated to the revenue goal component. The 2012 Revenue Goal Allocation Percentage is thirty percent (30%).

2012 Revenue Goal Funded Percentage means the percentage obtained from the column entitled “Funded Percentage” in the 2012 Incentive Compensation Achievement Scale applicable to the 2012 Revenue Goal Percentage Achieved.

2012 Revenue Goal Percentage Achieved means the percentage of the Company’s 2012 Revenue Goal achieved calculated by dividing the Company’s 2012 actual revenues achieved by the 2012 Revenue Goal; provided that the 2012 Revenue Goal Percentage Achieved may not be less that sixty-seven percent (67%) or greater than one hundred (100%).
This Non-Employee Director Stock Option Award Agreement ("Agreement"), is entered into effective as of the Grant Date set forth on the signature page to this Agreement ("Grant Date"), by and between Autobytel Inc., a Delaware corporation ("Company"), and the member of Company’s Board of Directors set forth as Participant on the signature page hereto ("Participant").

This Agreement and the stock options granted hereby are subject to the provisions of the Autobytel Inc. 2010 Equity Incentive Plan ("Plan"). In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control. Capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Plan.

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

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

3. **Vesting.** The Options shall become vested and exercisable in full upon the first anniversary of the Grant Date.

4. **Exercise of Options.**
   
   (a) **Manner of Exercise.** To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to Company in accordance with Section 9(f) in such form as Company may require from time to time, or at the direction of Company, through the procedures established with Company’s third party option administration service. Such notice shall specify the number of Shares subject to the Options as to which the Options are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (including same-day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5(b) of the Plan may only be made with the consent of the Committee. The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.

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

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

(b) Termination of Service as a Director

(i) Termination of Service as a Director Other Than Due to Death, Disability or Cause. Participant may exercise the vested portion of the Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following any termination of Participant’s service as a Director of Company (including termination of service by reason of Participant’s resignation, failure to be reelected or failure to be nominated for reelection), other than in the event of a termination of Participant’s service as a Director due to Removal for Cause or by reason of Participant’s death or Disability. To the extent Participant is not entitled to exercise the Options at the date of termination of service as a Director, or if Participant does not exercise the Options within the time specified in the Plan or this Agreement for post-termination of service exercises of the Options, the Options shall terminate.

(ii) Termination of Service Due to Removal for Cause. Upon the termination of Participant’s service as a Director due to Removal for Cause, unless the Options have earlier terminated, the Options (whether vested or not) shall immediately terminate in their entirety and shall thereafter not be exercisable to any extent whatsoever; provided that Company, in its discretion, may, by written notice to Participant given as of the date of Removal for Cause, authorize Participant to exercise any vested portion of the Options for a period of up to thirty (30) days following Participant’s termination of service due to Removal for Cause, provided that in no event may Participant exercise the Options after the Option Expiration Date. For purposes of this Agreement, “Removal for Cause” shall mean a removal of Participant as a member of the board of directors of Company by Company’s stockholder’s pursuant to applicable corporate laws governing the removal of directors.

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

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

(c) **Change in Control.** In the event of a Change in Control, the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 11 of the Plan), provided that (i) to the extent the Options are assumed or substituted for in connection with the Change in Control, or Company is the ultimate parent entity upon the consummation of the Change in Control and Company continues the Options, the Options will vest and become fully exercisable in accordance with clause (i) of Section 11.2(a) of the Plan only if within twelve (12) months following the date of the Change in Control Participant’s service as a Director of Company is terminated for any reason other than by reason of Removal for Cause; and (ii) any portion of the Options which vests and becomes exercisable pursuant to Section 11.2(b) of the Plan as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Participant is then a member of the board of directors of Company and (2) terminate on the date of the Change in Control. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

(d) **Extension of Exercise Period.** Notwithstanding any provisions of this Section 5 to the contrary, if exercise of the Options following termination of service during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Options shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Options or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the applicable time period based on the applicable reason for the termination of Participant’s services as a Director as set forth in this Section 5; provided, however, that in no event shall the exercisability of the Options be extended beyond the Option Expiration Date.
(c) **Forfeiture upon Engaging in Detrimental Activities.** If, at any time within the twelve (12) months after (i) Participant exercises any portion of the Options; or (ii) the effective date of any termination of Participant’s service as a Director of Company for any reason, Participant engages in, or is determined by the Committee in its sole discretion to have engaged in, any (i) material breach of any non-competition, non-solicitation, non-disclosure or settlement or release covenant or agreement with Company or any Subsidiary, or (ii) activities during the course of Participant’s service as a Director with Company or any Subsidiary constituting fraud, embezzlement, theft or dishonesty; or (iii) activity that is otherwise in conflict with, or adverse or detrimental to the interests of Company or any Subsidiary, then (x) the Options shall terminate effective as of the date on which Participant engaged in or engages in that activity or conduct, unless terminated sooner pursuant to the provisions of this Agreement, and (y) the amount of any gain realized by Participant from exercising all or a portion of the Options at any time following the date that Participant engaged in any such activity or conduct, as determined as of the time of exercise, shall be forfeited by Participant and shall be paid by Participant to Company, and recoverable by Company, within sixty (60) days following such termination date of the Options. For purposes of the foregoing, the following will be deemed to be activities in conflict with or adverse or detrimental to the interests of Company or any Subsidiary: (i) Participant’s conviction of, or pleading guilty or nolo contendere to any misdemeanor involving moral turpitude or any felony, the underlying events of which related to Participant’s service as a Director of Company; (ii) knowingly engaged or aided in any act or transaction by Company or a Subsidiary that results in the imposition of criminal, civil or administrative penalties against Company or any Subsidiary; or (iii) misconduct during the course of Participant’s service as a Director of Company or any Subsidiary that results in an accounting restatement by Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Participant’s service as a director of Company or any Subsidiary.

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

(g) **Reversion of Expired, Cancelled and Forfeited Options to Plan.** Any Options that do not vest or that are cancelled, terminated or expire unexercised are forfeited and revert to the Plan and shall again be available for Awards under the Plan.

6. **Miscellaneous.**

(a) **No Rights of Stockholder.** Participant shall not have any of the rights of a stockholder with respect to the Shares subject to this Agreement until such Shares have been issued upon the due exercise of the Options.
(b) **Nontransferability of Options.** The Options shall be nontransferable or assignable except to the extent expressly provided in the Plan. Notwithstanding the foregoing, Participant may by delivering written notice to Company in a form provided by or otherwise satisfactory to Company, designate a third party who, in the event of Participant’s death, shall thereafter be entitled to exercise the Options. This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

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

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

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

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

    Notices to Company should be addressed to:
    
    Autobytel Inc.
    18872 MacArthur Blvd., Suite 200
    Irvine, CA 92612-1400
    Attention: General Counsel
    
    Notice to Participant should be addressed to Participant at Participant’s address as it appears on Company’s records.
    
    Company or Participant may by writing to the other party designate a different address for notices. If the receiving party consents in advance, notice may be transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Such notices shall be deemed delivered when received.

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

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

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

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

*Remainder of Page Intentionally Left Blank; Signature Page Follows*
IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Grant Date.

Grant Date: __________________________
Shares Granted by Option: __________________________
Exercise Price Per Share: __________________________

“Company”
Autobytel Inc., a Delaware corporation

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

“Participant”
[Printed Name of Participant]
Employee Stock Option Award Agreement
(Non-Qualified Stock Option)

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

This Agreement and the stock options granted hereby are subject to the provisions of the Autobytel Inc. 2010 Equity Incentive Plan ("Plan"). In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control. Capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Plan.

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

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

3. Vesting. The Options shall become vested and exercisable in accordance with the following vesting schedule: (i) thirty-three and one-third percent (33 1/3%) shall vest and become exercisable on the first anniversary after the Grant Date; and (ii) one thirty-sixth (1/36th) shall vest and become exercisable on each successive monthly anniversary thereafter for the following twenty-four (24) months ending on the third anniversary of such vesting commencement date. No installments of the Options shall vest after Participant’s termination of employment for any reason.

4. Exercise of Options.

(a) Manner of Exercise. To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to Company in accordance with Section 9(f) in such form as Company may require from time to time, or at the direction of Company, through the procedures established with Company’s third party option administration service. Such notice shall specify the number of Shares subject to the Options as to which the Options are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (including same-day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5(b) of the Plan may only be made with the consent of the Committee. The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.
(b) Issuance of Shares. Upon exercise of the Options and payment of the Exercise Price for the Shares as to which the Options are exercised and satisfaction of all applicable tax withholding requirements, Company shall issue to Participant the applicable number of Shares in the form of fully paid and nonassessable Shares.

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

5. Termination of Options.

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

(b) Termination of Employment.

(i) Termination of Employment Other Than Due to Death, Disability or Cause. Participant may exercise the vested portion of the Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following any termination of Participant’s employment with Company, either by Participant or Company, other than in the event of a termination of Participant’s employment by Company for Cause or by reason of Participant’s death or Disability. In the event the termination of Participant’s employment is by Company without Cause or by Participant for Good Reason, any unvested portion of the Options shall become immediately and fully vested as of the date of such termination. For purposes of this Agreement, the terms “Cause” and “Good Reason” shall have the meanings ascribed to them in that certain Severance Benefits Agreement dated as of _______________ by and between Company and Participant (“Severance Agreement”). To the extent Participant is not entitled to exercise the Options at the date of termination of employment, or if Participant does not exercise the Options within the time specified in the Plan or this Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

(ii) Termination of Employment for Cause. Upon the termination of Participant’s employment by Company for Cause, unless the Options have earlier terminated, the Options (whether vested or not) shall immediately terminate in their entirety and shall thereafter not be exercisable to any extent whatsoever; provided that Company, in its discretion, may, by written notice to Participant given as of the date of termination, authorize Participant to exercise any vested portion of the Options for a period of up to thirty (30) days following Participant’s termination of employment for Cause, provided that in no event may Participant exercise the Options after the Option Expiration Date.
Termination of Participant’s Employment By Reason of Participant’s Death. In the event Participant’s employment is terminated by reason of Participant’s death, the Options, to the extent vested as of the date of termination, may be exercised at any time within twelve (12) months following the date of termination (but in no event later than the Option Expiration Date) by Participant’s executor or personal representative or the person to whom the Options shall have been transferred by will or the laws of descent and distribution, but only to the extent Participant could exercise the Options at the date of termination.

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

Change in Control. In the event of a Change in Control, the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 11 of the Plan), provided that (i) to the extent the Options are assumed or substituted by the successor company in connection with the Change in Control (or the Options are continued by Company if it is the ultimate parent entity after the Change in Control), the Options will vest and become fully exercisable in accordance with clause (i) of Section 11.2(a) of the Plan if within twenty-four (24) months following the date of the Change in Control Participant’s employment is terminated by Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause, and any vested Options (either vested prior to the Change in Control or accelerated by reason of this Section 5(c)) may be exercised for a period of twenty-four (24) months after the date of such termination of employment (but in no event later than the Option Expiration Date); and (ii) any portion of the Options which vests and becomes exercisable pursuant to Section 11.2(b) of the Plan as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Participant is then employed by Company or a Subsidiary and (2) terminate on the date of the Change in Control. For purposes of Section 11(a) of the Plan, the Options shall not be deemed assumed or substituted by a successor company (or continued by Company if it is the ultimate parent entity after the Change in Control) if the Options are not assumed, substituted or continued with equity securities of the successor company or Company, as applicable, that are publicly-traded and listed on an exchange in the United States and that have voting, dividend and other rights, preferences and privileges substantially equivalent to the Shares. If the Options are not deemed assumed, substituted or continued for purposes of Section 11.2(a) of the Plan, the
Options shall be deemed not assumed, substituted or continued and governed by Section 11.2(b) of the Plan. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value of one Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

(d) Extension of Exercise Period. Notwithstanding any provisions of this Section 5 to the contrary, if exercise of the Options following termination of employment or service during the time period set forth in the applicable paragraph or sale during such period of the Shares acquired on exercise would violate any of the provisions of the federal securities laws (or any Company policy related thereto), the time period to exercise the Options shall be extended until the later of (i) forty-five (45) days after the date that the exercise of the Options or sale of the Shares acquired on exercise would not be a violation of the federal securities laws (or a related Company policy), or (ii) the end of the applicable time period based on the applicable reason for the termination of employment as set forth in this Section 5; provided, however, that in no event shall the exercisability of the Options be extended beyond the Option Expiration Date.

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

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

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

(h) Reversion of Expired, Cancelled and Forfeited Options to Plan. Any Options that do not vest or that are cancelled, terminated or expire unexercised are forfeited and revert to the Plan and shall again be available for Awards under the Plan.

6. Miscellaneous

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

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

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

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

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

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

Notices to Company should be addressed to:

Autobytel Inc.
18872 MacArthur Blvd., Suite 200
Irvine, CA 92612-1400
Attention: General Counsel

Notice to Participant should be addressed to Participant at Participant’s address as it appears on Company’s records.

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

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

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

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

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

*Remainder of Page Intentionally Left Blank; Signature Page Follows*
IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Grant Date.

Grant Date: ____________________________
Shares Granted by Option: ____________________________
Exercise Price Per Share: ____________________________

“Company”
Autobytel Inc., a Delaware corporation

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

“Participant”
[Printed Name of Participant]
March 09, 2010

Kimberly Boren
16632 Parlay Circle
Huntington Beach, CA 92649

Re: Revised Offer of Employment

Dear Kimberly:

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

1. **Employment**

   (a) Effective as of the date you commence employment with the Company ("Commencement Date"), which date is anticipated to be April 26, 2010, the Company will employ you as Sr. Director, Financial Planning and Analysis. In such capacity, you will report to the Company’s SVP, Strategic and Financial Planning or such other person as may be designated by the Company from time to time.

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

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

2. **Compensation, Benefits and Expenses**

   (a) As compensation for the services to be rendered by you pursuant to this agreement, the Company hereby agrees to pay you at a Semi-monthly Rate equal to Six Thousand Six Hundred Sixty-seven Dollars and Sixty-seven Cents ($6,666.67). The Semi-monthly Rate shall be paid in accordance with the normal payroll practices of the Company.

   (b) You shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive bonus plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 20% of your annualized rate (i.e., 24 X Semi-monthly rate) based on achievement of objectives.
specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be set forth in written documents signed by the parties. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual bonus plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

(c) Subject to approval by the Company’s Board of Directors or a committee thereof, it is anticipated that upon commencement of employment you will be granted options to acquire shares of the Company’s common stock. The number of shares, exercise price, vesting, exercise, termination and other terms and conditions of these options shall be governed by and subject to the terms and conditions of the applicable stock option plan and stock option award agreement. The granting and exercise of such options are also subject to compliance with applicable federal and state securities laws.

(d) You shall be entitled to participate in such ordinary and customary benefits plans afforded generally to persons employed by the Company at your level (subject to the terms and conditions of such benefit plans, your making of any required employee contributions required for your participation in such benefits, your ability to qualify for and satisfy the requirements of such benefit plans).

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

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

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

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

(iii) Your execution and delivery of your acknowledgment and agreement to the Company’s Employee Handbook, Securities Trading Policy, Code of Conduct and Ethics for Employees, Officer and Directors, and Sexual Harassment Policy. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.

(iv) Your compliance with all applicable federal and state laws, rules, regulation and orders, including (1) your execution and delivery of an I-9 Employment Eligibility Verification together with complying verification documents; and (2) your execution and delivery of a W-4 Employee’s Withholding Allowance Certificate. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.
The documents referenced in Sections 3(ii), (iii) and (iv) above are referred to herein as the “Standard Employee Documents.”

4. **Prior Employment Requirements or Obligations.** The Company requires that you comply with all terms and conditions of any employment or other agreements or legal obligations or requirements you may have with or owe to your current or former employers. In particular, the Company requires that you comply with the terms and conditions of any confidentiality or non-disclosure agreements, policies or other obligations you may owe your former employers, and Employee shall not disclose to the Company or provide the Company with copies of any confidential or proprietary information or trade secrets of any former employer. The Company expects that you will comply with any notification requirements relating to the termination of your employment with your current employer and will adjust the anticipated Commencement Date accordingly to accommodate any required notice period.

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

6. **Notices.** Any notice required or permitted under this agreement will be considered to be effective in the case of (i) certified mail, when sent postage prepaid and addressed to the party for whom it is intended at its address of record, three (3) days after deposit in the mail; (ii) by courier or messenger service, upon receipt by recipient as indicated on the courier's receipt; or (iii) upon receipt of an Electronic Transmission by the party that is the intended recipient of the Electronic Transmission. The record addresses, facsimile numbers of record, and electronic mail addresses of record for you are set forth on the signature page to this agreement and for the Company as set forth in the letterhead above and may be changed from time to time by notice from the changing party to the other party pursuant to the provisions of this Section 6. For purposes of this Section 6, “Electronic Transmission” means a communication (i) delivered by facsimile, telecommunication or electronic mail when directed to the facsimile number or electronic mail address of record, respectively, which the intended recipient has provided to the other party for sending notices pursuant to this Agreement and (ii) that creates a record of delivery and receipt that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

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

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

9. **Interpretation.** Every provision of this agreement is the result of full negotiations between the parties, both of whom have either been represented by counsel throughout or otherwise been given an opportunity to seek the aid of counsel. No provision of this agreement shall be construed in favor of or against any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof. Captions and headings of sections contained in this agreement are for convenience only and shall not control the meaning, effect, or construction of this agreement. Time periods used in this Agreement shall mean calendar periods unless otherwise expressly indicated.
10. **Entire Agreement.** This Agreement, together with the Standard Employee Documents, is intended to be the final, complete and exclusive agreement between the parties relating to the employment of you by the Company and all prior or contemporaneous understandings, representations and statements, oral or written, are merged herein. No modification, waiver, amendment, discharge or change of this agreement shall be valid unless the same is in writing and signed by the party against which the enforcement thereof is or may be sought.

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

This offer shall expire seven (7) calendar days from the date of this offer letter. Should you wish to accept this offer and its terms and conditions, please confirm your understanding of, agreement to, and acceptance of the foregoing by signing and returning to the undersigned the duplicate copy of this offer letter enclosed herewith.

Autobytel Inc., a Delaware corporation

By: /s/ Glenn E. Fuller

Accepted and Agreed as of the date first written above:

/s/ Kimberly Boren
Kimberly Boren
16632 Parlay Circle
Huntington Beach, CA 92649
DATE:   December 21, 2010

TO:   Kimberly Boren
FROM:    Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary
CC:                Jeff Coats – President and CEO

RE:   Promotion

It is a pleasure to inform you of your promotion to Vice President, Analytics and Advertising Operations at Autobytel Inc. In this position you will report to Jeff Coats, President and CEO and Jim Helberg, Executive Vice President, Product, Marketing and Analytics. Following is a summary of your promotion.

New Position:   Vice President, Analytics and Advertising Operations
Semi-Monthly Rate:   $7,083.34 ($170,000 Approximate Annually)
Effective Date:   December 17, 2010
Bonus Opportunity:   You shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive compensation plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 35% of your annualized salary (i.e., 24 x Semi-Monthly Rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target bonus opportunity and objectives for each annual compensation plan period will be set forth in written documents signed by the parties. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and awards, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

In the event of termination, you agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying in a proceeding) in the investigation and handling of any internal investigation, legislative matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by you.
Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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

Please feel free to call if you have any questions.

Autobytel Inc.

/s/ Glenn Fuller
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed:

/s/ Kimberly Boren
DATE: Effective as of December 1, 2011

TO: Kim Boren
FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary
CC: Jeff Coats – President and CEO
     Jim Helberg – EVP, Product, Marketing and Analytics

RE: Promotion

It is a pleasure to inform you of your promotion to SVP, Analytics and Advertising Operations at Autobytel Inc. In this position you will continue to report to Jeff Coats, President and CEO, and Jim Helberg, EVP, Product, Marketing and Analytics. Following is a summary of your promotion.

New Position: SVP, Analytics and Advertising Operations
Semi-Monthly Rate: $8,333.34 ($200,000 Approximate Annually)
Rate Effective Date: December 1, 2011
Bonus Opportunity: Effective January 1, 2012, you shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive bonus plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 55% of your annualized rate (i.e., 24 X Semi-monthly rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the period, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual bonus plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

In the event of termination, you agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying in a proceeding) in the investigation and handling of any internal investigation, legislative matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by you.
Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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

Please feel free to call if you have any questions.

Autobytel Inc.

/s/ Glenn Fuller
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed:

/s/ Kimberly Boren
This Amended and Restated Severance Benefits Agreement ("Agreement") is entered into effective as of February 25, 2011 ("Effective Date") between Autobytel Inc., a Delaware corporation ("Autobytel" or "Company") and Kimberly Boren ("Employee").

Background

Autobytel and Employee have previously entered into a severance agreement dated as of April 26, 2010, ("Prior Severance Agreement"). In connection with Employee’s promotion as a Vice President of the Company, Autobytel has determined that it is in its best interests to provide Employee with additional incentives and comfort regarding Employee’s position with the Company to encourage Employee’s continued employment with, and dedication to the business of, Autobytel.

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

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

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

   (b) Arbitration Agreement means that certain Mutual Agreement to Arbitrate dated as of April 19, 2010 by and between Autobytel and Employee concurrently with, and as a condition to, the execution of this Agreement.

   (c) Benefits means all Company medical, dental, vision, life and disability plans in which Employee participates.

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

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

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

      (iii) the gross dishonesty of the Employee in any way that adversely affects the Company; or
(iv) a material failure to consistently discharge Employee’s employment duties to the Company which failure continues for thirty (30) days following written notice from the Company detailing the area or areas of such failure, other than such failure resulting from Employee’s Disability.

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

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

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

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

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

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

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

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

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

(g) “Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(h) “Company” means Autobytel, and upon any assignment to and assumption of this Agreement by any Successor Company, shall mean such Successor Company.

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

(j) “Employee’s Position” means Employee’s position as the Vice President, Analytics and Advertising Operations of the Company.

(k) “Employee’s Primary Location” means Autobytel’s headquarters located at 18872 MacArthur Boulevard, Suite 200, Irvine, California, 92612-1400.

(l) “Good Reason” means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee’s salary as in existence as of the date hereof or as of the date prior to any such change, whichever is more beneficial for Employee at the time of the act, decision, or omission by the Company; (B) materially modifies, reduces, changes, or restricts the Employee’s Benefits as a whole as in existence as of the date hereof or as of the date prior to any such change, whichever are more beneficial for Employee at the time of the act, decision, or omission by the Company; (C) materially modifies, reduces, changes, or restricts the Employee’s authority, duties, or responsibilities commensurate with the Employee’s Position but excluding the effects of any reductions in force other than the Employee’s own termination; (D) relocates the Employee place of employment without Employee’s consent from Employee’s Primary Location to any other location in excess of a forty (40) mile radius from the Employee’s Primary Location or requires
any such relocation as a condition to continued employment by Company; (E) constitutes a failure or refusal by any Company Successor to assume this Agreement; or (F) involves or results in any material failure by the Company to comply with any provision of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Employee. Notwithstanding the foregoing, no event shall constitute “Good Reason” unless (i) the Employee first provides written notice to the Company within ninety (90) days of the event(s) alleged to constitute good reason, with such notice specifying the grounds that are alleged to constitute good reason, and (ii) the Company fails to cure such a material breach to the reasonable satisfaction of the Employee within thirty (30) days after Company’s receipt of such written notice.

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

(n) “Severance Period” shall equal nine (9) months.

(o) “Successor Company” means any successor to Autobytel or its assets by reason of any Change of Control.

(p) “Termination Without Cause” means termination of Employee’s employment with the Company (i) by the Company (a) for any reason other than (1) death, (2) Disability or (3) those reasons expressly set forth in the definition of “Cause”, (b) for no reason at all, or (c) in connection with or as a result of a Change of Control; or (ii) by Employee for Good Reason within ninety (90) days following the initial existence of the event or events that
constitute Good Reason; provided, however, that a termination of Employee’s employment with the Company in connection with a Change of Control shall not constitute a Termination Without Cause if Employee is offered employment with the Successor Company under terms and conditions, including position, salary and other compensation, and benefits, that would not provide Employee the right to terminate Employee’s employment for Good Reason.

2. Severance Benefits and Conditions.

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

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

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

(c) The payments and benefits set forth above in Section 2(a) are conditioned upon and shall be provided to Employee only if Employee executes and delivers to the Company, does not revoke, a Separation and Release Agreement in favor of the Company, which Agreement shall be substantially in the form attached hereto as Exhibit A (“Release”).

(d) All payments under Section 2(a) shall be made to Employee within five (5) business days after the Release becomes effective in accordance with its terms. In any case, all payments that have arisen shall be made no later than two and one-half months after the end of the calendar year in which Employee’s Separation from Service occurs.

(e) In addition to the payments and benefits under Sections 2(a), to the extent required by applicable law or the Company’s incentive or other compensation plans applicable to Employee, if any, upon any termination of Employee’s employment Employee shall receive (i) any amounts earned and due and owing to Employee as of the termination date with respect to any base salary, incentive compensation or commissions; and (ii) any other payments required by applicable law (including payments with respect to accrued and unused vacation time). Payments required under this Section 2(e) shall be made within the time periods required by applicable law.

(f) All payments and benefits under this Section 2 are subject to legally required federal, state and local payroll deductions and withholdings.
(g) To receive career transition services, Employee must contact the service provider no later than 30 days after Employee’s delivery of the signed Release to the Company.

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

3. **Taxes.** All payments made pursuant to this Agreement will be subject to withholding of applicable taxes. Notwithstanding the foregoing, and except as otherwise specifically provided elsewhere in this Agreement, Employee is solely responsible and liable for the satisfaction of any federal, state, province or local taxes that may arise with respect to this Agreement (including any taxes arising under Section 409A of the Code). Neither the Company nor any of its employees, Employees, directors, or service providers shall have any obligation whatsoever to pay such taxes, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax liabilities. Notwithstanding anything in this Agreement to the contrary, if any amounts that become due under this Agreement on account of Employee’s termination of employment constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code, payment of such amounts shall not commence until Employee incurs a Separation from Service. If, at the time of Employee’s Separation from Service under this Agreement, Employee is a “specified employee” (within the meaning of Section 409A of the Code), any amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code that become payable to Employee on account of Employee’s Separation from Service (including any amounts payable pursuant to the preceding sentence) will not be paid until after the end of the sixth calendar month beginning after Employee’s Separation from Service (“409A Suspension Period”). Within 14 calendar days after the end of the 409A Suspension Period, Employee shall be paid a lump sum payment in cash equal to any payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining benefits as if there had not been an earlier delay.

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

5. **Entire Agreement.** All oral or written agreements or representations express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement. This Agreement contains the entire understanding between the parties hereto and supersedes any prior employment, severance, change-in-control protective or other agreement, plan or arrangement between the Company or any predecessor and Employee, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Employee of a kind elsewhere provided. No provision of this Agreement shall be interpreted to mean that Employee is subject to receiving fewer benefits than those available to Employee without reference to this Agreement. The Parties acknowledge and agree that the Prior Severance Agreement is herby terminated and shall have no further force or effect.
6. **Notices.** Except as otherwise provided in this Agreement, any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon any person in connection with this Agreement shall be in writing. Such notice shall be personally served, sent by fax or cable, or sent prepaid by either registered or certified mail with return receipt requested or Federal Express and shall be deemed given (i) if personally served or by Federal Express, when delivered to the person to whom such notice is addressed, (ii) if given by fax or cable, when sent, or (iii) if given by mail, two (2) business days following deposit in the United States mail. Any notice given by fax or cable shall be confirmed in writing, by overnight mail or Federal Express within forty-eight (48) hours after being sent. Such notices shall be addressed to the party to whom such notice is to be given at the party’s address set forth below or as such party shall otherwise direct.

If to the Company:

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

If to the Employee:

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

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

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

9. **Non-Disclosure.** Unless required by law or to enforce this Agreement, the parties hereto shall not disclose the existence of this Agreement or the underlying terms to any third party, other than their representatives who have a need to know such matters or to any potential Successor Company.

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

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

12. **No Third Party Beneficiaries.** Except as otherwise set forth in this Agreement, nothing contained in this Agreement is intended nor shall be construed to create rights running to the benefit of third parties.

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

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

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

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

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

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

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

AUTOBYTEL INC.

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

EMPLOYEE

/s/ Kimberly Boren
    Kimberly Boren
EXHIBIT A
SEPARATION AGREEMENT AND RELEASE

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

1. You acknowledge that your employment with the Company ended effective [_______], 201[__] ("Employment Termination Date"), and that you will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date. You have resigned or hereby resign from all officer and director positions, if any, you held with the Company or any of its subsidiaries effective as of the Employment Termination Date.

2. You acknowledge and agree that you have received all vacation pay and other compensation due you from the Company as a result of your employment with the Company and your separation from employment, including, but not limited to, all amounts required under your Amended and Restated Severance Benefit Agreement with the Company dated effective as of February 10, 2011 (the "Severance Agreement"), other than those amounts payable pursuant to Paragraph 3 below and those amounts or benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if required by the terms thereof. You acknowledge and agree that the Company owes you no additional wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than as provided in this Separation and Release Agreement ("Release") and those amounts and benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if required by the terms thereof. All benefits for which you are eligible pursuant to the Severance Agreement will remain in effect for the periods set forth therein.

3. In exchange for your promises in this Release and the Severance Agreement, including the release of claims set forth below, if you sign and do not revoke this Release, the Company will pay you all amounts due to you under the Severance Agreement, minus legally required federal, state and local payroll deductions and withholdings. The payment provided for in this Section 3 will be made within the time periods required by the Severance Agreement (except for benefits that will be paid over time as provided therein) and, if no time is specified, within 5 business days of the effective date of this Release.

4. You represent and warrant that you have returned to the Company all and any documents, software, equipment (including, but not limited to, computers and computer-related items), and all other materials or other things in your possession, custody, or control which are the property of the Company, including, but not limited to, Company identification, keys, and the like, wherever such items may have been located; as well as all copies (in whatever form thereof) of all materials relating to your employment, or obtained or created in the course of your employment with the Company.

5. You hereby represent that, other than those materials you have returned to the Company pursuant to Section 4 of this Release, you have not copied or caused to be copied, and
have not printed-out or caused to be printed-out, any software, computer disks, or other documents other than those documents generally available
to the public, or retained any other materials originating with or belonging to the Company. You further represent that you have not retained in your
possession, custody or control, any software, documents or other materials in machine or other readable form, which are the property of the Company,
originated with the Company, or were obtained or created in the course of or relate to your employment with the Company.

6. You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in
whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to,
information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional
programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law
and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in confidentiality or non-disclosure agreement
between you and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of April 19, 2010, which shall
remain binding on you.

7. You agree that you have not and will not at any time reveal to anyone, including any former, present or future employee of the Company, the fact,
amount, or the terms of this Release, except to your immediate family, legal counsel and financial advisor, or as required by law and as necessary for
compliance purposes. The Company may disclose the terms of this Release and file this Release as an exhibit to its public filings if it is required to due so
under applicable law, as necessary for compliance purposes or to potential successors or assigns of the Company.

8. You agree that neither you nor anyone acting on your behalf or at your direction will disparage, denigrate, defame, criticize, impugn or otherwise
damage or assail the reputation or integrity of the Company to any third party and in particular to any current or former employee, officer, director, contractor,
supplier, customer, or client of the Company or prospective or actual purchaser of the equity interests of the Company or its business or assets.

9. In consideration for the payments provided for in Section 3 of this Release, you unconditionally release and forever discharge the Company, and
the Company’s current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors,
trustees, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, employees,
agents, and attorneys of such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (referred to collectively as “Releases”), from
any and all known and unknown claims, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature and
regardless of whether the knowledge thereof would have materially affected your agreement to release the Company hereunder, that arise out of or are related
to (a) the Company’s failure to make any payments required under the Severance Agreement (other than those amounts, if any, payable pursuant to Section
2(a) of the Severance Agreement if required
by the terms of such section), and (b) those arising under the Age Discrimination in Employment Act ("ADEA"). The Release will not waive the Employee’s rights to indemnification under the Company’s certificate of incorporation or by-laws or, if applicable, any written agreement between the Company and the Employee, or under applicable law.

With respect to the various rights and claims under the ADEA being waived by you in this Release, you specifically acknowledge that you have read and understand the provisions of paragraphs 13, 14, and 15 below before signing this Release. This general release does not cover rights or claims under the ADEA arising after you sign this Release.

10. You represent and warrant that you have not filed, and agree that you will not file, or cause to be filed, any complaint, charge, claim or action involving any claims you have released in the foregoing paragraph. This promise not to sue does not apply to claims for breach of this Release. You agree and acknowledge that if you break this promise not to sue, then you will be liable for all consequential damages, including the legal expenses and fees incurred by the Company or any of the Releasees, in defending such a claim.

11. Excluded from this Release are any claims or rights that cannot be waived by law, including the right to file a charge of discrimination with an administrative agency. You agree, however, to waive your right to any monetary recovery in connection with such a charge.

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

13. You acknowledge that you have hereby been advised in writing to consult with an attorney before you sign this Release. You understand that you have twenty-one (21) days after this Release has been delivered to you by the Company to decide whether to sign this Release, although you may sign this Release at any time within the twenty-one (21) day period. If you do sign it, you also understand that you will have an additional 7 days after the date you deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company’s Chief Legal Officer, Autobytel Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your delivery of this signed Release to the Company. You understand that this Release will not become effective until after that seven (7) day period has passed.

14. You acknowledge that you are signing this Release knowingly and voluntarily and intend to be bound legally by its terms.

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

16. You certify that you have not experienced a job-related illness or injury for which you have not already filed a claim.

17. If any provision of this Release is held to be invalid, the remainder of the Agreement, nevertheless, shall remain in full force and effect in all
other circumstances.

18. This Release does not constitute an admission that the Company or any other Releasee has violated any law, rule, regulation, contractual right or
any other duty or obligation.

19. This Release is made and entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the law of
that state, without reference to conflict of law provisions thereof. The language of all parts in this Release shall be construed as a whole, according to fair
meaning, and not strictly for or against any party.

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

PLEASE READ CAREFULLY. THIS RELEASE INCLUDES THE RELEASE OF CERTAIN CLAIMS.

Dated:_____________, 201_                                        _____________________________________

Kimberly Boren

Dated:_____________, 201_                                        Autobytel Inc.

By:__________________________________
[Officer’s Name]
[Title]
Effective as of September 17, 2010

William Ferriolo
14733 Waterchase Blvd.
Tampa, FL 33626

Re: Offer of Employment

Dear Billy:

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

1. Employment

   (a) Effective as of the date you commence employment with the Company (“Commencement Date”), which date is anticipated to be September 17, 2010, the Company will employ you as Vice President, Autotropolis division. In such capacity, you will report to one of the Company’s Executive Vice President’s as designated by the Company or such other person as may be designated by the Company from time to time.

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

   (c) You will be governed by all Company policies and procedures, as such policies and procedures may exist from time to time, generally applicable to all Company employees.

   (d) Upon termination of your employment by either party, whether with or without cause or good reason, you will be entitled to receive only that portion of your compensation, benefits, reimbursable expenses and other payments and benefits required by applicable law or by the Company’s compensation or benefit plans, policies or agreements in which you participate and pursuant to which you are entitled to receive the compensation or benefits thereunder under the circumstances of and at the time of such termination (subject to and payable in accordance with the terms and conditions of such plans, policies or agreements). You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying in a proceeding) in the investigation and handling of any internal investigation, legislative matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by you.
2. **Compensation, Benefits and Expenses**

(a) As compensation for the services to be rendered by you pursuant to this agreement, the Company hereby agrees to pay you at a Semi-Monthly Rate equal to Nine Thousand Three Hundred Seventy-Five Dollars ($9,375.00). The Semi-Monthly Rate shall be paid in accordance with the normal payroll practices of the Company.

(b) You shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive bonus plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 35% of your annualized rate (i.e., 24 X Semi-Monthly Rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be set forth in written documents signed by the parties. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual bonus plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof. You understand that you will not be eligible to participate in the Company’s 2010 Annual Incentive Compensation Plan.

(c) Subject to approval by the Company’s Board of Directors or a committee thereof, it is anticipated that upon commencement of employment you will be granted options to acquire 250,000 shares of the Company’s common stock. The number of shares, exercise price, vesting, exercise, termination and other terms and conditions of these options shall be governed by and subject to the terms and conditions of the applicable stock option plan and stock option award agreement. The granting and exercise of such options are also subject to compliance with applicable federal and state securities laws.

(d) You shall be entitled to participate in such ordinary and customary benefits plans afforded generally to persons employed by the Company at your level (subject to the terms and conditions of such benefit plans, your making of any required employee contributions required for your participation in such benefits, your ability to qualify for and satisfy the requirements of such benefit plans).

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

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

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

(ii) Your execution and delivery of this offer letter together with the Company’s Employee Confidentiality and Non-Compete Agreement and Mutual Agreement to Arbitrate, the forms of which accompany this offer letter and which are hereby incorporated herein by reference. Please sign this offer letter and return the signed original documents to me.

(iii) Your execution and delivery of your acknowledgment and agreement to the Company’s Employee Handbook, Securities Trading Policy, Code of Conduct and Ethics for Employees, Officer and Directors, and Sexual Harassment Policy. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.

(iv) Your compliance with all applicable federal and state laws, rules, regulation and orders, including (1) your execution and delivery of an I-9 Employment Eligibility Verification together with complying verification documents; and (2) your execution and delivery of a W-4 Employee’s Withholding Allowance Certificate. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.
The documents referenced in Sections 3(ii), (iii) and (iv) above are referred to herein as the “Standard Employee Documents.”

4. **Prior Employment Requirements or Obligations.** The Company requires that you comply with all terms and conditions of any employment or other agreements or legal obligations or requirements you may have with or owe to your current or former employers. In particular, the Company requires that you comply with the terms and conditions of any confidentiality or non-disclosure agreements, policies or other obligations. You may owe your former employers, and Employee shall not disclose to the Company or provide the Company with copies of any confidential or proprietary information or trade secrets of any former employer. The Company expects that you will comply with any notification requirements relating to the termination of your employment with your current employer and will adjust the anticipated Commencement Date accordingly to accommodate any required notice period. By execution below, you represent and warrant to Company that your employment with the Company will not violate the terms and conditions of any agreement entered into by you prior to your employment with Company.

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

6. **Notices.** Any notice required or permitted under this agreement will be considered to be effective in the case of (i) certified mail, when sent postage prepaid and addressed to the party for whom it is intended at its address of record, three (3) days after deposit in the mail; (ii) by courier or messenger service, upon receipt by recipient as indicated on the courier's receipt; or (iii) upon receipt of an Electronic Transmission by the party that is the intended recipient of the Electronic Transmission. The record addresses, facsimile numbers of record, and electronic mail addresses of record for you are set forth on the signature page to this agreement and for the Company as set forth in the letterhead above and may be changed from time to time by notice from the changing party to the other party pursuant to the provisions of this Section 6. For purposes of this Section 6, "Electronic Transmission" means a communication (i) delivered by facsimile, telecommunication or electronic mail when directed to the facsimile number of record or electronic mail address of record, respectively, which the intended recipient has provided to the other party for sending notices pursuant to this Agreement and (ii) that creates a record of delivery and receipt that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

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

8. **Severability.** Each term, covenant, condition, or provision of this agreement will be viewed as separate and distinct, and in the event that any such term, covenant, condition or provision will be deemed to be invalid or unenforceable, the arbitrator or court finding such invalidity or unenforceability will modify or reform this agreement to give as much effect as possible to the terms and provisions of this agreement. Any term or provision which cannot be so modified or reformed will be deleted and the remaining terms and provisions will continue in full force and effect.
9. **Interpretation.** Every provision of this agreement is the result of full negotiations between the parties, both of whom have either been represented by counsel throughout or otherwise been given an opportunity to seek the aid of counsel. No provision of this agreement shall be construed in favor of or against any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof. Captions and headings of sections contained in this agreement are for convenience only and shall not control the meaning, effect, or construction of this agreement. Time periods used in this Agreement shall mean calendar periods unless otherwise expressly indicated.

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

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

This offer shall expire seven (7) calendar days from the date of this offer letter. Should you wish to accept this offer and its terms and conditions, please confirm your understanding of, agreement to, and acceptance of the foregoing by signing and returning to the undersigned the duplicate copy of this offer letter enclosed herewith.

Autobytel Inc., a Delaware corporation

By: /s/ Glenn E. Fuller

EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed as of the date first written above:

/s/ William Ferriolo
William Ferriolo
14733 Waterchase Blvd.
Tampa, FL 33626
DATE: Effective as of December 1, 2011

TO: William Ferriolo
FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary
CC: Steve Lind – EVP, Corporate Development

RE: Promotion

It is a pleasure to inform you of your promotion to SVP, Content/Consumer Acquisition and Product Development at Autobytel Inc. In this position you will continue to report Steve Lind, EVP, Corporate Development. Following is a summary of your promotion.

New Position: SVP, Content/Consumer Acquisition and Product Development
Semi-Monthly Rate: $10,416.67 ($250,000 Approximate Annually)
Rate Effective Date: December 1, 2011
Bonus Opportunity: Effective January 1, 2012, you shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive bonus plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 55% of your annualized rate (i.e., 24 X Semi-monthly rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual bonus plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

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

Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.
As a reminder, your employment is at will and not for a specified term and may be terminated by the Company or you at any time, with or without cause or good reason and with or without prior, advance notice. This “at-will” employment status will remain in effect throughout the term of your employment by the Company and cannot be modified except by a written amendment to this promotion letter that is executed by both parties (which in the case of the Company, must be executed by the Company’s Chief Legal Officer) and that expressly negates the “at-will” employment status.

Please feel free to call if you have any questions.

Autobytel Inc.

/s/ Glenn Fuller
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed:

/s/ William Ferriolo
William Ferriolo
This Severance Benefits Agreement ("Agreement") entered into effective as of September 17, 2010 ("Effective Date") between Autobytel Inc., a Delaware corporation ("Autobytel" or "Company") and William Ferriolo ("Employee").

Background

Autobytel has determined that it is in its best interests to provide Employee with comfort regarding Employee’s position with the Company to encourage Employee’s continued employment with, and dedication to the business of, Autobytel.

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

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

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

   (b) "Arbitration Agreement" means that certain Mutual Agreement to Arbitrate dated as of September 17, 2010 by and between Autobytel and Employee.

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

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

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

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

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

      (iv) Employee's breach of that certain Confidentiality and Non-Compete Agreement entered into by Employee and Company on or about the date hereof (the "Non-Compete Agreement"); or

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

For purposes of this definition of Cause, no act or failure to act, on the part of the Employee, shall be considered “willful” if it is done, or omitted to be done, by the Employee in good faith or with reasonable belief that Employee’s action or omission was in the best interest of the Company. Employee shall have the opportunity to cure (to the reasonable satisfaction of the Company) any material failure under clause (iv) above within thirty (30) days of the Employee’s receipt of a written notice from the Company finding that, in the good faith opinion of the Company, the Employee is guilty of acts or omissions constituting “Cause.”

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

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

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

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

(1) all or substantially all of the individuals and entities who were the beneficial owners of the then outstanding shares of common stock of the Company and the beneficial owners of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then outstanding shares of common stock and the combined voting power of the then outstanding securities entitled to vote generally in the election of directors, respectively, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or indirectly or through one or more subsidiaries); and
(2) no person (excluding any employee benefit plan or related trust of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, fifty percent (50%) or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of such corporation except to the extent that such ownership existed prior to the Business Combination.

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

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

(g) “Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(h) “Company” means Autobytel, and upon any assignment to and assumption of this Agreement by any Successor Company, shall mean such Successor Company.

(i) “Disability” shall mean the inability of the Employee to perform Employee’s duties to the Company on account of physical or mental illness or incapacity for a period of ninety (90) consecutive calendar days, or for a period of one hundred twenty (120) calendar days, whether or not consecutive, during any three hundred sixty-five (365) day period.

(j) “Employee’s Position” means Employee’s position as the Vice President, CyberVentures division of the Company.

(k) “Employee’s Primary Location” means Autobytel’s office located at 12950 Racetrack Rd., Tampa, Florida 33626.

(l) “Good Reason” means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee’s salary as in existence as of the date hereof or as of the date prior to any such change, whichever is more beneficial for Employee at the time of the act, decision, or omission by the Company; (B) materially modifies, reduces, changes, or restricts the Employee’s Benefits as a whole as in existence as of the date hereof or as of the date prior to any such change, whichever are more beneficial for Employee at the time of the act, decision, or omission by the Company, but excluding any of the foregoing resulting from Company-wide modifications, reductions, changes, or restrictions that are generally applicable to all Company employees; (C) materially modifies, reduces, changes, or restricts the Employee’s authority, duties, or responsibilities commensurate with the Employee’s Position but excluding the effects of any reductions in force other than the Employee’s own termination; (D) relocates the Employee place of employment without Employee’s consent from Employee’s Primary Location to any other location in excess of a fifty (50) mile radius from the Employee’s Primary Location or requires any such relocation as a condition to continued employment by Company; (E) constitutes a failure or refusal by any Company Successor to assume this Agreement; or (F) involves or results in any material failure by the Company to comply with any provision of this Agreement, other than an isolated, insubstantial
and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Employee. Notwithstanding the foregoing, no event shall constitute “Good Reason” unless (i) the Employee first provides written notice to the Company within ninety (90) days of the event(s) alleged to constitute good reason, with such notice specifying the grounds that are alleged to constitute good reason, and (ii) the Company fails to cure such a material breach to the reasonable satisfaction of the Employee within thirty (30) days after Company’s receipt of such written notice.

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

(n) “Severance Period” shall equal one month per full month Employee is employed by the Company up to six (6) months, at which time the Severance Period shall be the number of months equal to the difference between (i) thirty-six (36) months and (ii) the number of full months Employee has been employed by the Company up to the date of termination (e.g., if Employee has been employed by Company for twelve full months as of the date of termination, the Severance Period is twenty-four months).

(o) “Successor Company” means any successor to Autobytel or its assets by reason of any Change of Control.

(p) “Termination Without Cause” means termination of Employee’s employment with the Company (i) by the Company (a) for any reason other than (1) death, (2)
Disability or (3) those reasons expressly set forth in the definition of “Cause”, (b) for no reason at all, or (c) in connection with or as a result of a Change of Control; or (ii) by Employee for Good Reason within ninety (90) days following the initial existence of the event or events that constitute Good Reason; provided, however, that a termination of Employee’s employment with the Company in connection with a Change of Control shall not constitute a Termination Without Cause if Employee is offered employment with the Successor Company under terms and conditions, including position, salary and other compensation, and benefits, that would not provide Employee the right to terminate Employee’s employment for Good Reason.

2. Severance Benefits and Conditions

(a) In the event of (i) Termination Without Cause by the Company, or (ii) the termination of Employee’s employment with the Company by Employee for Good Reason within 30 days of the earlier of (i) the expiration of the Company’s 30-day right to cure as set forth in the definition of Good Reason, or (ii) the Company’s notice to Employee that it will not cure the event giving rise to such termination for Good Reason, Employee shall receive upon such termination (A) a lump sum amount equal to the number of months constituting the Severance Period at the time of termination times the Employee's monthly base salary (determined as the Employee’s highest monthly base salary paid to Employee while employed by the Company; base salary does not include any bonus or other incentive payments or compensation); (B) subject to Section 2(b) below, continuation of all Benefits for Employee and, if applicable, Employee’s eligible dependents during the Severance Period at the time they would have been provided or paid had the Employee remained an employee of Company during the Severance Period and at the levels provided prior to the event giving rise to a termination; (C) any amounts due and owing to Employee as of the termination date with respect to any base salary, bonus or commissions; and (D) any other payments required by applicable law (including payments with respect to accrued and unused vacation, personal, sick and other days), subject, in each case, to withholding for applicable taxes.

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

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

(c) In addition to the payments and benefits set forth above, the Company shall make available to Employee career transition services during the Severance Period at Right Management or an equivalent provider selected by the Company.

(d) All payments under this Section 2 that (i) arise as a result of a termination of Employee’s employment shall be made to Employee concurrently with any termination by the Company or within 2 business days of any termination by Employee; and (ii) arise other than by reason of a termination of Employee’s employment shall be made upon the occurrence of the applicable event giving rise to the payment. In any case, all payments that have arisen shall be made no later than two and one-half months after the end of the calendar year in which Employee’s Separation from Service occurs.

(e) The amounts and benefits required by Section 2(a) shall be provided only if the Employee has executed and delivered to the Company (and not revoked) a release in favor of the Company (which release shall be substantially in the form attached as Exhibit A). Other than the payments and benefits provided for in this Section 2, Employee shall not be entitled to any additional amounts from the Company resulting from a termination of Employee’s employment with the Company. Company’s obligation to pay the amounts and
provide the benefits required by Section 2(a) shall be conditioned on Employee's continuing compliance with the terms and conditions set forth in the Non-Compete Agreement.

3. **Taxes.** All payments made pursuant to this Agreement will be subject to withholding of applicable taxes. Notwithstanding the foregoing, and except as otherwise specifically provided elsewhere in this Agreement, Employee is solely responsible and liable for the satisfaction of any federal, state, province or local taxes that may arise with respect to this Agreement (including any taxes arising under Section 409A of the Code). Neither the Company nor any of its employees, Employees, directors, or service providers shall have any obligation whatsoever to pay such taxes, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax liabilities. Notwithstanding anything in this Agreement to the contrary, if any amounts that become due under this Agreement on account of Employee’s termination of employment constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code, payment of such amounts shall not commence until Employee incurs a Separation from Service. If, at the time of Employee's Separation from Service under this Agreement, Employee is a “specified employee” (within the meaning of Section 409A of the Code), any amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code that become payable to Employee on account of Employee’s Separation from Service (including any amounts payable pursuant to the preceding sentence) will not be paid until after the end of the sixth calendar month beginning after Employee’s Separation from Service (“409A Suspension Period”). Within 14 calendar days after the end of the 409A Suspension Period, Employee shall be paid a lump sum payment in cash equal to any payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining benefits as if there had not been an earlier delay.

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

5. ** Entire Agreement.** All oral or written agreements or representations express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement. This Agreement contains the entire understanding between the parties hereto and supersedes any prior employment or change-in-control protective agreement between the Company or any predecessor and Employee, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Employee of a kind elsewhere provided. No provision of this Agreement shall be interpreted to mean that Employee is subject to receiving fewer benefits than those available to Employee without reference to this Agreement. The Parties acknowledge and agree that the Prior Severance Benefits Agreement has expired and has no further force or effect.

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

If to the Company:

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

If to the Employee:

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

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

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

9. **Non-Disclosure.** Unless required by law or to enforce this Agreement, the parties hereto shall not disclose the existence of this Agreement or the underlying terms to any third party, other than their representatives who have a need to know such matters or to any potential Successor Company.

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

11. **Governing Law.** This Agreement shall be construed and enforced in accordance with the law of the State of Florida without giving effect to such State’s choice of law rules. This Agreement is deemed to be entered into entirely in the State of Florida. This Agreement shall not be strictly construed for or against either party.
12. **No Third Party Beneficiaries.** Except as otherwise set forth in this Agreement, nothing contained in this Agreement is intended nor shall be construed to create rights running to the benefit of third parties.

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

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

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

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

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

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

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

AUTBYTEL INC.

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

EMPLOYEE

/s/ William Ferriolo
William Ferriolo
EXHIBIT A
SEPARATION AGREEMENT AND RELEASE

It is hereby agreed by and between you, William Ferriolo (for yourself, your spouse, family, agents and attorneys) (jointly, “You”), and Autobytel Inc., its predecessors, successors, affiliates, directors, Employees, shareholders, fiduciaries, insurers, employees and agents (jointly, the “Company”), as follows:

1. You acknowledge that your employment with the Company ended effective September 17, 2010, that you will perform no further duties, functions or services as an employee of the Company or any of its subsidiaries subsequent to that date, and that you have resigned from all officer and director positions you held with the Company or any of its subsidiaries effective as of such date.

2. You acknowledge and agree that you have received all vacation pay and other compensation due you from the Company as a result of your employment with the Company and your separation from employment, including, but not limited to, all amounts required under your Severance Benefits Agreement with the Company dated effective as of September 17, 2010 (“Severance Benefits Agreement”), other than those amounts payable pursuant to Paragraph 3 below and those amounts or benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Benefits Agreement if required by the terms thereof. You acknowledge and agree that the Company owes you no additional wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than as provided in this Separation Agreement and Release and those amounts and benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Benefits Agreement if required by the terms thereof. All benefits for which you are eligible pursuant to the Severance Benefits Agreement will remain in effect for the periods set forth therein.

3. In exchange for your promises in this Agreement and the Severance Benefits Agreement, including the release of claims set forth below, if you sign and do not revoke this Agreement, the Company will pay you all amounts due to you under the Severance Benefits Agreement, minus legally required state and federal payroll deductions. The payment provided for in this paragraph will be made in the time periods required by the Severance Benefits Agreement (except for benefits that will be paid over time as provided therein) and, if no time is specified, within 5 business days of the date of this Separation Agreement and Release.

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

6. You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in confidentiality or non-disclosure agreement between you and the Company, including, without limitation, that certain Employee Confidentiality and Non-Compete Agreement dated as of September 2010, which shall remain binding on you.

7. You agree that you have not and will not at any time reveal to anyone, including any former, present or future employee of the Company, the fact, amount, or the terms of this Agreement, except to your immediate family, legal counsel and financial advisor, or as required by law and as necessary for compliance purposes. The Company may disclose the terms of this Agreement and file this Agreement as an exhibit to its public filings if it is required to due so under applicable law, as necessary for compliance purposes or to potential successors or assigns of the Company.

8. You agree that neither you nor anyone acting on your behalf or at your direction will disparage, denigrate, defame, criticize, impugn or otherwise damage or assail the reputation or integrity of the Company to any third party and in particular to any current or former employee, officer, director, contractor, supplier, customer, or client of the Company or prospective or actual purchaser of the equity interests of the Company or its business or assets.

9. In consideration for the payments provided for in Paragraph 3, you unconditionally release and forever discharge the Company, and the Company’s current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, Employees, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, Employees, employees, agents, and attorneys of such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (referred to collectively as “Releasess”), from any and all known and unknown claims, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature and regardless of whether the knowledge thereof would have materially
affected your agreement to release the Company hereunder, that arise out of or are related to (a) the Company’s failure to make any payments required under the Severance Benefits Agreement (other than those amounts, if any, payable pursuant to Section 2(a) of the Severance Benefits Agreement if required by the terms of such section), and (b) those arising under the Age Discrimination in Employment Act ("ADEA"). The Release will not waive the Employee’s rights to indemnification under the Company’s certificate of incorporation or by-laws or, if applicable, any written agreement between the Company and the Employee, or under applicable law.

With respect to the various rights and claims under the ADEA being waived by you in this Agreement, you specifically acknowledge that you have read and understand the provisions of paragraphs 13, 14, and 15 below before signing this Agreement. This general release does not cover rights or claims under the ADEA arising after you sign this Agreement.

10. You represent and warrant that you have not filed, and agree that you will not file, or cause to be filed, any complaint, charge, claim or action involving any claims you have released in the foregoing paragraph. This promise not to sue does not apply to claims for breach of this Agreement. You agree and acknowledge that if you break this promise not to sue, then you will be liable for all consequential damages, including the legal expenses and fees incurred by the Company or any of the Releasees, in defending such a claim.

11. The Company hereby represents and warrants that concurrently with your execution and delivery of this Agreement, the Company has paid to you any and all amounts under the Severance Benefits Agreement that are required to be paid to you by the Company as of the date hereof, excluding, without limitation, any amounts required to be paid under this Agreement and those amounts or benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Benefits Agreement if and to the extent required by the terms thereof.

12. Excluded from this Agreement are any claims or rights that cannot be waived by law, including the right to file a charge of discrimination with an administrative agency. You agree, however, to waive your right to any monetary recovery in connection with such a charge.

13. You acknowledge that you have hereby been advised in writing to consult with an attorney before you sign this Agreement. You understand that you have twenty-one (21) days within which to decide whether to sign this Agreement, although you may sign this Agreement at any time within the twenty-one (21) day period. If you do sign it, you also understand that you will have an additional 7 days after you sign to change your mind and revoke the Agreement, in which case a written notice of revocation must be delivered to the Company’s Chief Legal Officer or comparable title, Autobytel Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your execution of the Agreement. You understand that the Agreement will not become effective until after that seven (7) day period has passed.

14. You acknowledge that you are signing this Agreement knowingly and voluntarily and intend to be bound legally by its terms.
15. You hereby acknowledge that no promise or inducement has been offered to you, except as expressly stated above and in the Severance Benefits Agreement, and you are relying upon none. This Agreement and the Severance Benefits Agreement represent the entire agreement between you and the Company with respect to the subject matter hereof, and supersede any other written or oral understandings between the parties pertaining to the subject matter hereof and may only be amended or modified with the prior written consent of you and the Company.

16. You certify that you have not experienced a job-related illness or injury for which you have not already filed a claim.

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

18. If any provision of this Agreement is held to be invalid, the remainder of the Agreement, nevertheless, shall remain in full force and effect in all other circumstances.

19. This Agreement does not constitute an admission that the Company or any other Releasee has violated any law, rule, regulation, contractual right or any other duty or obligation.

20. This Agreement is made and entered into in the State of Florida and shall in all respects be interpreted, enforced, and governed under the law of that state, without reference to conflict of law provisions thereof. The language of all parts in this Agreement shall be construed as a whole, according to fair meaning, and not strictly for or against any party.

21. Employee acknowledges that: (i) the Company has encouraged Employee to consult with an attorney and/or tax advisor of Employee’s choosing (and at Employee’s own cost and expense) in connection with this Agreement, and (ii) Employee is not relying upon the Company for, and the Company has not provided, legal or tax advice to Employee in connection with this Agreement. It is the responsibility of Employee to seek independent tax and legal advice with regard to the tax treatment of this Agreement and the payments and benefits that may be made or provided under this Agreement and any other related matters. Employee acknowledges that Employee has had a reasonable opportunity to seek and consider advice from Employee’s counsel and tax advisors.
PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES THE RELEASE OF CERTAIN CLAIMS.

Dated:_____________, 20__              [Employee Name]

Dated:_____________, 20__   AUTOBYTEL INC.

By:__________________________________
[Officer’s Name]
[Title]
May 21, 2007

John Steerman
508 Barrington Dr
Franklin, TN 37067

Dear John:

It is a pleasure to offer you the position of Director, Lead Operations at Autobytel Inc. Please be reminded that our offer of employment is contingent upon completion of our background check and your reviewing and accepting the terms of our various pre-hire and new-hire documents, including the employee handbook, the Confidentiality Agreement, the Arbitration Agreement, the Securities Trading Policy, and the Code of Conduct and Ethics for Employees, Officers and Directors. Following is a summary of our offer:

- **Position:** Director, Lead Operations
- **Semi-Monthly Rate:** $7,292 ($175,000 Annually)
- **Hire Date:** TBD
- **Stock Options:** 10,000 subject to board approval and applicable securities laws

**Bonus Opportunity:** Target bonus opportunity is up to 20%, on an annual basis based on achievement of specified objectives. Specific objectives and plan details to be outlined in a separate document and incorporated herein by reference. Bonus will be prorated based upon actual time worked within the first year of employment.

**Relocation:** Autobytel will pay (coach airfare and hotel) for one house hunting trip, up to five (5) days, for you and your family. Autobytel will pay (coach airfare) for one moving trip for your family. Autobytel will cover shipment of your household goods, including up to two (2) automobiles; recreational vehicles are not eligible for shipment. In the event your household goods need to be stored due to relocation timing, Autobytel will provide reimbursement for storage not to exceed 60 days. Autobytel will also cover reasonable costs for lease breakage in order to accelerate your relocation to California.

Autobytel will cover commuting costs (coach air / hotel / meals / rental car) not to exceed once weekly and with the best effort to minimize costs through July 15, 2007 in order to assist your family in transition to California.
Commuting costs will be covered in accordance with the Autobytel Travel and Expense Reimbursement policy. You agree to relocate to Orange County, California no later than August 31, 2007.

In the event you move your family immediately, Autobytel will pay temporary housing fees not greater than $3,000/month until August 1, 2007. Upon moving you will receive a one time incidental relocation allowance of $5,000.

The relocation and commuting costs paid by Autobytel will be grossed up for any income taxes levied thereon.

As a condition of employment, you will be required to sign the standard Employee Confidentiality Agreement and the Arbitration Agreement, which will apply during your employment with the Company and thereafter. Two originals of each of these agreements are enclosed for your review. Upon acceptance of this offer of employment, please sign and/or date in the designated areas, and return two signed originals of each directly to me. Michael Rose, Autobytel Inc.'s VP, Lead Management and Reporting, will then sign and return one complete package to you for your records.

Enclosed you will also find information regarding our benefits package and other new hire paperwork. Please review the information, complete as much as possible, and bring it with you on your first day of employment. If you have any questions or concerns they will be addressed during your new hire orientation or you may contact Susanna Larson at (949) 862-1312.

This offer of employment is contingent on your ability to comply with all applicable State and Federal regulations, including without limitation requirements, relating to the I-9 employment authorization verification process. A list of acceptable documents is enclosed. Please bring documents to verify employment eligibility on your first day of work.

The provisions of this letter are severable which means that if any part of the letter is legally unenforceable, the other provisions shall remain fully valid and enforceable. This letter sets forth our complete understanding regarding the matters addressed herein and supersedes all previous agreements or understandings between you and the Company, whether written or oral.

John, while we sincerely hope your employment relationship with Autobytel Inc. will be mutually rewarding, we want to be clear that by our policy, your employment is “at will” and there is no express or implied contract of employment for a specified period of time. This means that you may resign at any time without notice and that Autobytel Inc. may terminate your employment or change the terms of your employment, including but not limited to your duties, position, or compensation, at any time without cause and without notice. Our at-will employment policy may not be changed except by an explicit written agreement signed by both you and the President and CEO of Autobytel Inc. This policy supersedes any prior written or oral communications to the contrary.

In addition, Autobytel requires that you comply with all terms of any employment agreement that you may have with your current or former employer, Nissan North America.
Autobytel further expects that you will comply with any confidentiality provisions of any agreement with Nissan North America. Moreover, and regardless of whether you have a written agreement with Nissan North America, Autobytel does not want you to disclose to us or provide copies of any confidential, proprietary, or trade secret information from Nissan North America.

This offer shall expire 7 days from date of issue. Please indicate acceptance of our offer by signing and returning the enclosed copy of this letter. By signing this offer letter you also will be acknowledging that you are not relying on any promises or representations other than those set forth above in deciding to accept this conditional offer of employment. You may fax a signed copy, if you wish, to our confidential fax at (949) 797-0532. Feel free to call if you have questions. We look forward to having you join the Autobytel Inc. team.

/s/ John Steerman
John Steerman

Best regards,

Autobytel Inc.

/s/ Lorna Larson
Lorna Larson
VP, Human Resources
Memo

DATE: March 20, 2009

TO: John Steerman

FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary

CC: Rick Szatkowski - SVP, Business Development and Advertising

RE: Promotion

It is a pleasure to inform you of your promotion to Sr. Director, Lead Operations at Autobytel Inc. In this position you will continue to report to Rick Szatkowski, SVP, Business Development and Advertising. Following is a summary of your promotion.

New Position: Sr. Director, Lead Operations
Semi-Monthly Rate: $8,141.13 ($195,387 Approximate Annually)
Effective Date: March 1, 2009
Bonus Opportunity: You shall be entitled to participate in annual incentive bonus plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive bonus plans). Should such an annual incentive bonus plan be adopted for any annual period, your target annual incentive bonus opportunity will be as established by the Company for each annual period, which is anticipated to be up to 20% of your annualized salary (i.e., 12 x Base Monthly Salary) based on achievement of objectives specified by the Company each annual incentive bonus period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive bonus plan details target bonus opportunity and objectives for each annual bonus plan period will be set forth in written documents signed by the parties. You understand that the Company’s annual bonus plans, their structure and components, specific target bonus opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

Please feel free to call if you have any questions.

Best regards,

/s/ Glenn Fuller
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary
DATE: September 30, 2009

TO: John Steerman
FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary
CC: Rick Szatkowski - SVP, Advertising and Business Development

RE: Promotion

It is a pleasure to inform you of your promotion to Vice President, Lead Operations at Autobytel Inc. In this position you will continue to report to Rick Szatkowski, SVP, Advertising and Business Development. Following is a summary of your promotion.

| New Position: | Vice President, Lead Operations |
| Semi-Monthly Rate: | $8,547.80 ($205,147 Approximate Annually) |
| Effective Date: | October 1, 2009 |
| Bonus Opportunity: | You shall be entitled to participate in annual incentive bonus plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive bonus plans). Should such an annual incentive bonus plan be adopted for any annual period, your target annual incentive bonus opportunity will be as established by the Company for each annual period, which is may be up to 35% of your annualized salary (i.e., 24 x Semi-monthly Salary) based on achievement of objectives specified by the Company each annual incentive bonus period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive bonus plan details target bonus opportunity and objectives for each annual bonus plan period will be set forth in written documents signed by the parties. You understand that the Company’s annual bonus plans, their structure and components, specific target bonus opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof. |

Please feel free to call if you have any questions.

Best regards,
Autobytel Inc.

/s/ Glenn Fuller
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary
DATE: Effective as of December 1, 2011

TO: John Steerman
FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary
CC: Jim Helberg – EVP, Product, Marketing and Analytics

RE: Promotion

It is a pleasure to inform you of your promotion to SVP, Lead and Site Product Development and Operations at Autobytel Inc. In this position you will continue to report Jim Helberg, EVP, Product, Marketing and Analytics. Following is a summary of your promotion.

New Position: SVP, Lead and Site Product Development and Operations
Semi-Monthly Rate: $9,375 ($225,000 Approximate Annually)
Rate Effective Date: December 1, 2011

Bonus Opportunity: Effective January 1, 2012, you shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive bonus plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 55% of your annualized rate (i.e., 24 X Semi-monthly rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual bonus plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

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

Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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

Please feel free to call if you have any questions.

Autobytel Inc.

/s/ Glenn Fuller
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed:

/s/ John Steerman
John Steerman
AUTOBYTEL INC.

SEVERANCE AGREEMENT

SEVERANCE AGREEMENT ("Agreement") entered into effective as of October 1, 2009 ("Effective Date") between Autobytel Inc., a Delaware corporation ("Autobytel" or "Company") and John Steerman ("Employee").

Background

Autobytel has determined that it is in its best interests to encourage Employee’s continued employment with, and dedication to the business of, Autobytel, and as a result thereof, Autobytel and Employee have previously entered into a severance agreement dated as of September 29, 2008 ("Prior Severance Agreement"), which agreement expired on September 29, 2009. In light of Autobytel’s financial condition, recent reductions in force and evaluation of various strategic alternatives, which may include a Change of Control of Autobytel, and Employee’s recent promotion to Vice President, Lead Operations effective as of the Effective Date, Autobytel has determined that it is in the Company’s best interests to provide for additional incentive to encourage Employee’s continued employment with Autobytel and dedication to Autobytel’s business.

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

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

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

(b) "Arbitration Agreement" means that certain Mutual Agreement to Arbitrate dated as of June 1, 2007, by and between Autobytel and Employee.

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

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

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

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

(iii) the gross dishonesty of the Employee in any way that adversely affects the Company; or
(iv) a material failure to consistently discharge Employee’s employment duties to the Company which failure continues for thirty (30) days following written notice from the Company detailing the area or areas of such failure, other than such failure resulting from Employee’s Disability.

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

(c) “Change of Control” shall have the meaning ascribed to such term in the Company’s Amended and Restated 2001 Restricted Stock and Option Plan as such definition exists as of the Effective Date.

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

(g) “Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(h) “Company” means Autobytel, and upon any assignment to and assumption of this Agreement by any Successor Company, shall mean such Successor Company.

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

(j) “Employee’s Position” means Employee’s position as the Vice President, Lead Operations of the Company.

(k) “Employee’s Primary Location” means Autobytel’s headquarters located at 18872 MacArthur Boulevard, Suite 200, Irvine, California, 92612-1400.

(l) “Good Reason” means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee’s salary as in existence as of the date hereof or as of the date prior to any such change, whichever is more beneficial for Employee at the time of the act, decision, or omission by the Company; (B) materially modifies, reduces, changes, or restricts the Employee’s Benefits as a whole as in existence as of the date hereof or as of the date prior to any such change, whichever are more beneficial for Employee at the time of the act, decision, or omission by the Company; (C) materially modifies, reduces, changes, or restricts the Employee’s authority, duties, or
responsibilities commensurate with the Employee’s Position but excluding the effects of any reductions in force other than the Employee’s own termination; (D) relocates the Employee place of employment without Employee’s consent from Employee’s Primary Location to any other location in excess of a forty (40) mile radius from the Employee’s Primary Location or requires any such relocation as a condition to continued employment by Company; (E) constitutes a failure or refusal by any Company Successor to assume this Agreement; or (F) involves or results in any material failure by the Company to comply with any provision of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Employee. Notwithstanding the foregoing, no event shall constitute “Good Reason” unless (i) the Employee first provides written notice to the Company within ninety (90) days of the event(s) alleged to constitute good reason, with such notice specifying the grounds that are alleged to constitute good reason, and (ii) the Company fails to cure such a material breach to the reasonable satisfaction of the Employee within thirty (30) days after Company’s receipt of such written notice.

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

(n) “Severance Period” shall have the meaning set forth in Section 2(a).

(o) Successor Company” means any successor to Autobytel or its assets by reason of any Change of Control.
(p) “Termination Without Cause” means termination of Employee’s employment with the Company (i) by the Company (a) for any reason other than (1) death, (2) Disability or (3) those reasons expressly set forth in the definition of “Cause”, (b) for no reason at all, or (c) in connection with or as a result of a Change of Control; or (ii) by Employee for Good Reason within ninety (90) days following the initial existence of the event or events that constitute Good Reason; provided, however, that a termination of Employee’s employment with the Company in connection with a Change of Control shall not constitute a Termination Without Cause if Employee is offered employment with the Successor Company under terms and conditions, including position, salary and other compensation, and benefits, that would not provide Employee the right to terminate Employee’s employment for Good Reason.

2. Severance Benefits and Conditions.

(a) In the event of (i) Termination Without Cause by the Company, or (ii) the termination of Employee’s employment with the Company by Employee for Good Reason within 30 days of the earlier of (i) the expiration of the Company’s 30-day right to cure as set forth in the definition of Good Reason, or (ii) the Company’s notice to Employee that it will not cure the event giving rise to such termination for Good Reason, Employee shall receive upon such termination (A) a lump sum amount equal to 9 months (“Severance Period”) of the Employee’s annual base salary (determined as the Employee’s highest annual base salary paid to Employee while employed by the Company; with the annual base salary not including bonus payments); (B) subject to Section 2(b) below, continuation of all Benefits for Employee and, if applicable, Employee’s eligible dependents during the Severance Period at the levels provided prior to the event giving rise to a termination; (C) any amounts due and owing to Employee as of the termination date with respect to any base salary, bonus or commissions; and (D) any other payments required by applicable law (including payments with respect to accrued and unused vacation, personal, sick and other days), subject, in each case, to withholding for applicable taxes.

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

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

(c) In addition to the payments and benefits set forth above, the Company shall make available to Employee career transition services during the Severance Period at Right Management or an equivalent provider selected by the Company.

(d) All payments under this Section 2 that (i) arise as a result of a termination of Employee’s employment shall be made to Employee concurrently with any termination by the Company or within 2 business days of any termination by Employee; and (ii) arise other than by reason of a termination of Employee’s employment shall be made upon the occurrence of the applicable event giving rise to the payment. In any case, all payments that have arisen shall be made no later than two and one-half months after the end of the calendar year in which Employee’s Separation from Service occurs.

(e) The amounts and benefits required by Section 2(a) shall be provided only if the Employee has executed and delivered to the Company (and not revoked) a release in favor of the Company (which release shall be substantially in the form attached as Exhibit A). Other than the payments and benefits provided for in this Section 2, Employee shall
not be entitled to any additional amounts from the Company resulting from a termination of Employee’s employment with the Company.

3. **Taxes.** All payments made pursuant to this Agreement will be subject to withholding of applicable taxes. Notwithstanding the foregoing, and except as otherwise specifically provided elsewhere in this Agreement, Employee is solely responsible and liable for the satisfaction of any federal, state, province or local taxes that may arise with respect to this Agreement (including any taxes arising under Section 409A of the Code). Neither the Company nor any of its employees, Employees, directors, or service providers shall have any obligation whatsoever to pay such taxes, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax liabilities. Notwithstanding anything in this Agreement to the contrary, if any amounts that become due under this Agreement on account of Employee’s termination of employment constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code, payment of such amounts shall not commence until Employee incurs a Separation from Service. If, at the time of Employee’s Separation from Service under this Agreement, Employee is a “specified employee” (within the meaning of Section 409A of the Code), any amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code that become payable to Employee on account of Employee’s Separation from Service (including any amounts payable pursuant to the preceding sentence) will not be paid until after the end of the sixth calendar month beginning after Employee's Separation from Service (“409A Suspension Period”). Within 14 calendar days after the end of the 409A Suspension Period, Employee shall be paid a lump sum payment in cash equal to any payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining benefits as if there had not been an earlier delay.

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

5. **Entire Agreement.** All oral or written agreements or representations express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement. This Agreement contains the entire understanding between the parties hereto and supersedes any prior employment or change-in-control protective agreement between the Company or any predecessor and Employee, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to Employee of a kind elsewhere provided. No provision of this Agreement shall be interpreted to mean that Employee is subject to receiving fewer benefits than those available to Employee without reference to this Agreement. The Parties acknowledge and agree that the Prior Severance Agreement has expired and has no further force or effect.

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

If to the Company:

Autobytel Inc.
18872 MacArthur Boulevard, Suite 200
Irvine, California, 92612-1400
Facsimile: (949) 862-1323
Attn: Vice President, Human Resources or comparable title

If to the Employee:

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

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

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

9. **Non-Disclosure.** Unless required by law or to enforce this Agreement, the parties hereto shall not disclose the existence of this Agreement or the underlying terms to any third party, other than their representatives who have a need to know such matters or to any potential Successor Company.

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

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

12. **No Third Party Beneficiaries.** Except as otherwise set forth in this Agreement, nothing contained in this Agreement is intended nor shall be construed to create rights running to the benefit of third parties.
13. **Successors of the Company.** The rights and obligations of the Company under this Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company, including any Successor Company. This Agreement shall be assignable by the Company in the event of a merger or similar transaction in which the Company is not the surviving entity, or a sale of all or substantially all of the Company’s assets.

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

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

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

17. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument. The parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.
IN WITNESS WHEREOF, the Company and Employee have executed and entered into this Agreement effective as of the date first shown above.

AUTOBYTEL INC.

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

EMPLOYEE

/s/ John  
Steerman  
John Steerman
EXHIBIT A

SEPARATION AGREEMENT AND RELEASE

It is hereby agreed by and between you, [________________________] (for yourself, your spouse, family, agents and attorneys) (jointly, “You”), and Autobytel Inc., its predecessors, successors, affiliates, directors, Employees, shareholders, fiduciaries, insurers, employees and agents (jointly, the “Company”), as follows:

1. You acknowledge that your employment with the Company ended effective [_______], 200[___], and that you will perform no further duties, functions or services for the Company subsequent to that date.

2. You acknowledge and agree that you have received all vacation pay and other compensation due you from the Company as a result of your employment with the Company and your separation from employment, including, but not limited to, all amounts required under your Amended and Restated Severance Agreement with the Company dated effective as of October 1, 2009 (the “Severance Agreement”), other than those amounts payable pursuant to Paragraph 3 below and those amounts or benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if required by the terms thereof. You acknowledge and agree that the Company owes you no additional wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than as provided in this Agreement and those amounts and benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if required by the terms thereof. All benefits for which you are eligible pursuant to the Severance Agreement will remain in effect for the periods set forth therein.

3. In exchange for your promises in this Agreement and the Severance Agreement, including the release of claims set forth below, if you sign and do not revoke this Agreement, the Company will pay you all amounts due to you under the Severance Agreement, minus legally required state and federal payroll deductions. The payment provided for in this paragraph will be made in the time periods required by the Severance Agreement (except for benefits that will be paid over time as provided therein) and, if no time is specified, within 5 business days of the date of this Separation Agreement and Release.

4. You represent and warrant that you have returned to the Company any and all documents, software, equipment (including, but not limited to, computers and computer-related items), and all other materials or other things in your possession, custody, or control which are the property of the Company, including, but not limited to, Company identification, keys, and the like, wherever such items may have been located; as well as all copies (in whatever form thereof) of all materials relating to your employment, or obtained or created in the course of your employment with the Company.

5. You hereby represent that, other than those materials you have returned to the Company pursuant to Paragraph 4 of this Agreement, you have not copied or caused to be copied, and have not printed-out or caused to be printed-out, any software, computer disks, or
other documents other than those documents generally available to the public, or retained any other materials originating with or belonging to the Company. You further represent that you have not retained in your possession, custody or control, any software, documents or other materials in machine or other readable form, which are the property of the Company, originated with the Company, or were obtained or created in the course of or relate to your employment with the Company.

6. You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in confidentiality or non-disclosure agreement between you and the Company, which shall remain binding on you.

7. You agree that you have not and will not at any time reveal to anyone, including any former, present or future employee of the Company, the fact, amount, or the terms of this Agreement, except to your immediate family, legal counsel and financial advisor, or as required by law and as necessary for compliance purposes. The Company may disclose the terms of this Agreement and file this Agreement as an exhibit to its public filings if it is required to due so under applicable law, as necessary for compliance purposes or to potential successors or assigns of the Company.

8. You agree that neither you nor anyone acting on your behalf or at your direction will disparage, denigrate, defame, criticize, impugn or otherwise damage or assail the reputation or integrity of the Company to any third party and in particular to any current or former employee, officer, director, contractor, supplier, customer, or client of the Company or prospective or actual purchaser of the equity interests of the Company or its business or assets.

9. In consideration for the payments provided for in Paragraph 3, you unconditionally release and forever discharge the Company, and the Company’s current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, Employees, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, Employees, employees, agents, and attorneys of such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (referred to collectively as “Releasors”), from any and all known and unknown claims, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature and regardless of whether the knowledge thereof would have materially affected your agreement to release the Company hereunder, that arise out of or are related to (a) the Company’s failure to make any payments required under the Severance Agreement (other than those amounts, if any, payable pursuant to Section 2(a) of the Severance Agreement if required by the terms of such section), and (b) those arising under the Age Discrimination in Employment Act (“ADEA”). The Release will not waive the Employee’s rights to
indemnification under the Company’s certificate of incorporation or by-laws or, if applicable, any written agreement between the Company and the Employee, or under applicable law.

With respect to the various rights and claims under the ADEA being waived by you in this Agreement, you specifically acknowledge that you have read and understand the provisions of paragraphs 13, 14, and 15 below before signing this Agreement. This general release does not cover rights or claims under the ADEA arising after you sign this Agreement.

10. You represent and warrant that you have not filed, and agree that you will not file, or cause to be filed, any complaint, charge, claim or action involving any claims you have released in the foregoing paragraph. This promise not to sue does not apply to claims for breach of this Agreement. You agree and acknowledge that if you break this promise not to sue, then you will be liable for all consequential damages, including the legal expenses and fees incurred by the Company or any of the Releasees, in defending such a claim.

11. The Company hereby represents and warrants that concurrently with your execution and delivery of this Agreement, the Company has paid to you any and all amounts under the Severance Agreement that are required to be paid to you by the Company as of the date hereof, excluding, without limitation, any amounts required to be paid under this Agreement and those amounts or benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if and to the extent required by the terms thereof.

12. Excluded from this Agreement are any claims or rights that cannot be waived by law, including the right to file a charge of discrimination with an administrative agency. You agree, however, to waive your right to any monetary recovery in connection with such a charge.

13. You acknowledge that you have hereby been advised in writing to consult with an attorney before you sign this Agreement. You understand that you have twenty-one (21) days within which to decide whether to sign this Agreement, although you may sign this Agreement at any time within the twenty-one (21) day period. If you do sign it, you also understand that you will have an additional 7 days after you sign to change your mind and revoke the Agreement, in which case a written notice of revocation must be delivered to Vice President Human Resources or comparable title, Autobytel Inc., 18872 MacArthur Blvd., Irvine, California 92612-1400, on or before the seventh (7th) day after your execution of the Agreement. You understand that the Agreement will not become effective until after that seven (7) day period has passed.

14. You acknowledge that you are signing this Agreement knowingly and voluntarily and intend to be bound legally by its terms.

15. You hereby acknowledge that no promise or inducement has been offered to you, except as expressly stated above and in the Severance Agreement, and you are relying upon none. This Agreement and the Severance Agreement represent the entire agreement between you and the Company with respect to the subject matter hereof, and supersede any other written or oral understandings between the parties pertaining to the subject matter hereof and may only be amended or modified with the prior written consent of you and the Company.
16. You certify that you have not experienced a job-related illness or injury for which you have not already filed a claim.

17. If any provision of this Agreement is held to be invalid, the remainder of the Agreement, nevertheless, shall remain in full force and effect in all other circumstances.

18. This Agreement does not constitute an admission that the Company or any other Releasee has violated any law, rule, regulation, contractual right or any other duty or obligation.

19. This Agreement is made and entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the law of that state, without reference to conflict of law provisions thereof. The language of all parts in this Agreement shall be construed as a whole, according to fair meaning, and not strictly for or against any party.

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

PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES THE RELEASE OF CERTAIN CLAIMS.

Dated: _____________, 200_ ________________________________

[Employee Name]

Dated: _____________, 200_  Autobytel Inc.

By: ________________________________

[Officer’s Name]

[Title]
LEASE SUMMARY
AUTO-BY-TEL CORPORATION, A Delaware Corporation

Date: April 3, 1997

Building: 18872 MacArthur Blvd.
Irvine, CA 92612

Tenant: Auto-By-Tel Corporation, a Delaware Corporation

Premises: Approximately 12,280 rentable square feet located on the fourth floor of 18872 MacArthur Blvd., Suite 400, Irvine, California 92612

Term: Fifty-three (53) month lease term

Lease Commencement: April 10, 1997

Security Deposit: Security Deposit to equal to $18,838.40

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*Lease must be renewed within ninety (90) days of expiration otherwise suite will be marketed to prospective tenants as coming available.

Option to Extend: Tenant shall be granted an option to extend lease to the extent that the building is available beyond the initial five year period of the lease.

Right of First Offer: Tenant shall have the “right of first offer” to the space on the third (3rd) floor of building. See Schedule “H”.

Tenant Improvements: Landlord will provide a tenant improvement allowance of $6.00 per useable square feet to be used for construction improvements to the space, which will include paint and carpet. Landlord must approve in writing all tenant improvements and will reimburse tenant upon receipt of invoice, cancelled check and lien release if applicable.

Special Considerations: See Schedule “H”

Parking: See Schedule "I"

Operating Expenses: 1997 Base Year

Proportionate Share: 12,280 SF divided by 46,621 SF = 26.34%
OFFER TO LEASE

To: The Provider Fund

1. The undersigned offeror, having inspected the premises or plans thereto offers to lease the premises as outlined in Schedules "A" and "B" and under the terms and conditions as set forth in the Lease attached hereto and forming a part hereof and initialed by the parties.

2. Cash/Cheque for $32,346.40 payable to The Provider Fund pending completion or other termination of this agreement, it is attached hereto to apply as a deposit on Basic Rent and/or as security deposit which will be returned if this Offer is not accepted.

3. The Lease shall be drawn by you in accordance with the attached Lease and shall be executed by both parties forthwith.

4. It is further understood that all representations made by The Provider Fund or any of its representatives, are set out in this agreement.

5. This Offer shall be irrevocable until April 6, 1997, after which time if not accepted, this Offer shall be null and void.

DATED this 10th day of April, 1997.

Auto-By-Tel, a Delaware Corporation

/s/ Brian B. MacDonald       V.P. Finance
Signature                     Title

______________________________
Signature                     Title
(Note: If a corporation, give title of signing officer and affix seal.)

The Provider Fund hereby accepts the above Offer.

DATED this 10th day of April, 1997.

The Provider Fund

/s/ Debra Wodouk
Signature

______________________________
Director of Operations        Title
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THIS AGREEMENT made this 6th day of April, 1997

BETWEEN:

The Provider Fund,
a California Limited Partnership having the
offices of its General Partner,
THE COLTON COMPANY

having an office at 2171 Martin, Suite 260
in the City of Irvine
County of Orange
(Hereinafter called the "Landlord")

OF THE FIRST PART,

– and –

Auto-By-Tel, A Delaware Corporation

having an office at 18872 MacArthur Blvd., Suite 200
in the City of Irvine
County of Orange
(Hereinafter called the "Tenant")

OF THE SECOND PART,

In consideration of the rents, covenants and agreements hereinafter contained, the Landlord and Tenant hereby agree as follows:

1. LEASED PREMISES

Leased Premises. The Landlord does demise and lease to the Tenant the premises (the "Leased Premises") located in a building (the "Building") having a municipal address of 18872 MacArthur Blvd. Suite 400, in the City of Irvine, County of Orange, State of California and known as 18872 MacArthur Blvd. (the Leased Premises, the Building, together with the lands described in Schedule "A" attached and present and future improvements, additions and changes thereto being herein called the "Property"), the Leased Premises consisting of approximately 12,280 rentable square feet on the fourth (4th) floor as outlined in red on the plan or plans marked Schedule(s) "B" attached hereto, excluding the exterior surfaces of the exterior walls of the Leased Premises.
### 2. TERM

**Term**

(a) TO HAVE AND TO HOLD the Leased Premises for and during the term of Fifty Three (53) months (the "Term") to be computed from the 10th day of April 1997, and to be fully complete and ended on the 30th day of September, 2001, unless otherwise terminated.

**Delay in Occupancy**

(b) If the Leased Premises or any part thereof are not ready for occupancy on the date of commencement of the Term, no part of the "Rent" (as hereinafter defined) or only a proportionate part thereof, in the event that the Tenant shall occupy a part of the Leased Premises, shall be payable for the period prior to the date when the entire Leased Premises are ready for occupancy and the full Rent shall accrue only after such last mentioned date. The Tenant agrees to accept any such abatement of Rent in full settlement of all claims which the Tenant might otherwise have by reason the Leased Premises not being ready for occupancy on the date of commencement of the Term, provided that when the Landlord has completed construction of such part of the Leased Premises as it is obliged hereunder to construct, the Tenant shall not be entitled to any abatement of Rent for any delay in occupancy due to the Tenant's failure or delay to provide plans or to complete any special installations or other work required for its purposes or due to any other reason, nor shall the Tenant be entitled to any abatement of Rent for any delay in occupancy if the Landlord has been unable to complete construction of the Leased Premises by reason of such failure or delay by the Tenant. A certificate of the Landlord as to the date the Leased Premises were ready for occupancy and such construction as the Landlord is obliged to complete is substantially completed, or as to the date upon which the same would have been ready for occupancy and completed respectively but for the failure or delay of the Tenant, shall be conclusive and binding on the Tenant and Rent in full shall accrue and become payable from the date set out in the said certificate. Not withstanding any delay in occupancy, the expiration date of this Lease shall remain unchanged.

**Over-holding**

(c) If, at the expiration of the Term or sooner termination hereof, the Tenant shall remain in possession without any further written agreement or in circumstances where a tenancy would thereby be created by implication of law or otherwise, a tenancy from year to year shall not be created by implication of law or otherwise, but the Tenant shall be deemed to be a monthly tenant only at 150% "Basic Rent" (as hereinafter defined) payable monthly in advance plus "Additional Rent" (as hereinafter defined) and otherwise upon and subject to the same terms and conditions as herein contained, excepting provisions for renewal (if any) and leasehold improvement allowance (if any), contained herein, and nothing, including the acceptance of any Rent by the Landlord, for periods other than monthly periods, shall extend this Lease to the contrary except an agreement in writing between the Landlord and the Tenant and the Tenant hereby authorizes the Landlord to apply any monies received from the Tenant in payment of such monthly Rent.
3. RENT

Basic Rent.

(a) See Schedule "G".

Additional Rent.

(b) The Tenant shall, without deduction or right of offset pay to the Landlord yearly and every year during the Term as additional rental (hereinafter called "Additional Rent").

   (i) the amounts of any Taxes payable by the Tenant to the Landlord pursuant to the provisions of Schedule "C" attached hereto; and

   (ii) the amounts required to be paid to the Landlord pursuant to the provisions of Schedule "D" attached hereto.

Payment.

(c) Additional Rent shall be paid and adjusted with reference to a fiscal period of twelve (12) calendar months ("Fiscal Period"), which shall be a calendar year unless the Landlord shall from time to time have selected a Fiscal Period which is not a calendar year by written notice to the Tenant. The Landlord shall advise the Tenant in writing of its estimate of the Additional Rent to be payable by the Tenant during the Fiscal Period (or broken portion of the Fiscal Period, as the case may be, if applicable at the commencement or end of the Term or because of a change in Fiscal Period) which commenced upon the commencement date of the Term and for each succeeding Fiscal Period or broken portion thereof which commences during the Term. Such estimate shall, in every case, be a reasonable estimate and, if requested by the Tenant, shall be accompanied by reasonable particulars of the manner in which it was calculated. The Additional Rent payable by the Tenant shall be paid in equal monthly installments in advance at the same time as payment of Basic Rent is due hereunder based on the Landlord's estimate as aforesaid. From time to time, the Landlord may re-estimate, on a reasonable basis, the amount of Additional Rent for any Fiscal Period or broken portion thereof, in which case the Landlord shall advise the Tenant in writing of such re-estimate and fix new equal monthly installments for the remaining balance of such Fiscal Period or broken portion thereof in no later than 30 days. After the end of each such Fiscal Period or broken portion thereof the Landlord shall submit to the Tenant a statement of the actual Additional Rent payable in respect of such Fiscal Period or broken portion thereof and a calculation of the amounts by which the Additional Rent payable by the Tenant exceeds or is less than (as the case may be) the aggregate installments paid by the Tenant on account of such Fiscal Period or broken portion thereof. If the Tenant disputes such calculation, the Tenant shall audit the Landlord's cost of calculation at the Tenant's own expense. If Tenant's audit finds an error greater than 4%, the Landlord shall pay the cost of audit.

Accrual of Rent.

(d) Basic Rent and Additional Rent (herein collectively called "Rent") shall be considered as accruing from day to day, and Rent for an irregular period of less than one year or less than one calendar month shall be apportioned and adjusted by the Landlord for the Fiscal Periods of the Landlord in which the tenancy created hereby commences and expires. Where the calculation of Additional Rent for a period cannot be made until after the termination of this Lease, the obligation of the Tenant to pay Additional Rent shall survive the termination hereof for 6 months, and Additional Rent for such period shall be payable by the Tenant upon demand by the Landlord. If the Term commences or expires on any day other than the first or the last day of a month, Rent for such fraction of a month shall be apportioned and adjusted as aforesaid and paid by the Tenant on the commencement date of the Term.
Recovery of Rent.

(e) Rent and any other amounts required to be paid by the Tenant to the Landlord under this Lease shall be deemed to be and be treated as rent and payable and recoverable as rent, and the Landlord shall have all rights against the Tenant for default in any payment of rent and other amounts as in the case of arrears in rent.

Limitations.

(f) The information set out in statements, documents or other writings setting out the amount of Additional Rent submitted to the Tenant under or pursuant to this Lease shall be binding on the Tenant and deemed to be accepted by it and shall not be subject to amendment for any reason unless the Tenant gives written notice to the Landlord within 6 months of the Landlord's submission of such statement, document or other writing identifying the statement, document, or writing and setting out in reasonable detail the reason why such statement, document, or writing should not be binding on the Tenant.

4. SECURITY DEPOSIT

Security Deposit.

The Landlord shall recognize the tenant's security deposit upon execution of this Lease by the Tenant for the sum of Eighteen Thousand Eight Hundred Thirty Eight Dollars and 40/100 ($18,838.40) as a deposit to the Landlord to stand as security for the payment by the Tenant of any and all present and future debts and liabilities of the Tenant to the Landlord and for the performance by the Tenant of all of its obligations arising under or in connection with this Lease (the "Debts, Liabilities and Obligations"). The Landlord shall not be required to keep the deposit separate from its general funds. In the event of the Landlord disposing of its interest in this Lease, the Landlord shall credit the deposit to its successor and thereupon shall have no liability to the Tenant to repay the security deposit to the Tenant. Subject to the foregoing and to the Tenant not being in default under this Lease, the Landlord shall repay the security deposit to the Tenant without interest at the end of the Term or sooner termination of the Lease provided that all Debts, Liabilities and Obligations of the Tenant to the Landlord are paid and performed in full, failing which the Landlord may on notice to the Tenant elect to retain the security deposit and to apply it in reduction of the Debts, Liabilities an Obligations and the Tenant shall remain fully liable to the Landlord for payment and performance of the remaining Debts, Liabilities and Obligations.

5. GENERAL COVENANTS

Landlord's Covenants.

(a) The Landlord covenants with the Tenant:

(i) for quiet enjoyment;
(ii) to observe an perform all the covenants and obligations of Landlord herein.

Tenant's Covenants.

(a) The Tenant covenants with the Landlord:

(i) to pay Rent; and
(ii) to observe an perform all the covenants and obligations of the Tenant herein.
6. **USE AND OCCUPANCY**

**Use.**

The Tenant covenants with the Landlord:

(a) not to use the Leased Premises for any purpose other than an office for the conduct of the Tenant's business which is general office use.

**Waste, Nuisance, Etc.**

(b) not to commit, or permit, any waste, injury or damage to the Property including the Leasehold Improvements and any trade fixture therein, any loading of the floors thereof in excess of the maximum degree of loading as determined by the Landlord acting reasonably, any nuisance therein or any use or manner of use causing annoyance to the other tenants and occupants of the Property or to the Landlord;

**Insurance Risks.**

(c) not to do, omit or permit to be done or omitted to be done upon the Property anything which would cause to be increased the Landlord's cost of insurance or the costs of insurance of another tenant of the Property against perils as to which the Landlord or such other tenant has insured or which shall cause any policy of insurance on the Property to be subject to cancellation;

**Compliance with Law.**

(d) to comply at its own expense with all governmental laws, regulations and requirements pertaining to the occupation and use of the Leased Premises, the condition of the Leasehold Improvements, trade fixtures, furniture and equipment installed by or on behalf of the Tenant therein and the making by the Tenant of any repairs, changes or improvements therein;

**Environmental Compliances.**

(e) (i) to conduct and maintain its business and operations at the Leased Premises so as to comply in all respects with common law and with all present and future applicable federal, provincial/state, local, municipal, governmental or quasi-governmental laws, by-laws, rules, regulations, licenses, orders, guidelines, directives, permits, decisions or requirements, concerning occupational or public health and safety or the environment and any order, injunction, judgement, declaration, notice or demand issued thereunder, ("Environmental Laws").

(ii) not to permit or suffer any substance which is hazardous or is prohibited, restricted, regulated or controlled under any Environmental Law to be present at, on or in the Leased Premises, unless it has received the prior written consent of the Landlord which consent may be arbitrarily withheld.
7. ASSIGNMENT AND SUBLETTING

No Assignment or Subletting.

(a) The Tenant covenants that it will not assign this Lease or sub-let the Leased Premises in whole or in part without the prior written consent of the Landlord, which consent the Landlord covenants not to withhold unreasonably (i) and to any assignee or sublessee who is in a satisfactory financial condition, agrees to use the Leased Premises for those purposes permitted hereunder, and is otherwise satisfactory to the Landlord, and (ii) as to any portion of the Leased Premises which, in the Landlord's sole judgement, is a proper and rational division of the Leased Premises, subject to the Landlord's right of termination arising under this paragraph. Without limitation, the Tenant shall, for the purpose of this paragraph, be considered to assign or sub-let in any case where it permits the Leased Premises or any portion thereof to be, or the Leased Premises or any portion thereof are, occupied by persons other than the Tenant, its employees and others engaged in carrying on the business of the Tenant, whether pursuant to assignment, sub-letting, license or other right, or where any of the foregoing occurs by operation of law. Tenant shall have the right to sublet space to Jet Away Travel as well as through merger consolidations, etc.

(b) The Tenant shall not assign this Lease or sub-let the whole or an part of the Leased Premises unless:

(i) it shall have received or procured a bona fide written offer to take an assignment or sub-lease which is consistent with this Lease, and the acceptance of which would not breach any provisions of this Lease if this paragraph is complied with and which the Tenant has determined to accept subject to this paragraph complied with, and

(ii) it shall have first requested and obtained the consent in writing of Landlord.

Any request for consent shall be in writing and accompanied by a copy of the offer certified by the Tenant to be true and complete, and the Tenant shall furnish to the Landlord all information available to the Tenant and requested by the Landlord as to the responsibility, financial standing and business of the proposed assignee or sub-tenant. Notwithstanding the provisions of sub-paragraph (a), within twenty (20) days after the receipt by the Landlord of such request for consent and of all information which the Landlord shall have requested hereunder, the Landlord shall have the right upon written notice of termination submitted to the Tenant, if the request is to assign this Lease or sub-let the whole of the Leased Premises, to cancel and terminate this Lease, or if the request is to sub-let part of the Leased Premises only, to cancel and terminate this Lease with respect to such part, in each case as of a termination date to be stipulated in the notice of termination which shall not be less than sixty (60) days or more than ninety (90) days following the giving of such notice. In such event the Tenant shall surrender the whole or part, as the case may be, of the Leased Premises in accordance with the notice of termination and Basic Rent and Additional Rent shall be apportioned and paid to the date of surrender and, if a part only of the Leased Premises is surrendered, Basic Rent and Additional Rent shall, after the date of surrender, abate proportionally. If such consent shall be given the Tenant shall assign or sub-let, as the case may be, only upon the terms set out in the offer submitted to the Landlord as aforesaid and not otherwise.

Assumption of Obligations.

(c) No assignment or sub-letting of this Lease shall be effective unless the assignee or sublessee shall execute an assumption agreement on the Landlord's form, assuming all the obligations of the Tenant hereunder, and shall pay to the Landlord its reasonable fee for processing the assignment or subletting. Maximum of $750.00.

(d) The Tenant agrees that any consent to an assignment or sub-letting of this Lease or Leased Premises, shall not thereby release the Tenant of its obligations hereunder.
8. REPAIR & DAMAGE

Landlord's Repairs to Building & Property.

(a) The Landlord covenants with the Tenant to keep in a good and reasonable state of repair and decoration:

(i) those portions of the Property consisting of the entrance, lobbies, stairways, corridors, landscaped areas, parking areas, and other facilities from time to time provided for use in common by the Tenant and other tenants of the Building or Property, and the exterior portions (including foundations and roofs) of all buildings and structures from time to time forming part of the Property and affecting its general appearance;

(ii) the Building (other than the Leased Premises and premises of other tenants) including the systems for interior climate control, the elevators and escalators (if any), entrances, lobbies, stairways corridors and washrooms from time to time provided for use by the Tenant and other tenants of the Building or Property and the systems provided for use in common by the Tenant and other tenants of the Building or Property and the systems as provided for bringing utilities to the Leased Premises.

(b) The Landlord covenants with the Tenant to repair, so far as reasonably feasible, and as expeditiously as reasonably feasible, defects in standard demising walls or in structural elements, exterior walls of the Building, suspended ceiling, electrical and mechanical installation standard to the building installed by the Landlord in the Leased Premises (if and to the extent that such defects are sufficient to impair the Tenant's use of the Leased Premises while using them in a manner consistent with this Lease) and "Insured Damage" (as herein defined). The Landlord shall in no event be required to make repairs to Leasehold Improvements made by the Tenant, or by the Landlord on behalf of the Tenant or another tenant or to make repairs to wear and tear within the Leased Premises.

Tenant's Repairs.

(c) The Tenant covenants with the Landlord to repair, maintain and keep at the Tenant's own costs, except insofar as the obligation to repair rests upon the Landlord pursuant to this paragraph, the Leased Premises, including Leasehold Improvements in good and substantial repair, reasonable wear and tear excepted, provided that this obligation shall not extend to structural elements or to exterior glass or to repairs which the Landlord would be required to make under this paragraph but for the exclusion therefrom of defects not sufficient to impair the Tenant's use of the Leased Premises while using them in a manner consistent with this Lease. The Landlord may enter the Leased Premises at all reasonable times and view the condition thereof and the Tenant covenants with the Landlord to repair, maintain and keep the Leased Premises in good and substantial repair according to notice in writing, reasonable wear and tear excepted. If the Tenant shall fail to repair as aforesaid after reasonable notice to do so, the Landlord may effect the repairs and the Tenant shall pay the reasonable cost thereof to the Landlord on demand. The Tenant covenants with the Landlord that the Tenant will at the expiration of the Term or sooner termination thereof peaceably surrender the Leased Premises and appurtenances in good and substantial repair and condition, reasonable wear and tear excepted.
Indemnification.

(d) If any part of the Property becomes out of repair, damaged or destroyed through the negligence of, or misuse by, the Tenant or its employees, agents, invitees or others under its control, the Tenant shall pay the Landlord on demand the expense of repairs or replacements, including the Landlord's reasonable administration charge thereof, necessitated by such negligence or misuse.

Damage & Destruction.

(e) It is agreed between the Landlord and the Tenant that:

(i) In the event of damage to the Property or to any part thereof, if the damage is such that the Leased Premises or any substantial part thereof is rendered not reasonably capable of use and occupancy by the Tenant for the purposes of its business for any period of time in excess of ten (10) days, then

(ii) (1) Unless the damage was caused by the fault or negligence of the Tenant or its employees, agents, invitees or others under its control from the date of occurrence of the damage and until the Leased Premises are again reasonably capable for use and occupancy as aforesaid, the Rent payable pursuant to this Lease shall abate from time to time in proportion to the part or parts of the Leased Premises not reasonably capable of such use and occupancy, and

(2) unless this Lease is terminated as hereinafter provided, the Landlord or the Tenant as the case may be (according to the nature of the damage and their respective obligations to repair as provided in sub-paragraphs (a), (b) and (c) of this paragraph) shall repair such damage with all reasonable diligence, but to the extent that any part of the Leased Premises is not reasonably capable of such use and occupancy by reason of damage which the Tenant is obligated to repair hereunder, any abatement of Rent to which the Tenant would otherwise be entitled hereunder shall not extend later than the time by which, in the reasonable opinion of the Landlord, repairs by the Tenant ought to have been completed with reasonable diligence, and

(iii) if the Leased Premises are substantially damaged or destroyed by any cause and if in the reasonable opinion of the Landlord given in writing within thirty (30) days of the occurrence the damage cannot reasonably be repaired within one hundred and eighty (180) days after the occurrence thereof, then the Lease shall terminate, in which event neither the Landlord nor the Tenant shall be bound to repair as provided in sub-paragraphs (a), (b) and (c) of this paragraph, and the Tenant shall instead deliver up possession of the Leased Premises to the Landlord with reasonable expedition and Rent shall be apportioned and paid to the date of the occurrence; and

(iv) if premises, whether of the Tenant, or other tenants of the Property comprising in the aggregate half or more of the total number of square feet of rentable office area in the Property on half or more of the total number of square feet of rentable office area in the Building (as determined by the Landlord) or portions of the Property which affect access of services essential thereto, are substantially damaged or destroyed by any cause and if in the reasonable opinion of the Landlord the damage cannot reasonably be repaired within one hundred and eighty (180) days after the occurrence thereof, then the Landlord or Tenant may, by written notice to the other given within thirty (30) days after the occurrence of such damage or destruction, terminate this Lease, in which event neither the Landlord nor the Tenant shall be bound to repair as provided in sub-paragraphs (a), (b) and (c) of this paragraph, and the Tenant shall instead deliver up possession of the Leased Premises to the Landlord with reasonable expedition but in any event within sixty (60) days after delivery of such notice of termination, and Rent shall be apportioned and paid to the date upon which possession is so delivered up (but subject to any abatement to which the Tenant may be entitled under sub-paragraph (e) (i) of this paragraph).
9. INSURANCE AND LIABILITY

Landlord's Insurance.

(a) The Landlord shall take out and keep in force during the Term insurance with respect to the Property except for the "Leasehold Improvements" (as hereinafter defined) in the Leased Premises. The insurance to be maintained by the Landlord shall be in respect of perils and to amounts and on terms and conditions which from time to time are insurable at a reasonable premium and which are normally insured by reasonable prudent buyers of properties similar to the Property, all as from time to time determined at reasonable intervals by insurance advisors selected by the Landlord, and whose opinion shall be conclusive. Unless and until the insurance advisors shall state that any such perils are not customarily insured against by owners of properties similar to the Property, the perils to be insured against by the Landlord shall include, without limitation, public liability, boilers and machinery, fire and extended perils and may include, at the option of the Landlord, losses suffered by the Landlord in its capacity as Landlord through business interruption. The insurance to be maintained by the Landlord shall contain a waiver by the insurer of any rights of subrogation or indemnity or any other claim over which the insurer might otherwise be entitled against the Tenant or the agents or employees of the Tenant. The Landlord shall carry 100% of replacement insurance on the Building, and there shall not be a charge to Tenant for any earthquake coverage.

Tenant's Insurance.

(b) The Tenant shall take out and keep in force during the Term:

(i) comprehensive general public liability insurance on an occurrence basis with respect to the business carried on in or from the Leased Premises and the Tenant's use and occupancy of the Leased Premises and of any other part of the Property, with coverage for any one occurrence or claim of not less than One Million Dollars ($1,000,000) or such other amount as the Landlord may reasonably require (not to be increased more than the CPI) upon not less than one (1) month notice at any time during the Term, which insurance shall include the Landlord as a named insured and shall protect the Landlord in respect of claims by the Tenant as if the Landlord were separately insured;

(ii) insurance in respect of fire and such other perils as are from time to time in the usual extended coverage endorsement covering the Leasehold Improvements, trade fixtures, and the furniture and equipment in the Leased Premises for not less than 80% of the full replacement cost thereof, and which insurance shall include the Landlord as named insured as the Landlord's interest may appear;

(iii) insurance against such other perils and in such amounts as the Landlord may from time to time reasonably require upon not less than ninety (90) days written notice, such requirement to be made on the basis that the required insurance is customary at the time for prudent tenants of properties similar to the Property.

All insurance required to be maintained by the Tenant shall be on terms and with insurers satisfactory to the Landlord. Each policy shall contain a waiver by the insurer of any rights of subrogation or indemnity or any other claim over to which the insurer might otherwise be entitled against the Landlord or the agents or employees of the Landlord, and shall also contain an undertaking by the insurer that no material change adverse to the Landlord or the Tenant will be made, and the policy will not lapse to be canceled, except after not less than thirty (30) days' written notice to the Landlord of the intended change, lapse or cancellation. The Tenant shall furnish to the Landlord, if and whenever requested by it, certificates or other evidence acceptable to the Landlord as to the insurance from time to time effected by the Tenant and if renewal or continuation in force, together with evidence as to the method of determination of full replacement cost of the Tenant's Leasehold Improvements, trade fixtures, furniture and equipment, and if the Landlord reasonably concludes that the full replacement cost has been underestimated, the Tenant shall forthwith arrange for any consequent increase in coverage required under sub-paragraph (b). If the Tenant fails to take out, renew and keep in force such insurance, or if the evidences submitted to the Landlord are unacceptable to the Landlord (no such evidences are submitted within a reasonable period after request therefor by the Landlord), then the Landlord may give to the Tenant written notice requiring compliance with this sub-paragraph and specifying the respects in which the Tenant is not then in compliance with this sub-paragraph. If the Tenant does not within forty-eight (48) hours provide appropriate evidence of compliance with this sub-paragraph, the Landlord may (but shall not be obligated to) obtain some or all of the additional coverage or other insurance which the Tenant shall have failed to obtain, without prejudice to any other rights of the Landlord under this Lease or otherwise, and the Tenant shall pay all premiums and other reasonable expenses incurred by the Landlord to the Landlord on demand.
Limitation of Landlord’s Liability.

(c) The tenant agrees that the Landlord shall not be liable for any bodily injury or death of, or loss or damage to any property belonging to, the Tenant or its employees, invitees or licensees or any other person in, on or about the Property unless resulting from the actual willful misconduct or negligence of the Landlord or its own employees. In no event shall the Landlord be liable for any damage which is caused by steam, water, rain or snow or other thing which may leak into, issue or flow from any part of the Property or from the pipes or plumbing works, including the sprinkler system (if any) therein or from any other place or for any damage caused by or attributable to the condition or arrangement of any electric or other wiring or of sprinkler heads (if any) or for any damage caused by anything done or omitted by any other tenant.

Indemnity of Landlord.

(d) Except with respect to claims or liabilities in respect of any damage which is Insured Damage to the extend of the cost of repairing such Insured Damage, the Tenant agrees to indemnify and save harmless the Landlord in respect of:

(i) all claims for bodily injury or death, property damage or other loss or damage arising from the conduct of any work or any act or omission of the Tenant or any assignee, sub-tenant, agent, employee, contractor, invitee or licensee of the Tenant, and in respect of all costs, expenses and liabilities incurred by the Landlord in connection with or arising out of all such claims, including the expenses of any action or proceeding pertaining thereto; and

(ii) any loss, costs, (including, without limitation, lawyers’ fees and disbursements), expense or damage suffered by the Landlord arising from any breach by the Tenant of any of its covenants and obligations under this Lease.

Definition of “Insured Damaged”.

(e) For purpose of this Lease, "Insured Damage" means that part of any damage occurring to the Property of which the entire cost of repair (or the entire cost of repair other than a deductible amount properly collectable by the Landlord as part of the Additional Rent) is actually recovered by the Landlord under a policy or policies of insurance from time to time effected by the Landlord pursuant to sub-paragraph (a). Where an applicable policy of insurance contains an exclusion for damages recoverable from a third party, claims as to which the exclusion applies shall be considered to constitute Insured Damage only if the Landlord successfully recovers from the third party.

10. EVENTS OF DEFAULT AND REMEDIES

Events of Default & Remedies.

(a) In the event of the happening of any one of the following events:

(i) the Tenant shall have failed to pay an installment of Basic Rent or of Additional Rent or any other amount payable hereunder when due, and such failure shall be continuing for a period of more than ten (10) days after the date such installment or amount was due;
(ii) there shall be a default of or with any condition, covenant, agreement or other obligation on the part of the Tenant to be kept, observed or performed hereunder (other than a condition, covenant, agreement or other obligation to pay Basic Rent, Additional Rent or any other amount of money) and such default shall be continuing for a period of more than fifteen (15) days after written notice by the Landlord to the Tenant specifying the default and requiring that it discontinue;

(iii) if any policy of insurance upon the Property or any part thereof from time to time effected by the Landlord shall be canceled or about to be canceled by the insurer by reason of the use or occupation of the Leased Premises by the Tenant or any assignee, sub-tenant or licensee of the Tenant or anyone permitted by the Tenant to be upon the Leased Premises and the Tenant after receipt of notice in writing from the Landlord shall have failed to take such immediate steps in respect of such use or occupation as shall enable the Landlord to reinstate or avoid cancellation (as the case may be) of such policy of insurance,

(iv) the Leased Premises shall, without the prior written consent of the Landlord, be used by any other persons than the Tenant or its permitted assigns or sub-tenants or for any purpose other than that for which they were leased or occupied or by any persons whose occupancy is prohibited by this Lease,

(v) the Leased Premises shall be sealed or abandoned, or remain unoccupied without the prior written consent of the Landlord for fifteen (15) consecutive days or more while capable of being occupied.

(vi) the balance of the Term of this Lease or any of the goods and chattels of the Tenant located in Leased Premises, shall at anytime be seized in execution of attachment, or

(vii) the Tenant shall make any assignment for the benefit of creditors or become bankrupt or insolvent or take the benefit of any statute for bankrupt or insolvent debtors or, if a corporation, shall take any steps or suffer any order to be made for its winding-up or other termination of its corporate existence; or a trustee, receiver or receiver-manager or agent or other like person shall be appointed of any of the assets of the Tenant.

(b) The Landlord shall have the following rights and remedies all of which are cumulative and not alternative and not to the exclusion of any other or additional rights and remedies in law or equity available to the Landlord by statute or otherwise:

(i) to remedy or attempt to remedy any default of the Tenant, and in doing so to make any payments due or alleged to be due by the Tenant to third parties and to enter upon the Leased Premises to do any work or other thing therein, and in such event all reasonable expenses of the Landlord in remediying or attempting to remedy such default shall be payable by the Tenant to the Landlord on demand;

(ii) with respect to unpaid overdue rent, to the payment by the Tenant of the Rent and late fee interest (which said Late Fee interest shall be deemed included herein in the term “Rent”) thereon at a rate equal to ten five (5%) percent of the total unpaid amount each month until paid in full,
(iii) to terminate this Lease forthwith. In the event that Landlord shall elect to so terminate this Lease then Landlord may recover from Tenant:

(1) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(2) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that tenant proves could have been reasonably avoided; plus

(3) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

(4) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform the Tenant obligations under this Lease or which in the ordinary course of things would be likely to result therefrom. As used in sub-paragraphs 10(C)(i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the maximum rate permitted by law per annum. As used in sub-paragraph 10(C)(iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(iv) to enter the Leased Premises as agent of the Tenant and as such agent to re-let them and to receive the rent therefor and as the agent of the Tenant to take possession of any furniture or other property thereon and upon giving ten (10) days' written notice to the Tenant to store the same at the expenses and risk of the Tenant or to sell or otherwise dispose of the same at public or private sale without further notice and to apply the proceeds thereof and any rent derived from re-letting the Leased Premises upon account of the Rent due and to become due under this Lease and the Tenant shall be liable to the Landlord for the deficiency if any.

(v) to maintain Tenant's rights to possession and continue said Lease in full force and effect, whether or not Tenant shall have abandoned the Leased Premises. In such event, Landlord shall be entitled to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due under the terms of the Lease.

(c) The Tenant shall pay to the Landlord on demand all costs and expenses, including actual lawyers' fees and costs incurred by the Landlord in enforcing any of the obligations of the Tenant under this Lease.

Relocation of Leased Premises.

11. Intentionally omitted.
Subordination & Attornment

12. This Lease and all rights of the Tenant hereunder are subject and subordinate to all underlying leases and charges, or mortgages now or hereafter existing (including charges, and mortgages by way of debenture, note, bond, deeds of trust and mortgage and all instruments supplemental thereto) which may now or hereafter affect the Property or any part thereof and to all renewal, modifications, considerations, replacements and extensions thereof provided the lessor, chargee, mortgagee, or trustee agrees to accept this Lease if not in default; and in recognition of the foregoing the Tenant agrees that it will, whenever requested, attorn to such lessor, chargee, mortgagee as a tenant upon all the terms of this Lease. The Tenant agrees to execute promptly whenever requested by the Landlord or by the holder of any such lease, charge, or mortgage an instrument of subordination or attornment provided that it also has a non-disturbance agreement. Landlord agrees to use reasonable efforts to obtain non-disturbance agreement from existing Lender at Tenant’s cost, if any, as the case may be as may be inquired of it.

Certificates

13. The Tenant agrees that it shall promptly whenever requested by the Landlord from time to time execute and deliver to the Landlord, and if required by the Landlord, to any lessor, chargee or mortgagee (including any trustee) or other person designated by the Landlord, an acknowledgement in writing as to the then status of this Lease, including as to whether it is in full force and effect, is modified or unmodified, confirming the Basic Rent and Additional Rent payable hereunder and the state of accounts between Landlord and the Tenant, the existence or non-existence of defaults, and any other matters pertaining to this Lease as to which the Landlord shall request an acknowledgement.

Inspection of & Access to Leased Premises

14. The Landlord shall be permitted at any time, and from time to time, to enter subject to Tenant’s security requirements and to have its authorized agents, employees and contractors enter the Leased Premises for the purposes of inspection, window cleaning, maintenance, providing janitor service, making repairs, alterations or improvements to the Leased Premises or the Property, or to have access to utilities and services (including all ducts and access panels (if any), which the Tenant agrees not to obstruct) and the Tenant shall provide free and unhampered access for the purpose, and shall not be entitled to compensation for any inconvenience, nuisance or discomfort caused thereby. The Landlord and its authorized agents and employees shall be permitted entry to the Leased Premises for the purpose of exhibiting them to prospective tenants The Landlord in exercising its rights under this paragraph reasonably necessary so as to minimize interference with the Tenant's use and enjoyment of the Leased Premises provided that in an emergency the Landlord or persons authorized by it may enter the Leased Premises without regard to minimizing interference.

Delay

15. Except as herein otherwise expressly provided, if and whenever and to the extent that either the Landlord or the Tenant shall be prevented, delayed or restricted in the fulfillment of any obligation hereunder in respect of the supply or provision of any service or utility, the making of any repair, the doing of any work or any other thing (other than the payment of monies required to be paid by the Tenant to the Landlord hereunder) by reason of:

(a) strikes or work stoppages;
(b) being unable to obtain any material, service, utility or labor required to fulfill such obligation;
(c) any statute, law or regulation of, or inability to obtain any permission from any government authority having lawful jurisdiction preventing, delaying or restricting such fulfillment;
(d) other unavoidable occurrence,
(e) the time for fulfillment of such obligation shall be extended during the period in which such circumstance operates to prevent, delay or restrict the fulfillment thereof, and the other party to this Lease shall not be entitled to compensation for any inconvenience, nuisance or discomfort thereby occasion; provided that nevertheless the Landlord will use its best efforts to maintain services essential to the use and enjoyment of the Leased Premises and provided further that if the Landlord shall be prevented, delayed or restricted in the fulfillment or any such lease or any such obligation hereunder by reason of any of the circumstances set out in the sub-paragraph (c) of this paragraph 15 and to fulfill such obligation could not, in the reasonable opinion of the Landlord, be completed without substantial additions to or renovations of the Property, the Landlord may on sixty (60) days' written notice to the Tenant terminate this Lease.
Waiver

16. If either the Landlord or the Tenant shall overlook, excuse, condone or suffer any default, breach, non-observance, improper compliance or non-compliance by the other of any obligation hereunder, this shall not operate as a waiver of such obligation in respect of any continuing or subsequent default, breach, or non-observance, and no such waiver shall be implied but shall only be effective if expressed in writing.

Sale, Demolition & Renovation

17. (a) The term "Landlord" as used in this Lease, means only the owner for the time being of the Property, so that in the event of any sale or sales or transfer or transfers of the Property, or the making of any lease or leases thereof, or the sale or sales or the transfer or transfers or the assignment or assignments of any such lease or leases, previous landlords shall be and hereby are relieved of all covenants and obligations of Landlord hereunder from and after the date thereof. It shall be deemed and construed without further agreement between the parties, or their Landlord successors in interest, or between the parties and the transferee or acquirer, at any such sale, transfer or assignment, or lease on the making of any such lease, that the transferee, acquirer or lessee has assumed and agreed to carry out any and all of the covenants and obligations of Landlord hereunder to Landlord's exoneration, and Tenant shall thereafter be bound to and shall attorn to such transferee, acquirer or lessee, as the case may be, as Landlord under this Lease;

Public Taking

18. The Landlord and Tenant shall co-operate, each with the other, in respect of any Public Taking of the Leased Premises or any part thereof so that the Tenant may receive the maximum award to which it is entitled in law for relocation costs and business interruption and so that the Landlord may receive the maximum award for all other compensation arising from or relating to such Public Taking (including all compensation for the value of the Tenant's leasehold interest subject to the Public Taking) which shall be the property of the Landlord, and the Tenant's rights to such compensation are hereby assigned to the Landlord. If the whole or any part of the Leased Premises is Publicly Taken, as between the parties hereto, their respective rights and obligations under this Lease shall continue until the day on which the Public Taking authority takes possession therefore. If the whole or any part of the Leased Premises is Publicly Taken, the Landlord shall have the option, to be exercised by written notice to the Tenant, to terminate this Lease and such termination shall be effective on the day the Public Taking authority takes possession of the whole or the portion of the Property Publicly Taken. Rent and all other payments shall be adjusted as of the date of such termination and the Tenant shall, on the date of such Public taking, vacate the Leased Premises and surrender the same to the Landlord, with the Landlord having the right to re-enter and re-possess the Lease Premises discharged of this Lease and to remove all persons therefrom. In this paragraph, the words "Public Taking" shall include expropriation and condemnation and shall include a sale by the Landlord to any authority with powers of expropriation, condemnation or taking, in lieu of or under threat of expropriation or taking and "Publicly Taken" shall have a corresponding meaning.

Registration or Lease

19. If such consent is provided such notice of Lease or caveat shall be in such form as the Landlord shall have approved and upon payment of the Landlord's reasonable fee for same and all applicable transfer or recording taxes or charges. The Tenant shall remove and discharge at Tenant's expense registration of such a notice or caveat at the expiration or earlier termination of the Term, and in the event of Tenant's failure to so remove or discharge such notice or caveat after ten (10) days' written notice by Landlord to Tenant, the Landlord may in the name and on behalf of the Tenant execute a discharge of such a notice or caveat in order to remove and discharge such notice of caveat and for the purpose thereof the Tenant hereby irrevocably constitutes and appoints any officer of the Landlord the true and lawful attorney of the Tenant. Tenant shall have the right to record a memorandum of the Lease.

Entire Lease Agreement

20. The Tenant acknowledges that there are no covenants, representation, warranties, agreements or conditions express or implied, collateral, or otherwise forming part of or in any way affecting or relating to this Lease save as expressly set out in this Lease and Schedules attached hereto and that this Lease and such Schedules constitute the entire agreement between the Landlord and the Tenant and may not be modified except as herein explicitly provided or except by agreement in writing executed by the Landlord and the Tenant.

Notices

21. Any notice, advice, document or writing required or contemplated by any provision hereof shall be given in writing and if to the Landlord, either delivered personally to an officer of the Landlord or mailed by prepaid mail addressed to the Landlord at the said local office address of the Landlord shown above, and if to the Tenant, either delivered personally to the Tenant (or to an officer of the Tenant, if a corporation) or mailed by prepaid mail addressed to the Tenant at the Leased Premises, or if an address of the Tenant is shown in the description of the Tenant above, to such address. Every such notice, advice, document or writing shall be deemed to have been given when delivered personally, or if mailed as aforesaid, upon the fifth day after being mailed. The Landlord may from time to time by notice in writing to the Tenant designate another address as the address to which notices are to be mailed to it, or specify with greater particularity the address and persons to which such notices are to be mailed and may require that copies of notices be sent to an agent designated by it. The Tenant may, if an address of the Tenant is shown in the description of the Tenant above, from time to time by notice in writing to the Landlord, designate another address as the address to which notices are to be mailed to it, or specify with greater particularity the address to which such notices are to be mailed.
Interpretation

22. In this Agreement "herein," "hereof," "hereby," "hereunder," "hereeto," "hereinafter" and similar expressions refer to this Lease and not to any particular paragraph, clause or other portion thereof, unless there is something in the subject matter or context inconsistent therewith; and the parties agree that all of the provisions of this Lease are to be construed as covenants and agreements as though words importing such covenants and agreements were used in each separate paragraph hereof, and that should any provision or provisions of this Lease be illegal or not enforceable it or they shall be considered separate and severable from the Lease and its remaining provisions shall remain in force and be binding upon the parties hereto as though the said provision or provisions had never been included, and further, that the captions appearing for the provisions of this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this Lease or any provision hereof.

Extent of Lease Obligation

23. This Agreement and everything herein contained shall enure to the benefit of and be binding upon the receptive heirs, executors, administrators, successors, assigns and other legal representatives, as the case may be, of each and every of the parties hereto, subject to the granting of consent by the Landlord to any assignment or sublease, and every reference herein to any party hereto shall include the heirs, executors, administrators, successors, assigns and other legal representatives of such party, and where there is more than one tenant or there is a male or female party the provision hereof shall be read with all grammatical changes thereby rendered necessary and all covenants shall be deemed joint and several.

Prior Use & Occupancy Prior to Term

24. If the Tenant shall for any reason use or occupy the Leased Premises in any way prior to the commencement of the Term without there being an existing lease between the Landlord and Tenant under which the Tenant has occupied the Leased Premises, then during such prior use or occupancy, the Tenant shall be a Tenant of the Landlord and shall be subject to the same covenants and agreements in this Lease.

Schedules

25. The provisions of the following Schedules attached hereto shall form part of this Lease as if the same were embodied herein:

   Schedule "A" - Legal Description of Lands
   Schedule "B" - Outline of Leased Premises
   Schedule "C" - Taxes payable by Landlord and Tenant
   Schedule "D" - Services and Costs
   Schedule "E" - Rules and Regulations
   Schedule "F" - Leasehold Improvements
   Schedule "G" - Basic Rent

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

Landlord: The Provider Fund
          Tenant: Auto-By-Tel, A Delaware Corporation

By Signature: /s/ Debra L. Wodouk  By Signature: /s/ Brian B. MacDonald
Title: Director of Operations  Title: V.P., Finance
SCHEDULE "A"

(Legal Description of Property)

ALL THAT CERTAIN LAND SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF ORANGE, AND DESCRIBED AS FOLLOWS:

parcel A:

described as parcel no. 1, in the city of irvine, county of orange, state of california, as shown on a parcel map no. 78-0144, filed in book 116, page 9 of parcel maps, in the office of the county recorder of orange county, california.

A-1
SCHEDULE “B”

Plan of Leased Premises

Floorplan for Leased Premises

B-1
Taxes Payable by Landlord and Tenant

Tenant’s Taxes.

(a) The Tenant covenants to pay all Tenant's Taxes, as and when the same becomes due and payable. Where any Tenant's Taxes are payable by the Landlord to the relevant taxing authorities, the Tenant covenants to pay the amount thereof to the Landlord.

(b) The Tenant covenants to pay the Landlord the Tenant's Proportionate Share of the excess of the amount of the Landlord's Taxes in each Fiscal Period over the Landlord's Taxes in the "Base Year" (as hereinafter defined).

(c) The Tenant covenants to pay to the Landlord the Tenant's Proportionate Share of the costs and expenses (including legal and other professional fees and interest and penalties on deferred payments) incurred in good faith by the Landlord in contesting, resisting or appealing any of the Taxes.

Landlord's Taxes.

(d) The Landlord covenants to pay all Landlord's Taxes subject to the account of Landlord's Taxes required to be made by the Tenant elsewhere in this Lease. The Landlord may appeal any official assessment or the amount of any Taxes or other taxes based on such assessment and relating to the Property. In connection with any such appeal, the Landlord may defer payment of any Taxes or other taxes, as the case may be, payable by it to the extent permitted by law, and the Tenant shall co-operate with the Landlord and provide the Landlord with all relevant information reasonably required by the Landlord in connection with any such appeal.

Separate Allocation.

(c) In the event that the Landlord is unable to obtain from the taxing authorities any separate allocation of Landlord's Taxes, Tenant's Taxes or assessment as required by the Landlord to make calculations of Additional Rent under this Lease, such allocation shall be made by the Landlord acting reasonably and shall be conclusive.
(f) Whenever requested by the Landlord, the Tenant shall deliver to it receipts for payment of all the Tenant's Taxes and furnish such other information in connection therewith as the Landlord may reasonably require.

**Tax Adjustment.**

(g) If the Building has not been taxed as a completed and fully occupied building for any Fiscal Period, the Landlord's Taxes will be determined by the Landlord as if the Building had been taxed as a completed and fully occupied building for any such Fiscal Period.

**Definition.**

2. In this Lease:

(a) "Landlord Taxes" shall mean the aggregate of all Taxes attributed to the Property, the Rent or the Landlord in respect thereof and including, without limitation, any amounts imposed, assessed, levied or charged in substitution for or in lieu of any such Taxes, but excluding such taxes as capital gains taxes, corporate income, profit or excess profit taxes to the extent such taxes are not levied in lieu of any of the foregoing against the Property or the Landlord in respect thereof.

(b) "Taxes" shall mean all taxes, rates, duties, levies, fees, charges, local improvement rates, capital taxes, rental taxes and assessments whatsoever including fees, rents, and levies for air rights and encroachments on or over municipal property imposed, assessed, levied or charged by any school, municipal, regional, state, provincial, federal, parliamentary, or other body, corporation, authority, agency or commission provided that any such local improvement rates, assessed and paid prior to or in the Base Year shall be excluded from the Base Year and any year during the Term and provided further that "Taxes" shall not include any special utility, levies, fees or charges imposed, assessed, levied or charged which are directly associated with initial construction of the Property.

(c) "Tenant's Taxes" shall mean the aggregate of:

(i) all Taxes (whether imposed upon the Landlord or the Tenant) attributable to the personal property, trade Fixtures, business, income, occupancy, or sales of the Tenant or any other occupant of the Leased Premises, and to any Leasehold Improvements or fixtures installed by or on behalf of the Tenant within the Leased Premises, and to the use by the Tenant of any of the Property; and

(ii) the amount by which Taxes (whether imposed upon the Landlord or the Tenant) are increased above the Taxes which would have otherwise been payable as a result of the Leased Premises or the Tenant or any other occupant of the Leased Premises being taxed or assessed in support of separate schools.

(d) "Tenant's Proportionate Share" shall mean 26.34% subject to adjustment as determined solely by the Landlord and notified to the Tenant in writing for physical increases or decreases in the total rentable area of the Property provided that total rentable area of the Property and the rentable area of the Leased Premises shall exclude areas designated (whether or not rented) for parking and for storage.

(c) "Base Year" as used in this schedule shall mean calendar year 1997.
1. The Landlord covenants with the Tenant:

**Interior Climate Control.**

(a) To maintain in the Leased Premises conditions of reasonable temperature and comfort in accordance with good standards applicable to normal occupancy of premises for office purposes subject to governmental regulations during hours to be determined by the Landlord (but to be at least the hours from 8:00 a.m. to 6:00 p.m. from Monday to Friday inclusive with the exception of holidays, Saturdays and Sundays and from 9:00 a.m. to 1:00 p.m. on Saturdays), such conditions to be maintained by means of a system for heating and cooling, filtering and circulating air; the Landlord shall have no responsibility for any inadequacy of performance of the said system if the occupancy of the Leased Premises or the electrical power or other energy consumed on the Leased Premises for all purposes exceeds reasonable amounts as determined by the Landlord or the Tenant installs partitions or other installations in locations which interfere with the proper operations of the system of interior climate control.

(b) To provide janitor and cleaning services to the Leased Premises and to common areas of the Building consisting of reasonable services in accordance with the standards of similar office buildings;

(c) To keep available the following facilities for use by the Tenant and its employees and its employees and invitees in common with other persons entitled thereto:

(i) passengers and freight elevator service to each floor upon which the Leased Premises are located provided such service is installed in the Building and provided that the Landlord may prescribe the hours during which and the procedures under which freight elevator service shall be available and may limit the number of elevators providing service outside normal business hours;

(ii) common entrances, lobbies, stairways and corridors giving access to the Building and the Leased Premises, including such other areas from time to time which may be provided by the Landlord for common use and enjoyment within the Property;

(iii) the washrooms as the Landlord may assign from time to time which are standard to the Building, provided that the Landlord and the Tenant acknowledges that where an entire floor is leased to the Tenant or some other tenant the Tenant or such other tenant, as the case may be, may exclude others from the washroom thereon.

**Electricity.**

2. (a) The Landlord covenants with the Tenant to furnish electricity to the Leased Premises (except Leased Premises which have separate meters) for normal office use for lighting and for office equipment capable of operating from the circuits available to the Leased Premises and standard to the Building.
(b) The amount of electricity consumed on the Leased Premises in excess of electricity required by the Tenant for normal office use shall be as determined by the Landlord acting reasonable or by a metering device installed by the Tenant at the Tenant's expense. The Tenant shall pay the Landlord for any such excess electricity on demand. Tenant usage for electricity expected to be normal usage for office use. Electricity on second floor would be Tenant’s normal usage.

(c) Intentionally omitted.

(d) In calculating electricity costs for any Fiscal Period, if less than one hundred percent (100%) of Building is occupied by tenants, then the amount of such electricity costs shall be deemed for the purpose of this Schedule to be increased to an amount equal to the like electricity costs which normally would be expected by the Landlord to have been incurred had such occupancy been one hundred percent (100%) during such entire period.

3. The Landlord shall maintain and keep in repair the facilities required for the provision of the interior climate control, elevator (if installed in the Building), and other services referred to in sub-paragraph (a) and (c) of paragraph 1 and sub-paragraph (a) of paragraph 2 of this Schedule in accordance with the standards of office buildings similar to the Building but reserves the right to stop the use of any of these facilities and the supply of the corresponding services when necessary by reason of accident or breakdown or during the making of repairs, alterations or improvements, in the reasonable judgment of the Landlord necessary or desirable to be made, until the repairs, alterations or improvements shall have been completed to the satisfaction of the Landlord.

Additional Services.

4. (a) The Landlord may (but shall not be obliged) on request of the Tenant supply services or materials to the Leased Premises and the Property which are not provided for under this Lease and which are used by the Tenant (the "Additional Services") including, without limitation:

(i) Intentionally omitted.

(ii) carpet shampooing

(iii) drapery cleaning;

(iv) locksmithing;

(v) removal of bulk garbage;

(vi) picture hanging; and,

(vii) special security arrangement.

(b) When Additional Services are supplied or furnished by the Landlord, accounts therefor shall be rendered by the Landlord and shall be payable by the Tenant to the Landlord on demand. In the event the Landlord shall elect not to supply or furnish Additional Services, only persons with prior written approval by the Landlord (which approval shall not be unreasonably withheld) shall be permitted by Landlord or the Tenant to supply or furnish Additional Services to the Rent and the supplying and furnishing shall be subject to the reasonable rules fixed by the Landlord with which the Tenant undertakes to cause compliance and to comply.
Operating Charges Payable.

5. (a) The Tenant covenants to pay to the Landlord the Tenant's Proportionate Share of the excess of the amount of the Operating Costs in each Fiscal Period over the Operating Costs in the "Base Year" (as hereinafter defined).

(b) In this Lease "Operating Costs" shall mean all costs incurred in which will be incurred by the Landlord in the maintenance, operation, administration and management of the Property including without limitation:

   (i) cost of heating, ventilating and air-conditioning;
   (ii) cost of water and sewer charges;
   (iii) cost of insurance carried by the Landlord pursuant to paragraph 9(a) of this Lease and cost of any deductible amount paid by the Landlord in connection with each claim made by the Landlord under such insurance (not to exceed $10,000 as deductible amount);
   (iv) costs of building office expenses, including telephone, rent, stationery and supplies;
   (v) cost of fuel;
1. Notwithstanding anything in this Schedule D to the contrary, Tenant shall not be liable for any share of operating expenses, however defined, attributable to:

(a) Ground rent and/or the original construction costs of the building, parking and other common facilities;

(b) Capital expenditures for expansion of the building, parking or other common facilities;

(c) Intentionally omitted.

(d) Capital expenditures for remodeling or refurbishment of the building, parking and other common facilities; to a materially higher standard than existed as of the date of this Lease;

(e) Depreciation, and financing costs, including interest, points and other forms of loan fees;

(f) Expenditures by Landlord for tenant Improvements;

(g) Intentionally omitted.

(h) Legal expenses in connection with leasing and other matters not related to the administrative and operational responsibilities of Landlord under this Lease;

(i) Costs of correcting defects in or inadequacy of the initial design or construction of the Building;

(j) Expenses directly resulting from the negligence of the Landlord, its agents, servants or employee*;

(k) Legal fees, space planners' fees, real estate brokers' leasing commissions, lease take-over costs, and advertising expenses incurred in connection with the original development or original leasing of the Building or future leasing of the Building;

(l) Costs for which Landlord is reimbursed by insurance by its carrier or any tenant's carrier;

(m) Any bad debt loss, rent loss, or reserves for bad debts or rental loss;

(n) The expense of extraordinary services provided to other tenants in the Building;

(o) Costs associated with the operation of the business of the partnership or other legal entity which constitutes the Landlord, as the same are distinguished from the costs of operation of the Building, including partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building, costs of any disputes between Landlord and its employees (if any) not engaged in Building operation, disputes of Landlord with Building management, or outside fees paid in connection with disputes with other tenants.
The wages of any employee who does not devote substantially all of his time to the Building;

Fines, penalties, and interest;

Any damage or loss resulting from any insured casualty except to the extent of customary deductibles;

Wages and fees incurred in connection with the ownership, management and operation of a garage;

Intentionally omitted.

Costs for removing hazardous waste, toxic materials and other forms of contamination.

2. It is understood that operating expenses shall be reduced by all cash discounts, trade discounts, or quantity discounts received by Landlord or Landlord's managing agent in the purchases of any goods, utilities, or services in connection with the operation of the Building. Landlord shall make payments for goods, utilities and services in a timely manner to obtain the maximum possible discount.

3. It is understood that capital items will not be included in their entirety in the year such costs are incurred, but will be amortized in accordance with generally accepted accounting principles at the time such capital costs are incurred, consistently applied over the useful life of the item so capitalized. If capital items which are customarily purchased by landlord are leased by Landlord, rather than purchased, the decision by Landlord to lease the item in question shall not serve to increase the Tenant's proportionate share of Operating Expenses beyond that which would have applied had the item in question been purchased.

4. Landlord shall use its best efforts to effect an equitable proration of bills for services rendered to the Building and to any other property owned by Landlord.

5. Landlord agrees to keep books and records showing the Operating Expenses in accordance with a system of accounts and accounting practices consistently maintained on a year-to-year basis in compliance with such provisions of this Lease as may affect such accounts. Landlord shall deliver to Tenant within ninety (90) days after close of each calendar year (including the calendar year in which this Lease terminates), a report certified by an officer or agent of the Landlord. The report shall contain the following:

(i) The officer's or agent's statement that the books and records covering the operation of the Building have been maintained in accordance with the requirements of this Lease;

(ii) The amount by which the Operating Expenses for such calendar year differ from the Operating Expenses for the Base Year;

(iii) The amount by which the Taxes for such calendar year differ from the Taxes for the Base Year;

(iv) Copies of all current and applicable tax bills (including, for the first comparison year, copies of the Tax bills from the base year), and itemized operating expense schedule reflecting changes in costs from the base year, and any other back-up material requested by Tenant, it being understood herein that Tenant, upon request, shall be authorized to examine any and all pertinent records and books.
(vi) costs of all elevator and escalator (if installed in the Building) maintenance and operation;

(vii) costs of operating staff, management staff and other administrative personnel, including salaries, wages, and fringe benefits;

(viii) cost of providing security;

(ix) cost of providing janitorial services, window cleaning, garbage and snow removal and pest control;

(x) cost of supplies and materials;

(xi) cost of decoration of common area;

(xii) cost of landscaping;

(xiii) cost of maintenance and operation of the parking areas;

(xiv) cost of consulting, and professional fees including expenses;

(xv) cost of replacements, additions and modifications unless otherwise included under paragraph 6, and cost of repair;

(c) In this Lease there shall be excluded from Operating Costs the following:

(i) interest of debt and capital retirement of debt;

(ii) such of the Operating Costs as are recovered from insurance proceeds; and

(iii) costs as determined by the Landlord of acquiring tenants for the Property.

6. The Tenant covenants to pay to the Landlord the Tenant's Proportionate Share of the costs in respect of each Major Expenditure (as hereinafter defined) as amortized over the period of the Landlord's reasonable estimate of the economic life of the Major Expenditure, but not to exceed fifteen (15) years, using equal monthly installments of principal and interest at ten percent (10%) per annum compounded semi-annually. For the purposes hereof, "Major Expenditure" shall mean any expenditure incurred after the date of substantial completion of the Building for replacement of machinery, equipment, building elements, systems or facilities forming a part of or used in connection with the Property or for modifications, upgrades or additions to the Property or facilities used in connection therewith, provided that, in each case, such expenditures is more than ten percent (10%) of the total Operating Costs of the immediately preceding Fiscal Period.
7. In calculating Operating Costs for any Fiscal Period including the Base Year, if less than one hundred percent (100%) of Building is occupied by tenants, then the account of such Operating Costs shall be deemed for the purposes of this Schedule to be increased to an amount equal to the like Operating Costs which normally would be expected by the Landlord to have been incurred had such occupancy been one hundred percent (100%) during such entire period.

8. In this Lease:

   (i) "Tenant's Proportionate Share" shall mean 26.34% subject to adjustment as determined solely by the Landlord and notified to the Tenant in writing for physical increases or decreases in the total rentable area of the Property provided that total rentable area of the Property and the rentable area of the Leased Premises shall exclude areas designated (whether or not rented) for parking and for storage.

   (ii) "Base Year" shall mean the calendar year 1997.
1. The sidewalks, entry passages, elevators (if installed in the Building) and common stairways shall not be obstructed by the Tenant or used for any other purpose than for ingress and egress to and from the Leased Premises. The Tenant will not place or allow to be placed in the Building corridors or public stairways any waste paper, dust, garbage, refuse or anything whatever.

2. The washroom plumbing fixtures and other water apparatus shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, ashes or other substances shall be thrown therein. The expense of any damage resulting by misuse by the Tenant shall be borne by the Tenant.

3. The Tenant shall permit window cleaners to clean the windows of the Leased Premises during normal business hours.

4. No birds or animals shall be kept in or about the Property nor shall the Tenant operate or permit to be operated any musical or sound-producing instruments or devise or make or permit any improper noise inside or outside the Leased Premises which may be heard outside such Leased Premises. Fish tank is allowed.

5. No one shall use the Leased Premises for residential purposes, or for the storage of personal effects or articles other than those required for business purposes.

6. Intentionally omitted.

7. No dangerous or explosive materials shall be kept or permitted to be kept in the Leased Premises.

8. The Tenant shall not and shall not permit any cooking in the Leased Premises. The Tenant shall not install or permit the installation or use of any machine dispensing goods for sale in the Leased Premises without the prior written approval of the Landlord. Only persons authorized by the Landlord shall be permitted to deliver or to use the elevators (if installed in the Building) for the purpose of delivering food or beverages to the Leased Premises. Tenant will have a kitchen.

9. The Tenant shall not bring in or take out, position, construct, install or move any safe, business machine or other heavy equipment without first obtaining the prior written consent of the Landlord. In giving such consent, the Landlord shall have the right, in its sole discretion, to prescribe the weight permitted and the position thereof, and the use and design of planks, skids or platforms to distribute the weight thereof. All damage done to the Building by moving or using any such heavy equipment or other office equipment or furniture shall be repaired at the expense of the Tenant. The moving of all heavy equipment or other office equipment or furniture shall occur only at times consented to by the Landlord and the persons employed to move the same in and out of the Building must be acceptable to the Landlord. Safes and other heavy office equipment will be moved through the halls and corridors only upon steel bearing plates. No freight or bulky matter of any description will be received into the Building or carried in the elevators (if installed in the Building) except during hours approved by the Landlord.

10. The Tenant shall give the Landlord prompt notice of any accident to or any defect in the plumbing, heating, air-conditioning, ventilating, mechanical or electrical apparatus or any other part of the Building.

11. The parking of automobiles shall be subject to the charges and reasonable regulations of the Landlord. The Landlord shall not be responsible for damage to or theft of any car, its accessories or contents whether the same be the result of negligence or otherwise.
12. The Tenant shall not mark, drill into or in any way deface the walls, ceilings, partitions, floors or other parts of the Leased Premises and the Building. Bulletin boards and pictures are allowed.

13. Except with the prior written consent of the Landlord, no tenant shall use or engage any person or persons other than the janitor or janitorial contractor of the Landlord for the purpose of any cleaning of the Leased Premises.

14. If the Tenant desires any electrical or communications wiring, the Landlord reserves the right to direct qualified persons as to where and how the wires are to be introduced, and without such directions no borings or cutting for wires shall take place. No other wires or pipes of any kind shall be introduced without the prior consent of the Landlord.

15. The Tenant shall not place or cause to be placed any additional locks upon doors of the Leased Premises without the approval of the Landlord and subject to any conditions imposed by the Landlord. Additional keys may be obtained from the Landlord at the cost of the Tenant.

16. The Tenant shall be entitled to have its name shown upon the directory board of the building and at one of the entrance doors to the Leased Premises, all at the Tenant's expense, but the Landlord shall in its sole discretion design the style of such identification and allocate the space on the directory board for the Tenant.

17. Intentionally omitted.

18. The Tenant shall not conduct, and shall not permit any, canvassing in the Building.

19. The Tenant shall take care of the rugs and drapes (if any) in the Leased Premises and shall arrange for the carrying-out of regular spot cleaning and shampooing of carpets and dry cleaning of drapes in a manner acceptable to the Landlord.

20. The Tenant shall permit the periodic closing of lanes, driveways and passages for the purposes of preserving the Landlord's rights over such lanes, driveways and passages.

21. The Tenant shall not place or permit to be placed any sign, advertisement, notice or other display on any part of the exterior of the Leased Premises or elsewhere if such sign, advertisement, notice or other display is visible from outside the Leased Premises without the prior written consent of the Landlord which may be arbitrarily withheld. The Tenant, upon request of the Landlord, shall immediately remove any sign, advertisement, notice or other display which the Tenant has placed or permitted to be placed which, in the opinion of the Landlord, is objectionable, and if the Tenant shall fail to do so, the Landlord may remove the same at the expense of the Tenant.

22. The Landlord shall have the right to make such other and further reasonable rules and regulations and to alter the same as in its judgement from time to time be needful for the safety, care, cleanliness and appearance of the Leased Premises and the Building and for the preservation of good order therein, and the same shall be kept and observed by the tenants, their employees and servants. The Landlord also has the right to suspect or cancel any or all of these rules and regulations herein set out.
SCHEDULE "F"
Leasehold Improvements

Definition of Leasehold Improvements

1. For the purposes of this Lease, the Term "Leasehold Improvements" includes, without limitation, all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed by or on behalf of the Tenant, or any previous occupant of the Leased Premises in the Leased Premises and by or on behalf of other tenants in other premises in the Building (including the Landlord if an occupant of the Building), including all partitions, doors and hardware however affixed, and whether or not movable, all mechanical, electrical and utility installations and all carpeting and drapes with the exception only of furniture and equipment not of the nature of fixtures.

Installation of Improvements & Fixtures

2. The Landlord shall include in the Leased Premises the "Landlord's Work" (as hereinafter defined. The Tenant shall not make, erect, install or alter any Leasehold Improvements in the Leased Premises without having requested and obtained the Landlord's prior written approval. The Landlord's approval shall not, if given, under any circumstances, be construed as a consent to the Landlord having its estate charges with the cost of work. The Landlord shall not unreasonably withhold its approval to any such request, but failure to comply with Landlord's reasonable requirements from time to time for the Building shall be considered sufficient reason for refusal. In making, erecting, installing or altering any Leasehold Improvements the Tenant shall not, without the prior written approval of the Landlord, alter or interfere with any installations which have been made by the Landlord or others and in no event shall alter or interfere with window coverings (if any) or other light control devices (if any) installed in the Building. The Tenant's request for any approval hereunder shall be in writing and accompanied by an adequate description of the contemplated work and, where appropriate, working drawings and specifications thereof. If the Tenant requires from the Landlord drawings or specifications of the Building in connection with Leasehold Improvements, the Tenant shall pay the cost thereof to the Landlord on demand. Any reasonable costs and expenses incurred by the Landlord in connection with the Tenant's Leasehold Improvements shall be paid by the Tenant to the Landlord on demand. All work to be performed in the Leased Premises shall be performed by competent contractors and sub-contractors of whom the Landlord shall have approved in writing prior to commencement of any work, such approval not to be unreasonably withheld (except that the Landlord may require that the Landlord's contractors and sub-contractors be engaged for any mechanical or electrical work) and by workmen who have labor union affiliations that are compatible with these affiliations (if any) or workmen employed by the Landlord and its contractors and sub-contractors. All such work including the delivery, storage and removal of materials shall be subject to reasonable supervision of the Landlord, shall be performed in accordance with any reasonable conditions or regulations imposed by the Landlord including, without limitation, payment on demand of a reasonable fee of the Landlord for such supervision, and shall be completed in good and workmanlike manner in accordance with the description of the work approved by the Landlord and in accordance with all laws, regulations and by-laws of all regulatory authorities. Copies of required building permits or authorizations shall be obtained by the Tenant at its expense and copies shall be provided to the Landlord. No locks shall be installed on the entrance doors or in any doors in the Leased Premises that are not keyed to the Building master key system.

Liens & Encumbrances on Improvements & Fixtures

3. In connection with the making, erection, installation or alteration of Improvements and all other work or installations made by or for the Tenant in the Leased Premises the Tenant shall comply with all the provisions of the mechanics' lien and other similar statutes from time to time applicable thereto (including any provision requiring or enabling the retention by way of holdback of portions of any sums payable) and, except as to any such holdback, shall promptly pay all accounts relating thereto. The Tenant will not create any mortgage, conditional sale agreement or the encumbrance in respect of its Leasehold Improvements or, without the written consent of the Landlord, with respect to its trade fixtures nor shall the Tenant take any action as a consequence of which any such mortgage, conditional sale agreement or other encumbrance would attach to the Property or any part thereof. If and whenever any mechanics' or other lien for work, labor, services or materials supplied to or for the Tenant or for the cost of which the Tenant may be in any way liable or claims therefore shall arise or be filed or any such mortgage, conditional sale agreement or other encumbrance shall attach, the Tenant shall within twenty (20) days after submission by the Landlord of notice thereof procure the discharge thereof, including any certification of action registered in respect of any lien, by payment of giving security or in such other manner as may be required or permitted by law, and failing which the Landlord may avail itself of any of its remedies hereunder for default to the Tenant and may make any payments or take steps or proceedings required to procure the discharge of any such liens.
## SCHEDULE "G"

Basic Rent

<table>
<thead>
<tr>
<th>Months</th>
<th>Rate/s.f.</th>
<th>Amount</th>
</tr>
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G-1
SCHEDULE "H"

Special Considerations

1) Signage: Landlord will grant Tenant building top signage, facing MacArthur Blvd. All Costs associated with the signage will be borne entirely by Tenant which will include the cost of permit, cost of sign and installation, maintenance, any electrical costs, as well as the cost to dismantle. Landlord will arrange to have the existing sign taken off of the building.

2) Lobby Security: Assuming other tenants in the building are willing to contribute to the cost of creating a lobby to the building, Landlord will contribute a maximum of $15,000 to the cost. (The $15,000 amount will include the cost to install an automatic locking system on building.)

3) Parking: Landlord will make available an additional ten (10) unreserved parking spaces for Tenant's use at the Plaza Center property, along with the prorata share of parking for the 4th floor. In addition, you will get an additional four (4) reserved spaces at 18872 MacArthur Blvd.

4) Option to Lease Third Floor: Tenant shall have the option to lease the third floor in the Building under the terms and conditions set forth in this paragraph. The third floor is presently leased to another tenant (the "Third-Floor Tenant"). The Third-Floor Tenant has two one-year options to extend the term of its lease. In the event the Third-Floor Tenant fails to exercise the first or second option to extend the term of its lease, or in the event of an early termination of said lease for any reason, Landlord shall notify Tenant of the availability of the third-floor space and Tenant shall have 30 days from date of receipt of Landlord's notice in which to elect to lease the third-floor space. In the event Tenant so elects to lease the third-floor space, the third floor shall become a part of the Premises for all purposes under this lease, including, but not limited to the payment of monthly rental, which shall be at the rate set forth in the Lease Summary. In addition, Tenant shall receive an improvement allowance of $6.00 per useable square foot: if the remaining term of this Lease is three and seven months or longer. If the remaining term of this Lease on the commencement date of the Lease as to the third floor is less than three years and seven months, then the improvement allowance will be reduced by multiplying $6.00 by a fraction, the numerator of which shall be the number of months remaining in the Lease Term and the denominator of which shall be 43 months. Tenant shall be entitled to all parking spaces presently allocated to the Third Floor Lease. Landlord agrees that Landlord will not grant any additional options to extend or renew the third-floor lease with the Third-Floor Tenant and the Landlord will not recognize any late or invalid exercise of any option to extend by the Third Floor Tenant.

5) Fiber Optics: Tenant will be allowed to bring in fiber optics into the building, however, all costs associated with this will be entirely borne by the tenant.

6) Cabling: Tenant shall be allowed to cable between their existing second floor and between the fourth floor.

7) Tenant shall be permitted to install a satellite dish on the roof of building 18872 MacArthur Blvd. at Tenant's sole cost of both installation and removal. Satellite dish specifications must be approved by Landlord prior to installation and must comply with all city regulations.

8) Option to Extend: Tenant shall have one (1) five (5) year option (the "Extension Option") to extend the initial term of the Lease upon and subject to the terms and conditions set forth herein. The Extension Option shall be exercised by Tenant, if at all, by written notice irrevocably exercising the Extension Option delivered to Landlord not sooner than nine (9) months and at least six (6) months prior to the expiration of the Initial Term. If Tenant exercises the Extension Option, each of the terms, covenants and conditions of the Lease shall apply during the extended Term except that the Monthly Base Rent to be paid at the commencement of the extended Term shall be determined by Landlord and Tenant as follows: by the date which is two weeks after the last date on which Tenant may exercise the Extension Option, Landlord shall notify Tenant of the fair market rental rate for the Premises, taking into consideration all applicable factors, which shall be the Monthly Base Rent payable during the extended Term ("Landlord's Rent"). If Tenant accepts Landlord's rent, then Tenant and Landlord shall enter into a written memorandum agreeing to same within two (2) weeks after Landlord notifies Tenant of Landlord's Rent, and Tenant's Extension Option shall be deemed to be effective. If Tenant does not accept Landlord's Rent, then Landlord and Tenant shall negotiate in good faith towards an agreement on Monthly Base Rent for the extended Term. If Landlord and Tenant do not agree in writing on or before two (2) weeks after Landlord notifies Tenant of Landlord's Rent on the Monthly Base Rent during the extended Term, then the Extension Option shall be deemed to be void and Landlord may market the Premises for lease for the period after the expiration of the initial Term. Notwithstanding anything contained herein to the contrary, if Tenant shall have been ten (10) or more days late in the payment of rent more than a total of five (5) times during the Initial Term, or if at the time Tenant exercises the Extension Option or immediately prior to the commencement date of the extended Term Tenant is in material default under any other term, covenant or condition of the Lease, then Landlord shall have me right. In addition to all of Landlord's other rights and remedies provided in the Lease, to terminate the Extension Option already exercised by Tenant upon notice to Tenant, in which event the Term of the Lease shall end as if the Extension Option was never exercised and all future options, if any, shall automatically expire. The Extension Option is personal to the original Tenant executing this Lease and may not be assigned or exercised after any transfer, assignment or sublease of any portion of the Lease or the Premises, excluding, however, transfers, assignments or subleases which are expressly permitted under the Lease without Landlord's prior written consent, if any.

The extension option is not available to Tenant if Landlord redevelops the site of 18872 MacArthur Blvd.
(a) **Grant of Parking Rights.** So long as the Lease is in effect and provided Tenant is not in default hereunder, Landlord grants to Tenant and Tenants Authorized Users a license to use the number and type of parking spaces.

As consideration for the use of such parking spaces, Tenant agrees to pay to Landlord or, at Landlord's election, directly to Landlord's parking operator, as additional rent under this Lease, the parking rate set forth or, if no rate is specified, or the rate therein ceases to be applicable, then at the prevailing parking rate for each such parking space as established by Landlord in its discretion from time to time. Tenant agrees that all parking charges will be payable on a monthly basis concurrently with each monthly payment of Monthly Base Rent. Tenant agrees to submit to Landlord or, at Landlord's election, directly to Landlord's parking operator with a copy to Landlord, written notice in a form reasonably specified by Landlord containing the names, home and office addresses and telephone numbers of those persons who are authorized by Tenant to use Tenant's parking spaces on a monthly basis (Tenant's Authorized Users™) and shall use its best efforts to identify each vehicle of Tenant's Authorized Users by make, model and license number. Tenant agrees to deliver such notice prior to the beginning of the Term of this Lease and to periodically update such notice as well as upon specific request by Landlord or Landlord's parking operator to reflect changes to Tenant's Authorized Users or their vehicles.

(b) **Visitor Parking.** So long as this Lease is in effect, Tenants visitors and guests will be entitled to use those specific parking areas which are designated for short term visitor parking and which are located within the surface parking area(s), if any, and/or within the parking structure(s) which serve the Building. Visitor parking will be made available at a charge to Tenant's visitors and guests, with the rate being established by Landlord in its discretion from time to time. Tenant, at its sole cost and expense, may elect to validate such parking for its visitors and guests. All such visitor parking will be on a non-exclusive, in common basis with all other visitors and guests of the Project.

(c) **Use of Parking Spaces.** Tenant will not use or allow any of Tenant's Authorized Users to use any parking spaces which have been specifically assigned by Landlord to other tenants or occupants or for other uses such as visitor parking or which have been designated by any governmental entity as being restricted to certain uses. Tenant will not be entitled to increase or reduce its parking privileges applicable to the Premises during the Term of the Lease except as follows: If at any time Tenant desires to increase or reduce the number of parking spaces allocated to it under the terms of this Lease, Tenant must notify Landlord in writing of such desire and Landlord will have the right, in its sole and absolute discretion, to either (a) approve such requested increase in the number of parking spaces allocated to Tenant (with an appropriate increase to the additional rent payable by Tenant for such additional spaces based on the then prevailing parking rates), (b) approve such requested decrease in the number of parking spaces allocated to Tenant (with an appropriate reduction in the additional rent payable by Tenant for such eliminated parking spaces based on the then prevailing parking rates), or (c) disapprove such requested increase or decrease in the number of parking spaces allocated to Tenant. Landlord will provide Tenant with written notice of its decision including a statement of any adjustments to the additional rent payable by Tenant for parking under the Lease, if applicable. No parking stalls will be allocated to Tenant with respect to any space leased by Tenant under the Lease which consists of less than the full incremental amounts of rentable square footage, if any, required for parking stalls.

(d) **General Provisions.** Landlord reserves the right to set and increase monthly fees and/or daily and hourly rates for parking privileges from time to time during the Term of the Lease. Landlord may assign any unreserved and unassigned parking spaces and/or make all or any portion of such spaces reserved, if Landlord reasonably determines that it is necessary for orderly and efficient parking or for any other reason. Failure to pay the rent for any particular parking spaces or failure to comply with any terms and conditions of this Lease applicable to parking may be treated by Landlord as a default under this Lease and, in addition to all other remedies available to Landlord under the Lease, at law or in equity, Landlord may elect to recapture such parking spaces for the balance of the Term of this Lease if Tenant does not cure such failure within the applicable cure period. In such event, Tenant and Tenant's Authorized Users will be deemed visitors for purposes of parking space use and will be entitled to use only those parking areas specifically designated for visitor parking subject to all provisions of this Lease applicable to such visitor parking use. Tenant's parking rights and privileges described herein are personal to Tenant and may not be assigned or transferred, or otherwise conveyed, without Landlord's prior written consent, which consent Landlord may withhold in its sole and absolute discretion. In any event under no circumstances may Tenants parking rights and privileges be transferred, assigned or otherwise conveyed separate and apart from Tenant's interest in this Lease.

(e) **Cooperation with Traffic Mitigation Measures.** Tenant agrees to use its reasonable, good faith efforts to cooperate in traffic mitigation programs which may be undertaken by Landlord independently, or in cooperation with local municipalities or governmental agencies or other property owners in the vicinity of the Building. Such programs may include, but will not be limited to, carpools, vanpools and other ridesharing programs, public and private transit, flexible work hours, preferential assigned parking programs and programs to coordinate tenants within the Project with existing or proposed traffic mitigation programs.
Parking Rules and Regulations. The following rules and regulations govern the use of the parking facilities which serve the Building.

Tenant will be bound by such rules and regulations and agrees to cause its employees, subtenants, assignees, contractors, suppliers, customers and invitees to observe the same:

1. Tenant will not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, subtenants, customers or invitees to be loaded, unloaded or parked in areas other than those designated by Landlord for such activities. No vehicles are to be left in the parking areas overnight and no vehicles are to be parked in the parking areas other than normally sized passenger automobiles, motorcycles and pick-up trucks. No extended term storage of vehicles is permitted.

2. Vehicles must be parked entirely within painted stall lines of a single parking stall.

3. All directional signs and arrows must be observed.

4. The speed limit within all parking areas shall be five (5) miles per hour.

5. Parking is prohibited:
   - in areas not striped for parking;
   - in aisles or on ramps;
   - where "no parking" signs are posted;
   - in cross-hatched areas; and
   - in such other areas as may be designated from time to time by Landlord or Landlord's parking operator.

6. Landlord reserves the right, without cost or liability to Landlord, to tow any vehicle if such vehicle's audio theft alarm system remains engaged for an unreasonable period of time.

7. Washing, waxing, cleaning or servicing of any vehicle in any area not specifically reserved for such purpose is prohibited.

8. Landlord may refuse to permit any person to park in the parking facilities who violates these rules with unreasonable frequency, and any violation of these rules shall subject the violator's car to removal, at such car owner's expense. Tenant agrees to use its best efforts to acquaint its employees, subtenants, assignees, contractors, suppliers, customers and invitees with these parking provisions, rules and regulations.

9. Parking Stickers, access cards, or any other device or form of identification supplied by Landlord as a condition of use of the parking facilities shall remain the property of Landlord. Parking identification devices, if utilized by Landlord, must be displayed as requested and may not be mutilated in any manner. The serial number of the parking identification device may not be obliterated. Parking identification devices, if any, are not transferable and any device in the possession of an unauthorized holder will be void. Landlord reserves the right to refuse the sale of monthly stickers or other parking identification devices to Tenant or any of its agents, employees or representatives who willfully refuse to comply with these rules and regulations and all unposted city, state or federal ordinances, laws or agreements.

10. Loss or theft of parking identification devices or access cards must be reported to the management office in the Project immediately, and a lost or stolen report must be filed by the Tenant or user of such parking identification device or access card at the time. Landlord has the right to exclude any vehicle from the parking facilities that does not have a parking identification device or valid access card. Any parking identification device or access card which is reported lost or stolen and which is subsequently found in the possession of an unauthorized person will be confiscated and the illegal holder will be subject to prosecution.

11. All damage or loss claimed to be the responsibility of Landlord must be reported, itemized in writing and delivered to the management office located within the Project within ten (10) business days after any claimed damage or loss occurs. Any claim not so made is waived. Landlord is not responsible for damage by water or fire, or for the acts or omissions of others, or for articles left in vehicles. In any event, the total liability of Landlord, if any, is limited to Two Hundred Fifty Dollars ($250.00) for all damages or loss to any car. Landlord is not responsible for loss of use.

12. The parking operators, managers or attendants are not authorized to make or allow any exceptions to these rules and regulations, without the express written consent of Landlord. Any exceptions to these rules and regulations made by the parking operators, managers or attendants without the express written consent of Landlord will not be deemed to have been approved by Landlord.

13. Landlord reserves the right, without cost or liability to Landlord, to tow any vehicles which are used or parked in violation of these rules and regulations.

14. Landlord reserves the right from time to time to modify and/or adopt such other reasonable and non-discriminatory rules and regulations for the parking facilities as it deems reasonably necessary for the operation of the parking facilities.
This Amendment No. 12 to Lease ("Amendment No. 12") is entered into effective as of the 6th day of February 2009 ("Amendment Effective Date") between TPF Partners, a California general partnership ("Landlord") and Autobytel Inc., a Delaware corporation ("Tenant").

RECITALS

A. Tenant is a party to that certain Lease dated April 3, 1997 as amended in Amendment No. 1 to Lease dated July 9, 1998, Amendment No. 2 to Lease dated May 16, 2001, Amendment No. 3 to Lease dated May 16, 2001, Amendment No. 4 to Lease dated August 8, 2002, Amendment No. 5 to Lease dated September 12, 2003, Amendment No. 6 to Lease dated January 6, 2005, Amendment No. 7 to Lease dated March 14, 2005, Amendment No. 8 to Lease dated July 7, 2005, Amendment No. 9 to Lease dated July 26, 2005, Amendment No. 10 to Lease dated December 1, 2005, Notice of Lease Term Dates dated January 11, 2006, Amendment No. 11 to Lease dated January 19, 2006 and Lease Surrender and Termination Agreement dated March 31, 2008 (collectively, the "Lease") for the Premises located at (i) first, second, third and fourth floors at 18872 MacArthur Boulevard, and (ii) 18952 MacArthur Boulevard, Suite 200, Suite 205, Suite 220, Suite 230, and Suite 235, in the City of Irvine, California (collectively, the "Current Leased Premises"). The capitalized terms used and not otherwise defined herein shall have the same definition as set forth in the Lease.

B. Landlord and Tenant mutually agree to modify the Leased Premises by Tenant surrendering and vacating the premises on the second (2nd) floor of the 18952 Building and first and fourth (1st and 4th) floors of the 18872 building (collectively the "Surrendered Premises") on the terms and conditions set forth here in this Amendment No. 12. The Current Leased Premises, less the Surrendered Premises, are referred to herein as the "Leased Premises."

C. Landlord and Tenant mutually agree to extend the term of the Lease and to further amend the Lease on the terms and conditions set forth here in this Amendment No. 12.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows (capitalized terms used and not otherwise defined herein shall have the meanings given in the Lease):

AGREEMENT

1. Modification of Leased Premises. Effective March 31, 2009 ("Surrender Date"), the Surrendered Premises shall be deducted from the Current Leased Premises and Tenant’s obligations under the Lease for the Surrendered Premises shall terminate as to the Surrendered Premises. Tenant shall be responsible only for rent and operating expenses under the Lease for the entire Surrendered Premises pursuant to the terms of the Lease only through the Surrender Date. All other obligations of Tenant under the Lease with respect to the component areas of the Surrendered Premises shall terminate upon the earlier of (i) the Surrender Date and (ii) the date a particular component area of the Surrendered Premises is vacated by Tenant as set forth below. Effective April 1, 2009 ("Lease Reset Date"), all references herein and in the Lease to the Leased Premises shall mean, unless the context clearly indicates to the contrary, only the second and third (2nd and 3rd) floors of 18872 MacArthur Boulevard, aggregating approximately 26,156 rentable square feet. Tenant shall vacate the component areas of the Surrendered Premises, and Tenant’s continued right to access and occupy such component areas of the Surrendered Premises shall terminate, as follows:
(i) The second (2nd) floor of 18952 MacArthur Boulevard of the Surrendered Premises shall be vacated and Tenant’s right to occupy such Surrendered Premises shall terminate as of the Amendment Effective Date.

(ii) The first (1st) floor of 18872 MacArthur Boulevard shall be vacated and Tenant’s right to occupy such Surrendered Premises shall terminate on or before March 15, 2009 for all of the first (1st) floor Surrendered Premises, except for the reception area, which shall be vacated on or before the Surrender Date, with Tenant moving the current reception area located on the 1st floor to the area of the second (2nd) floor of the Leased Premises where Tenant’s original reception area was located (“Original Reception Area”). Tenant shall be responsible for all costs associated with such move of the reception area to the Original Reception Area and shall perform all Tenant Improvements required to relocate the reception area to the Original Reception Area in accordance with the Lease. Tenant shall prepare the plan for Tenant Improvements in the Leased Premises for Landlord’s approval or reasonable disapproval, which approval or disapproval shall be delivered to Tenant by Landlord no later than five (5) business days after Landlord’s receipt of such plan. In the event Landlord does not provide any approval or disapproval with such five business day period, Tenant’s plans shall be deemed approved. Any disapproval by Landlord shall be accompanied by a reasonably detailed explanation therefor to enable Tenant to revise its plans. Tenant agrees that all said work will be completed by a Landlord approved, licensed building contractor and in accordance with all applicable building codes and ordinances, and Tenant shall use materials of quality the same or better than Landlord’s standard building materials, including using Landlord’s building standard paint in Landlord’s choice of building standard colors. The Tenant Improvements required in this Section 1(ii) shall become the sole property of Landlord at the end of the Lease term.

(iii) The fourth (4th) floor of 18872 MacArthur Boulevard (with the exception of the area on the fourth (4th) floor of 18872 MacArthur Boulevard (“Current UPS Equipment Area”) in which the Tenant’s UPS (battery backup system) and related air conditioning unit and panels and electrical wiring and equipment (such UPS, air conditioning unit and panels and electrical wiring and equipment are collectively referred to herein as the “UPS Equipment”) are located) shall be vacated and surrendered on or before February 22, 2009. Surrender and vacation of the Current UPS Area and Tenant’s access thereto shall be governed by Section 1(iv) below.

(iv) At Tenant’s sole cost and expense, Tenant shall relocate the UPS Equipment to the area located on the 3rd floor of the Leased Premises identified as the third floor IT Network room next to Tenant’s 3rd floor data center (“New UPS Equipment Area”) after Landlord provides Tenant written notice (“Landlord UPS Equipment Move Notice”) that Landlord has leased the area of the fourth floor of 18872 MacArthur Boulevard that includes the Current UPS Area to another tenant and the date upon which work on tenant improvements will commence for such tenant. Tenant shall use all reasonable efforts to move the UPS Equipment to the New UPS Equipment Area within thirty (30) days (“UPS Equipment Move Period”) after receipt of Landlord’s notice. Landlord represents and warrants to the best of its knowledge to Tenant that the actual relocation of the UPS Equipment to the New UPS Equipment Area can be completed within said thirty (30) day period and that no city or other permits or structural engineering or structural work will be required to move the UPS Equipment to the New UPS.
Landlord hereby waives all requirements under the Lease or otherwise for Tenant to repaint or otherwise restore or repair, or remove all Tenant Improvements, alterations or additions located on, the Surrendered Premises, as of the Surrender Date, or the Leased Premises, upon expiration or termination of the Lease. All termination or surrender fees or costs, if any, due upon surrender or vacation of the Surrendered Premises or the Leased Premises are hereby waived. This waiver does not apply to the requirements that Tenant will remove and restore the building facade, if needed, for the building exterior signage.

2. **Basic Rent.** The Basic Rent shall be adjusted as follows as of the Lease Reset Date, representing $1.70 per rentable square foot of the Leased Premises as of the Lease Reset Date ("New Basic Rent"):

<table>
<thead>
<tr>
<th>Months</th>
<th>Amount</th>
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<td>4/1/09 – 7/31/11</td>
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The Basic Rent for the first (1st) Extension Term (as defined below), if applicable, shall be increased by three percent (3%) over the Basic Rent set forth above, and the Basic Rent for the second (2nd) Extension Term, if applicable, shall be increased by three percent (3%) over the Basic Rent for the first Extension Term.

3. **Extension of Lease.** Landlord and Tenant agree to extend the Lease term for an additional ten (10) months period from October 1, 2010 until July 31, 2011 ("Initial Expiration Date"). The Lease term may be further extended by Tenant pursuant to Section 9 below (the foregoing ten-month extension term, together with any extension periods under Section 9 are hereby referred to herein as the "Lease Term").

4. **Operating Expenses.** Effective the Lease Reset Date, the Base Year for the Lease Term shall be amended to be 2009.

5. **Security Deposit.** Landlord recognizes the current security deposit in the amount of $59,253.80 on account and shall not require any additional security deposit for the Lease Term.

6. **Proportionate Share.** Effective the Lease Reset Date, Tenant’s proportionate share shall be amended to be 52.71% for the Lease Term.

7. **Parking.** Tenant shall continue to pay $4,400.00 per month for the 44 parking spaces located in the parking lot adjacent to the gazebo in Colton Plaza through September 30, 2010, at which time the 44 parking spaces shall revert to Landlord’s sole control and usage, and Tenant shall have no further obligations or rights thereto; provided that such spaces shall be generally available for tenants and their visitors, including Tenant, of the Colton Plaza until such time as such parking spaces are reserved for the exclusive use of another tenant of the Colton Plaza. Tenant shall also remit $1,800.00 for the 18 reserved parking spaces that were formerly Z Mario (now iLounge) parking spaces until the Surrender Date, at which time such 18 reserved parking spaces shall revert to Landlord’s sole control and usage and Tenant shall have no further obligations or rights thereto. Tenant shall have parking rights with respect to the 104 parking spaces ("Tenant Parking Spaces") (which through 9/30/10 shall consist of the forty four (44) reserved spaces adjacent to the gazebo in Colton Plaza and sixty (60) unreserved spaces, and after 9/30/10...
shall all be unreserved) located at 18872, 18912 and 18952 MacArthur parking lots which are next to the Leased Premises (collectively, the “Colton Plaza Parking Lots”) free of charge. The number of Tenant Parking Spaces does not include any parking spaces required to comply with applicable handicap parking requirements under applicable laws, rule or regulations. The only reserved parking spaces in the 18872 and 18912 MacArthur parking lots shall be up to eighty (80) spaces reserved to Z Mario (now iLounge), and in the event that Landlord provides any reserved spaces to future tenants of 18872 MacArthur, then Tenant shall receive a prorata amount of reserved spaces in the 18872 MacArthur parking lot based on Tenant’s rentable square feet in the 18872 MacArthur building compared to total rentable square feet in the 18872 MacArthur building, with the new reserved spaces provided to Tenant on the same terms and conditions as offered to the new tenant (eg. costs and location to building). The new reserved parking spaces shall reduce the number of unreserved parking spaces allocated to Tenant. Notwithstanding the above, anytime prior to 9/30/10 Tenant may convert the 44 reserved parking spaces to 44 unreserved parking spaces with Tenant having the obligation to continue to pay $4,400.00 per month until 9/30/10. The Tenant shall then have 104 unreserved parking spaces located at 18872, 18912 and 18952 MacArthur parking lots which are next to the Leased Premises.

8. Condition of Premises. Tenant acknowledges that Landlord has made no representation and has given no warranty to Tenant regarding the fitness of the Leased Premises for Tenant’s continued use. Tenant shall continue its tenancy in the Leased Premises in its “AS-IS” condition and “WITH ALL FAULTS,” as to items or conditions that do not constitute items or conditions that Landlord is obligated to maintain or repair under the Lease. Without limiting the foregoing, Landlord shall promptly repair and restore the items and conditions set forth on Exhibit A attached hereto and incorporated herein by reference. In the event Landlord fails to promptly repair or maintain any items or conditions that Landlord is obligated to repair or maintain under the Lease, including the items listed on Exhibit A, Tenant shall have the right to remedy, repair or maintain such items or conditions and offset the costs of such remedial work, repair or maintenance against Basic Rent, Additional Rent or any other amounts due Landlord by Tenant under the Lease.

9. Options to Extend Lease. Provided Tenant is not in material default or breach under any of the terms, covenants, or conditions of the Lease, Tenant shall have two (2) options (the “Extension Options”) to extend the Lease for a period of one (1) year each (each such extension term an “Extension Term”), upon written notice to Landlord not less than two hundred seventy (270) days prior to (i) the Initial Expiration Date, in the case of the first of such extensions, or (ii) the expiration of the first Extension Term, in the case of the second such extension, upon the same terms and conditions of the Lease existing as of the Initial Expiration Date, other than the adjustment in the Basic Rent as set forth in Section 2 above.

10. Furniture. Tenant, at Landlord’s option, shall transfer title to the Landlord for all furniture and cubicle systems owned by Tenant as of the Lease Reset Date and located on the first and fourth (1st and 4th) floors of the 18872 MacArthur Boulevard, free and clear of any liens. Additionally, upon Tenant vacating the second and third (2nd and 3rd) floors of 18872 MacArthur Boulevard, Tenant, at Landlord’s option, shall transfer title to the Landlord for all furniture and cubicle systems owned by Tenant as of the date Tenant vacates such second and third floors and located on the second and third floors, free and clear of any liens.

11. Access Systems and Security Cameras. Tenant shall continue to have the right to have access systems and security cameras in the Leased Premises and in the elevator lobby on the 1st floor of 18872 MacArthur Boulevard. Landlord and Tenant shall explore whether Tenant’s existing access systems and security cameras located in 18872 MacArthur Boulevard can reasonably be made available for shared use by Tenant and Landlord without impairing Tenant’s security requirements. Tenant shall not be obligated to provide security or monitoring services to Landlord or other tenants in the 18872 MacArthur Boulevard building, nor shall Tenant be liable to Landlord or other tenants for any security or monitoring services. If there is an incident at the Property or Building, then Tenant shall allow Landlord and/or the police access to the
security video. In the event the existing access systems and security cameras can reasonably be shared by Landlord and Tenant, and Landlord chooses to use the system, then Landlord and Tenant shall enter into an addendum to this Amendment No. 12 covering the terms and conditions of such shared use, including the sharing of operating and maintenance costs and indemnification of Tenant. Upon the expiration of the Lease and Tenant vacating the Leased Premises, the access systems and security cameras shall become Landlord’s sole property, at no additional cost to Landlord.

12. **Signage.** Tenant, at Tenant’s sole cost and expense, shall remove the existing building top signage at 18952 MacArthur Boulevard and restore that area of the building’s façade where the sign was located that may have been damaged by the installation and the removal of the sign to its condition prior to the installation of the sign, less normal wear and tear. Landlord shall allow Tenant to keep the eyebrow signage on 18872 MacArthur Boulevard until such time that the Landlord needs the eyebrow signage to make such signage space available to another tenant in the 18872 MacArthur Boulevard building. Landlord shall give Tenant thirty (30) days written notice to remove the signage and restore that area of the building’s façade where the sign was located that may have been damaged by the installation and the removal of the sign to its condition prior to the installation of the sign, less normal wear and tear. Tenant shall retain the building top signage at 18872 MacArthur Boulevard through the Lease Term, with Tenant responsible for removing the signage and restoring the building at the expiration of the Lease Term in accordance with the signage agreement in the Lease.

13. **Notices.** Paragraph 21 of the Lease shall be amended in its entirety as follows: Any notice, advice, document or writing required or contemplated by any provision hereof shall be given in writing and if to the Landlord, either delivered personally to an officer of the Landlord or mailed by prepaid, certified/return receipt requested mail addressed to the Landlord at the said local office address of the Landlord as provided in the Lease, and if to the Tenant, either delivered personally to Tenant’s Chief Executive Officer (with copy to the Tenant’s Chief Legal Officer) or mailed by prepaid, certified/return receipt requested mail addressed to the Tenant’s Chief Executive Officer (with copy to Tenant’s Chief Legal Officer) at the Leased Premises, or if an address of the Tenant is shown in the description of the Tenant in the Lease, to such address. Every such notice, advice, document or writing shall be deemed to have been given when delivered personally, or if mailed as aforesaid, upon the fifth day after being mailed. The Landlord may from time to time by notice in writing to the Tenant designate another address as the address to which notices are to be mailed to it, or specify with greater particularity the address and persons to which such notices are to be mailed and may require that copies of notices be sent to an agent designated by it. The Tenant may, if an address of the Tenant is shown in the description of the Tenant in the Lease, from time to time by notice in writing to the Landlord, designate another address as the address to which notices are to be mailed to it, or specify with greater particularity the address to which such notices are to be mailed.

14. **Demolition and Redevelopment.** Notwithstanding anything contained in this Lease to the contrary, in the event the Landlord has a bone fide and good faith intent to demolish the 18872 MacArthur building and redevelop such area, then the Landlord, upon giving the Tenant two hundred and seventy (270) days’ prior written notice, shall have the right to terminate this Lease and this Lease shall thereupon expire on the expiration of two hundred and seventy (270) days from the date of the giving of such notice without compensation of any kind to the Tenant.

Notwithstanding the above, Landlord cannot give notice pursuant to this Section 14(b) to Tenant at any time prior to August 1, 2011, and may not exercise this right in order to terminate the Lease for any purpose other than to facilitate the demolition and redevelopment of the 18872 MacArthur building.
15. **Authority.** Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Amendment No. 12 and that each person signing on behalf of Tenant is authorized to do so.

16. **Attorneys’ Fees.** If either party commences litigation against the other for the specific performance of this Amendment No. 12, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys’ fees as may have been incurred, including any and all costs incurred in enforcing, perfecting and executing such judgment.

17. **Confirmations.** Tenant hereby certifies and confirms to Landlord that as of Tenant’s execution and delivery hereof, to Tenant’s knowledge Landlord is not in material default under the Lease, as amended. Landlord hereby certifies and confirms to Tenant that as of Landlord’s execution and delivery hereof, to Landlord’s knowledge neither Landlord nor Tenant is in material default under the Lease, as amended.

18. **Brokers.** Tenant represents and warrants to Landlord that Tenant has not engaged any real estate broker or agent in connection with this Amendment No. 12 or its negotiation except for Colton Capital Corporation. Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any and all cost, expenses, claims, and liabilities (including costs of suit and reasonable attorneys’ fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Amendment or its negotiation by reason of any discussions by Tenant with any other real estate broker or agent. Landlord shall be solely responsible for payment of a Broker’s commission to the Broker identified above, under the terms of a separate agreement.

19. **Confidentiality.** Tenant shall keep confidential and shall not disclose the terms and conditions set forth in this Lease, including, without limitation, the basic rent and additional rent, the term of the Lease and any extensions, and all other financial terms, without the prior written consent of the Landlord except: (1) to Tenant's directors, officers, partners, employees, legal counsel, accountants, engineers, architects, financial or real estate advisors and similar professionals and consultants to the extent that Tenant deems it necessary or appropriate in connection with the Lease transaction contemplated hereunder or in connection with Tenant’s evaluation of other office space (and Tenant shall inform each of the foregoing parties of Tenant's obligations under this Section 19 and shall secure the agreement of such parties to be bound by the confidentiality terms hereof) or (2) as otherwise required by law, rule, regulation, or order of any court or administrative or regulatory agency, including any disclosures or filings required by applicable state or federal securities laws, rules, regulations or orders.

20. ** Entire Agreement.** It is understood and acknowledged that there are no oral agreements between the parties hereto affecting the Lease, as amended and the Lease, as amended, supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe the Lease, as amended. The Lease and any amendments, side letters or separate agreements executed by Landlord and Tenant in connection with the Lease, as amended and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Surrendered Premises and the Leased Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, none of the terms, covenants, conditions or provisions of the Lease, as amended, can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. Any deletion of language from the Lease, as amended, prior to its execution by Landlord and Tenant shall not be construed to raise any presumption, canon of construction or implication, including, without limitation, any implication that the parties intended therey to state the converse of the deleted language.
21. **Release.** Except as expressly set forth in this Amendment No. 12, Landlord and Tenant, and their respective officers, directors, shareholders, employees, partners, successors and assigns, hereby mutually release each other and each of their respective officers, directors, shareholders, employees, partners, successors and assigns, from any and all claims, demands, actions, liabilities and obligations, whether known or unknown, which they now have or which may hereafter accrue in the future arising prior to the date of this Amendment No. 12 under and/or in connection with the Lease, but only to the extent the Lease relates to the Surrendered Premises, including without limitation, the events and circumstances surrounding the entering into of the Lease. Except as set forth in this Amendment No. 12, the parties shall, after the Surrender Date, have no claim or demand against each other in connection with the Lease as it relates to the Surrendered Premises. Except as expressly set forth in this Amendment No. 12, it is the intention of the parties in executing this Amendment No. 12 that this Amendment No. 12 shall be effective as a full and final accord and satisfaction and general release from any and all matters released hereunder. In furtherance of this intention, the parties acknowledge that each is familiar with Section 1542 of the California Civil Code, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Tenant’s Initials ______  Landlord’s Initials ______

The parties do hereby waive and relinquish all rights and benefits which each has or may have had under Section 1542 of the California Civil Code with respect to the subject matter of this Amendment No. 12. It is understood by the parties that if the facts or law with respect to which the foregoing general release is given hereafter turn out to be other than or different from the facts or law in that connection not known to be or believed by either party to be true, then each party hereto expressly assumes the risk of the facts or law in that connection not known to be or believed by either party to be true, then each party hereto expressly assumes the risk of the facts or law turning out to be so different, and agrees that the foregoing release shall be in all respects effective and not subject to termination or rescission based upon differences in facts or law.

22. **Further Assurances.** Tenant shall, upon request by Landlord, execute and deliver such documentation and information and take such other action as may be reasonably necessary to effectuate the intent of this Amendment or to implement the provisions hereof.

Except as modified by this Amendment No. 12, all terms set forth in the Lease, as amended, continue to be in full force and effect.

IN WITNESS WHEREOF, the parties have entered into this Amendment No. 12 as of the day and year first written above.

Signatures on the following page
LANDLORD:

TPF Partners,
a California general partnership
By: Colton Real Estate Group,
a California corporation
Its: General Partner

/s/ Jon W. McClintock
Chief Financial Officer

TENANT:

Autobytel Inc.,
a Delaware corporation

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

2nd floor
- Men’s and ladies room countertop needs repair.
- Seal the perimeter of the bathroom where grout meets wall to prevent water from getting out of the bathrooms in case of overflow. This is the issue that caused the 2nd floor mold issue.
- 2nd floor still has mold issue from leak stated above.
- Stairwell 2 between 2nd and 1st floor landing is getting loose again.
- Remove power outlet from floor in office 257.

3rd floor
- Laminate needs repair on stall in Men’s room.
- Laminate needs repair on stall in Ladies room.
- Repair toilet seat in Ladies room—slips.
- Repair ceiling in ladies room from water damage.
- Office 371 needs Carpet concepts to come out and finish installing carpet correctly. Carpet does not touch wall and baseboard is missing.
- Both bathrooms could use some patch and paint.
- Repair water damage and source of damage in ceiling of New UPS Equipment Area.

4th floor
- Seal the kitchen floor where it meets wall so that any water issues from the kitchen won’t leak down to the 3rd floor. Mainly along window wall.
- Complete pending patch and paint requests that are taking a very long time to get completed.
- Prune trees to the right of the eyebrow signage.
AMENDMENT NO. 13 TO LEASE

This Amendment No. 13 to Lease (“Amendment No. 13”) is entered into effective as of the 6th day of February 2009 (“Amendment Effective Date”) between TPF Partners, a California general partnership (“Landlord”) and Autobytel Inc., a Delaware corporation (“Tenant”).

RECITALS

A. Tenant is a party to that certain Lease dated April 3, 1997 as amended in Amendment No. 1 to Lease dated July 9, 1998, Amendment No. 2 to Lease dated May 16, 2001, Amendment No. 3 to Lease dated May 16, 2001, Amendment No. 4 to Lease dated August 8, 2002, Amendment No. 5 to Lease dated September 12, 2003, Amendment No. 6 to Lease dated January 6, 2005, Amendment No. 7 to Lease dated March 14, 2005, Amendment No. 8 to Lease dated July 7, 2005, Amendment No. 9 to Lease dated July 26, 2005, Amendment No. 10 to Lease dated December 1, 2005, Notice of Lease Term Dates dated January 11, 2006, Amendment No. 11 to Lease dated January 19, 2006, Lease Surrender and Termination Agreement dated March 31, 2008 and Amendment 12 to Lease dated February 6, 2009 (collectively, the “Lease”) for the Premises located at second and third (2nd & 3rd) floors at 18872 MacArthur Boulevard, in the City of Irvine, California (collectively, the “Current Leased Premises”). The capitalized terms used and not otherwise defined herein shall have the same definition as set forth in the Lease.

B. Landlord and Tenant mutually agree to further amend the Lease on the terms and conditions set forth here in this Amendment No. 13.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows (capitalized terms used and not otherwise defined herein shall have the meanings given in the Lease):

AGREEMENT

1. **Security Deposit.** Landlord recognizes the current security deposit in the amount of $59,253.80 on account and shall refund $10,341.80, within ten (10) business days of the mutual execution of this Amendment, to Tenant for a total remaining security deposit in the amount of $48,912.00.

2. **Furniture.** Landlord shall remit $5,500.00, within ten (10) business days of the mutual execution of this Amendment, to Tenant for all of the Audio Visual equipment located on the fourth (4th) floor of the Building (in the small conference room and large conference room). The Audio Visual Equipment shall include but not be limited to two (2) projectors, two (2) screens, wiring and cabling, controls and a podium with controls.

3. **Authority.** Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Amendment No. 13 and that each person signing on behalf of Tenant is authorized to do so.

4. **Attorneys’ Fees.** If either party commences litigation against the other for the specific performance of this Amendment No. 13, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys’ fees as may have been incurred, including any and all costs incurred in enforcing, perfecting and executing such judgment.
5. **Confirmations.** Tenant hereby certifies and confirms to Landlord that as of Tenant’s execution and delivery hereof, to Tenant’s knowledge Landlord is not in material default under the Lease, as amended. Landlord hereby certifies and confirms to Tenant that as of Landlord’s execution and delivery hereof, to Landlord’s knowledge neither Landlord nor Tenant is in material default under the Lease, as amended.

6. **Brokers.** Tenant represents and warrants to Landlord that Tenant has not engaged any real estate broker or agent in connection with this Amendment No. 13 or its negotiation except for Colton Capital Corporation. Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any and all cost, expenses, claims, and liabilities (including costs of suit and reasonable attorneys’ fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Amendment or its negotiation by reason of any discussions by Tenant with any other real estate broker or agent. Landlord shall be solely responsible for payment of a Broker’s commission to the Broker identified above, under the terms of a separate agreement.

7. **Confidentiality.** Tenant shall keep confidential and shall not disclose the terms and conditions set forth in this Lease, including, without limitation, the basic rent and additional rent, the term of the Lease and any extensions, and all other financial terms, without the prior written consent of the Landlord except: (1) to Tenant's directors, officers, partners, employees, legal counsel, accountants, engineers, architects, financial or real estate advisors and similar professionals and consultants to the extent that Tenant deems it necessary or appropriate in connection with the Lease transaction contemplated hereunder or in connection with Tenant’s evaluation of other office space (and Tenant shall inform each of the foregoing parties of Tenant's obligations under this Section 19 and shall secure the agreement of such parties to be bound by the confidentiality terms hereof) or (2) as otherwise required by law, rule, regulation, or order of any court or administrative or regulatory agency, including any disclosures or filings required by applicable state or federal securities laws, rules, regulations or orders.

8. ** Entire Agreement.** It is understood and acknowledged that there are no oral agreements between the parties hereto affecting the Lease, as amended and the Lease, as amended, supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe the Lease, as amended. The Lease and any amendments, side letters or separate agreements executed by Landlord and Tenant in connection with the Lease, as amended and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Surrendered Premises and the Leased Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, none of the terms, covenants, conditions or provisions of the Lease, as amended, can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. Any deletion of language from the Lease, as amended, prior to its execution by Landlord and Tenant shall not be construed to raise any presumption, canon of construction or implication, including, without limitation, any implication that the parties intended thereby to state the converse of the deleted language.

9. **Further Assurances.** Tenant shall, upon request by Landlord, execute and deliver such documentation and information and take such other action as may be reasonably necessary to effectuate the intent of this Amendment or to implement the provisions hereof.

Except as modified by this Amendment No. 13, all terms set forth in the Lease, as amended, continue to be in full force and effect.
IN WITNESS WHEREOF, the parties have entered into this Amendment No. 13 as of the day and year first written above.

LANDLORD:
TPF Partners,
a California general partnership
By: Colton Real Estate Group,
a California corporation
Its: General Partner

/s/ Jon W. McClintock
By: _______________________
Chief Financial Officer

TENANT:
Autobytel Inc.,
a Delaware corporation

By: /s/ Glenn E. Fuller
By: /s/ Jon W. McClintock
Chief Financial Officer
Executive Vice President, Chief
Legal and Administrative Officer
and Secretary
AMENDMENT NO. 14 TO LEASE

This Amendment No. 14 to Lease ("Amendment No. 14") is entered into as of the 9th day of November 2010 between TPF Partners, a California general partnership ("Landlord") and Autobytel, Inc., a Delaware corporation ("Tenant").

RECITALS

A. Tenant is a party to that certain Lease dated April 3, 1997 as amended in Amendment No. 1 to Lease dated July 9, 1998, Amendment No. 2 to Lease dated May 16, 2001, Amendment No. 3 to Lease dated May 16, 2001, Amendment No. 4 to Lease dated August 8, 2002, Amendment No. 5 to Lease dated September 12, 2003, Amendment No. 6 to Lease dated January 6, 2005, Amendment No. 7 to Lease dated March 14, 2005, Amendment No. 8 to Lease dated July 7, 2005, Amendment No. 9 to Lease dated July 26, 2005, Amendment No. 10 to Lease dated December 1, 2005, Notice of Lease Term Dates dated January 11, 2006, Amendment No. 11 to Lease dated January 19, 2006, Lease Surrender and Termination Agreement dated March 31, 2008, Amendment No. 12 to Lease dated February 6, 2009, and Amendment No. 13 to Lease dated March 5, 2009 (collectively the “Lease”) covering certain Premises located at the second (2nd) and third (3rd) floors at 18872 MacArthur Blvd., City of Irvine, County of Orange, State of California (collectively, the “Current Leased Premises”) consisting of approximately 26,156 rentable square feet, all as more particularly set forth in the Lease.

B. Landlord and Tenant mutually agree to extend the term of the Lease and to further amend the Lease on the terms and conditions set forth here in this Amendment No. 14.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows (capitalized terms used and not otherwise defined herein shall have the meanings given in the Lease):

AGREEMENT

1. Extension of Lease. Effective January 1, 2011 (the “Effective Date”), Landlord and Tenant agree to extend the lease term for an additional period (the “Extended Period”). The Lease expiration date shall be extended to July 31, 2012.

2. Basic Rent. The Basic Rent shall be as follows:

<table>
<thead>
<tr>
<th>Months</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/01/11 – 7/31/12</td>
<td>$37,926.50 per month</td>
</tr>
</tbody>
</table>


4. Parking. Effective January 1, 2011, parking shall be pursuant to the Lease at no cost during the Extended Period.

5. Condition of Premises. Tenant acknowledges that Landlord has made no representation and has given no warranty to Tenant regarding the fitness of the Leased Premises for Tenant’s continued use. Tenant shall continue its tenancy in the Original Leased Premises in its “AS-IS” condition and “WITH ALL FAULTS”, except Landlord, at Landlord’s sole cost and expense, shall touch up the existing painted walls with building standard paint and clean the existing carpet.

6. Options to Renew. Section 9 of Amendment No. 12 to Lease shall be amended as follows: Tenant shall continue to have two (2) options to extend the Lease for a period of one (1) year each. The Base Rent for the first extension shall be $1.50 per square foot per month, and the Base Rent for the second extension shall be $1.55 per square foot per month. All other terms and conditions for the Options to Extend as provided for in Section 9 of Amendment No. 12 to Lease shall continue to apply.

7. Right to Terminate. The lease termination rights provided for in the Lease shall be deleted. The Tenant shall have no further lease termination rights.

8. Demolition and Redevelopment. The date that Landlord may give Tenant notice pursuant to Section 14 of Amendment No. 12 to Lease shall be revised to August 1, 2012. All other terms and conditions of Section 14 of Amendment No. 12 to Lease shall continue to apply.

9. Signage. Tenant shall continue to have Signage rights for the Extended Period as provided for in Section 12 of Amendment No. 12 to Lease. If Tenant on the First Floor of subject Property chooses to exercise their eyebrow signage rights, Tenant will not be required to pay for the removal of their eyebrow sign or
restoration. If Tenant on the First Floor of subject Property does not exercise their eyebrow signage rights prior to Tenant terminating their Lease then, and only then, will Tenant be responsible for removal of their eyebrow sign and restoration.

10. **Authority.** Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Amendment No. 14 and that each person signing on behalf of Tenant is authorized to do so.

11. **Attorneys' Fees.** If either party commences litigation against the other for the specific performance of this Amendment No. 14, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred, including any and all costs incurred in enforcing, perfecting and executing such judgment.

12. **Confirmations.** Tenant hereby certifies and confirms to Landlord that as of Tenant's execution and delivery hereof, to Tenant's knowledge Landlord is not in material default under the Lease, as amended. Landlord hereby certifies and confirms to Tenant that as of Landlord's execution and delivery hereof, to Landlord's knowledge neither Landlord nor Tenant is in material default under the Lease, as amended.

13. **Brokers.** Tenant represents and warrants to Landlord that Tenant has not dealt with any real estate broker or agent in connection with this Amendment No. 14 or its negotiation except for Colton Capital Corporation and CBRE. Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any and all cost, expenses, claims, and liabilities (including costs of suit and reasonable attorneys' fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Amendment or its negotiation by reason of any act of Tenant. Landlord shall be solely responsible for payment of a Broker's commission to the Broker identified above, under the terms of a separate agreement.

14. **Confidentiality.** Tenant shall keep confidential and shall not disclose the terms and conditions set forth in this Lease, including, without limitation, the basic rent and additional rent, the term of the Lease and any extensions, and all other financial terms, without the prior written consent of the Landlord except: (1) to Tenant's directors, officers, partners, legal counsel, accountants, financial advisors and similar professionals and consultants to the extent that Tenant deems it necessary or appropriate in connection with the Lease transaction contemplated hereunder (and Tenant shall inform each of the foregoing parties of Tenant's obligations under this Section and shall secure the agreement of such parties to be bound by the confidentiality terms hereof) or (2) as otherwise required by law, rule, regulation, or order of any court or administrative or regulatory agency, including any disclosures or filings required by applicable state or federal securities laws, rules, regulations or orders.

15. **Entire Agreement.** It is understood and acknowledged that there are no oral agreements between the parties hereto affecting the Lease, as amended and the Lease, as amended, supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe the Lease, as amended. The Lease and any amendments or side letters or separate agreements executed by Landlord and Tenant in connection with the Lease, as amended and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, none of the terms, covenants, conditions or provisions of the Lease, as amended, can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. Any deletion of language from the Lease, as amended prior to its execution by Landlord and Tenant shall not be construed to raise any presumption, canon of construction or implication, including, without limitation, any implication that the parties intended thereby to state the converse of the deleted language.

16. **Further Assurances.** Tenant shall, upon request by Landlord, execute and deliver such documentation and information and take such other action as may be reasonably necessary to effectuate the intent of this Amendment or to implement the provisions hereof.

Except as modified by Amendment No. 14, all terms set forth in the Lease, as amended, continue to be in full force and effect.

**IN WITNESS WHEREOF,** the parties have entered into this Amendment No. 14 as of the day and year first written above.

*Signatures appear on next page.*
LANDLORD:

TPF Partners,
a California general partnership
By: Colton Real Estate Group,
a California corporation
Its: General Partner

By: /s/ Jon W. McClintock
    Chief Financial Officer

TENANT:

Autobytel Inc.,
a Delaware corporation

By: /s/ Glenn E. Fuller
    Executive Vice President, Chief
    Legal and Administrative Officer
    and Secretary
Consent of Independent Registered Public Accounting Firm


/s/ ERNST & YOUNG LLP

Orange County, California
March 1, 2012
CERTIFICATION

I, Jeffrey H. Coats, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Autobytel Inc.;

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2012

/s/ Jeffrey H. Coats

Jeffrey H. Coats

President and Chief Executive Officer
CERTIFICATION

I, Curtis E. DeWalt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Autobytel Inc.;

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2012

/s/ Curtis E. DeWalt
Curtis E. DeWalt,
Senior Vice President and
Chief Financial Officer
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Autobytel Inc. (the “Company”) on Form 10-K for the period ended December 31, 2011 (the “Report”), we, Jeffrey H. Coats, President and Chief Executive Officer of the Company, and Curtis E. DeWalt, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Jeffrey H. Coats
Jeffrey H. Coats
President and Chief Executive Officer
March 1, 2012

/s/ Curtis E. DeWalt
Curtis E. DeWalt
Senior Vice President and Chief Financial Officer
March 1, 2012

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