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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999

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 22239

AUTOBYTEL.COM INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	33-0711569 (I.R.S. EMPLOYER IDENTIFICATION NUMBER)
18872 MACARTHUR BOULEVARD IRVINE, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	92612 (ZIP CODE)

(949) 225-4500
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

As of October 31, 1999, there were 18,211,895 shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

AUTOBYTEL.COM INC.

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

ASSETS

	SEPTEMBER 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
Current assets:		
Cash and cash equivalents, includes restricted amounts of $212 and $248, respectively	$ 90,093	$ 27,984
Accounts receivable, net of allowance for doubtful accounts of $464 and $402, respectively	3,155	2,315
Prepaid expenses and other current assets	2,210	1,353
Total current assets	95,458	31,652
Property and equipment, net	1,754	2,208
Other assets	412	347
Total assets	$ 97,624	$ 34,207

LIABILITIES AND STOCKHOLDERS' EQUITY

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
Current liabilities:		
Accounts payable	$ 7,769	$ 2,915

Accrued expenses	2,843	915
Deferred revenue	5,570	4,008
Customer deposits	571	345
Other current liabilities	194	33
Total current liabilities	16,947	8,216
Deferred rent	70	123
Total liabilities	17,017	8,339
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, Series A, $0.001 par value; 1,500,000 shares authorized; no and 1,500,000 shares issued and outstanding, respectively	--	2
Convertible preferred stock, Series B, $0.001 par value; 967,915 shares authorized; no and 967,915 shares issued and outstanding, respectively	--	1
Convertible preferred stock, Series C, $0.001 par value; 6,977,272 shares authorized; no and 4,968,738 shares issued and outstanding, respectively	--	4
Common stock, $0.001 par value; 200,000,000 shares authorized; 17,879,608 and 8,506,455 shares issued and outstanding, respectively	18	8
Warrants	1,332	1,332
Additional paid-in capital	140,954	67,813
Cumulative translation adjustment	(8)	(19)
Accumulated deficit	(61,689)	(43,273)
Total stockholders' equity	80,607	25,868
Total liabilities and stockholders' equity	$ 97,624	$ 34,207

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

AUTOBYTEL.COM INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Revenues	$ 10,625	$ 6,462	$ 27,860	$ 16,499
Operating expenses:				
Sales and marketing	11,049	8,320	32,033	22,249
Product and technology development	4,216	2,352	9,798	6,216
General and administrative	2,672	1,480	6,541	4,016
Total operating expenses	17,937	12,152	48,372	32,481
Loss from operations	(7,312)	(5,690)	(20,512)	(15,982)
Other income, net	1,031	153	2,150	501
Loss before provision for income taxes	(6,281)	(5,537)	(18,362)	(15,481)
Provision for income taxes	10	6	54	31
Net loss	$ (6,291)	$ (5,543)	$ (18,416)	$ (15,512)
Basic and diluted net loss per share	$ (0.35)	$ (0.65)	$ (1.23)	$ (1.85)
Shares used in computing basic and diluted net loss per share	17,878,188	8,487,385	14,959,928	8,395,797

The accompanying notes are an integral part of these consolidated statements

AUTOBYTEL.COM INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998
Cash flows from operating activities:		
Net loss	$(18,416)	$(15,512)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,013	900
Provision for bad debt	189	191
Loss on disposal of property and equipment	51	--
Amortization of deferred compensation	--	1
Issuance of preferred stock in exchange for advertising	--	500
Fair market value of stock options in excess of exercise price	791	--
Changes in assets and liabilities:		
Accounts receivable	(1,029)	(524)
Prepaid expenses and other current assets	(857)	183
Other assets	(65)	(255)
Accounts payable	4,854	3,120
Accrued expenses	1,928	(35)
Deferred revenue	1,562	713
Customer deposits	226	240
Other current liabilities	161	(8)
Deferred rent	(53)	28
Net cash used in operating activities	(9,645)	(10,458)
Cash flows from investing activities:		
Purchases of property and equipment	(610)	(780)
Net cash used in investing activities	(610)	(780)
Cash flows from financing activities:		
Issuance of notes payable	--	776
Proceeds from sale of common stock, net	72,353	5,163
Net cash provided by financing activities	72,353	5,939
Effect of exchange rates on cash	11	(26)
Net increase (decrease) in cash and cash equivalents	62,109	(5,325)
Cash and cash equivalents, at beginning of period	27,984	15,813
Cash and cash equivalents, at end of period	$ 90,093	$ 10,488
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	$ 54	$ 31
Cash paid during the period for interest	$ 2	$ 1

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

AUTOBYTEL.COM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA.)

1. ORGANIZATION AND OPERATIONS OF AUTOBYTEL.COM

autobytel.com inc. (Autobytel.com) is an internationally branded Internet site for new and pre-owned vehicle information and purchasing services. Through its Web site (www.autobytel.com), consumers can research pricing, specifications and other information related to new and pre-owned vehicles and, when consumers indicate they are ready to buy, can be connected to Autobytel.com's network of participating dealers. Autobytel.com also provides other related services such as financing, leasing, vehicle warranties and insurance. Autobytel.com's services are free to consumers and, to date, Autobytel.com has derived substantially all of its revenues from fees paid by subscribing dealers located in the United States and Canada.

Since inception, Autobytel.com has invested the majority of its efforts in marketing its brand name and developing infrastructure to support anticipated future operating growth. As a result, Autobytel.com has experienced significant operating losses and had an accumulated deficit of $61,689 as of September 30, 1999. Management 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

Unaudited Interim Financial Statements

The accompanying interim consolidated financial statements as of September 30, 1999, and for the three months and nine months ended September 30, 1999 and 1998, are unaudited. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of Autobytel.com's management, reflect all adjustments, which are of a normal recurring nature, necessary to present fairly Autobytel.com's financial position as of September 30, 1999, and results of operations and cash flows for the three months and nine months ended September 30, 1999 and 1998. Autobytel.com's results for an interim period are not necessarily indicative of the results that may be expected for the year.

Although Autobytel.com believes that all adjustments necessary for a fair presentation of the interim periods presented are included and that the disclosures are adequate, these consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 1998 included in Autobytel.com's Prospectus filed with the Securities and Exchange Commission on March 26, 1999.

Computation of Basic and Diluted Net Loss Per Share

Net loss per share has been calculated under Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." SFAS No. 128 requires companies to compute earnings per share under two different methods (basic and diluted). Basic net loss per share is calculated by dividing the net loss by the weighted average shares of common stock outstanding during the period. For the three months and nine months ended September 30, 1999 and 1998, diluted net loss per share is equal to basic net loss per share since potential common shares from the conversion of stock options and warrants are antidilutive. Autobytel.com evaluated the requirements of the Securities and Exchange Commission Staff Accounting Bulletin (SAB) No. 98, and concluded that there are no nominal issuances of common stock or potential common stock which would be required to be shown as outstanding for all periods as outlined in SAB No. 98.

3. ACQUISITION COSTS

Autobtyel.com terminated the acquisition agreements to acquire W.G. Nichols, Inc., the publisher of the Chilton series of auto repair manuals, and a related company. Costs of $601, related to the terminated acquisitions, were expensed during the three months ended September 30, 1999.

4. STOCK BASED COMPENSATION

From January to March 1999, Autobytel.com granted stock options to employees and directors at exercise prices which were below the fair market value at the date of grant. In relation to these grants, Autobytel.com will recognize estimated compensation expense of approximately $2,644 ratably over the vesting term of one to four years. Compensation expense of $282 was recognized during the three months ended September 30, 1999.

5. SUBSEQUENT EVENT

In October 1999, Autobytel.com agreed to acquire A.I.N. Corporation, the parent company of CarSmart.com, an online automotive purchasing and related services Web site for 1.8 million shares of common stock and $3.0 million in cash. The closing of the acquisition is subject to a number of conditions, including a satisfactory audit of A.I.N. Corporation's financial statements. The transaction is expected to be completed in the fourth quarter of 1999.

ITEM 2. 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 our consolidated financial statements and related notes included elsewhere in this Form 10-Q. This discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in such forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" below.

OVERVIEW

We are a leading, internationally branded Internet site for new and pre-owned vehicle information and purchasing services connecting consumers to our network of participating dealers in the United States and Canada. We introduced our new vehicle marketing service in 1995, and in 1997 commenced our Certified Pre-owned CyberStore program. Through our Web site, www.autobytel.com, consumers can research pricing, specifications and other information regarding new and pre-owned vehicles. When consumers indicate they are ready to buy, they can be connected to our dealer network. In addition, we continue to develop related products and services which provide consumers with automotive solutions throughout the lifecycle of car ownership, such as financing, insurance, warranty and maintenance services. In the third quarter of 1999, we launched an online consumer banking center which, in partnership with LendingTree, Inc. and Credit Management Solutions, Inc., provides consumers with competitive loan rates from various lenders. We also announced a partnership with I-NET Training Technologies, a training and consulting firm specializing in automotive e-commerce. In October, we launched our online consumer-to-consumer and dealer-to-consumer auction site and agreed to acquire A.I.N. Corporation, the parent company of CarSmart.com, an online automotive purchasing and related services Web site.

We derive substantially all of our revenues from fees paid by subscribing dealers, and we expect to be primarily dependent on our dealer network for revenues in the foreseeable future. Dealers using our services pay initial subscription fees, as well as ongoing monthly fees based, among other things, on the size of territory, demographics and the transmittal of purchase requests to them. We also charged the dealers annual fees through December 31, 1997. In January 1998, we started to eliminate annual fees and increase monthly fees to subscribing dealers. Average monthly program fees per dealer were $1,053 and $983 for the three months ended September 30, 1999 and 1998, respectively. We also derive a portion of our revenues from related products and services on a per transaction basis. For the three months ended September 30, 1999 and 1998, related products and services were 12% and 3% of revenues, respectively.

Since mid January 1999 and on a going forward basis, we are converting our dealers primarily to new contracts with one year terms. The initial subscription fee from the dealer is recognized ratably over the first twelve months of the dealer's contract in order to match the costs of integrating and training the

dealer with revenues earned. Amortized revenues from initial subscription fees were $0.6 million for the three months ended September 30, 1999 and 1998. We anticipate that amortized revenues from our initial subscription fees will decline as a percentage of total revenues over time as monthly fee revenues continue to grow. As our dealer network grows in absolute terms, the number of new dealers added as a percentage of total dealers is growing at a slower pace. Therefore, initial subscription fee revenues are declining as a percentage of total revenues while monthly fee revenues are growing. Monthly fees are recognized in the period the service is provided. Monthly fee revenues were $8.7 million and $5.0 million for the three months ended September 30, 1999 and 1998, respectively. Annual fees were recognized ratably over twelve months. There were no amortized revenues from annual fees for the three months ended September 30, 1999 because we began to eliminate the charging of annual fees in early 1998. For the three months ended September 30, 1998, amortized revenues from annual fees were $0.7 million.

Although we do not derive any direct revenues from the volume of purchase requests, we believe our ability to increase the number of subscribing dealers and the amount of fees paid by dealers is indirectly related to the volume of purchase requests routed through our Web site. Vehicle purchase requests routed through our online system increased from approximately 336,000 in the third quarter of 1998 to 590,000 in the

third quarter of 1999, an increase of 75%. Since inception we have directed approximately 4.1 million purchase requests to dealers.

Our revenue growth has been primarily dependent on our ability to:

- deliver quality purchase requests to our dealer network,

- increase the number of dealers and

- increase the average monthly fees paid by each dealer.

We believe our revenue growth in the foreseeable future will be dependent on the above factors as well as our ability to generate revenues from related products and services.

Since inception, our dealer network has expanded each quarter. As of September 30, 1999 there were 3,143 dealers, an increase of 19% over the same quarter in 1998. Of these dealers, 3,063 dealers pay for our service and the remaining 80 dealers do not pay for our service. Our non-paying dealers are generally associated with lower volume vehicle manufacturers such as Jaguar or Suzuki or are located in remote, low volume territories and receive purchase request referrals without paying fees to us. We enter into agreements with non-paying dealers to ensure the broadest geographic coverage for every make of vehicle and to increase consumer satisfaction by offering a complete selection of vehicles.

During the third quarter of 1999, 347 paying dealers were added to our North American dealer network and 149 dealers either terminated their affiliation with us or were terminated by us. The net number of paying dealers as of September 30, 1999 increased by 39% over the same quarter in 1998. Our inability or failure to reduce dealer turnover could have a material adverse effect on our business, results of operations and financial condition. Because our primary revenue source is from program fees, our business model is significantly different from many other Internet commerce sites. The automobiles requested through our site are sold by dealers; therefore we derive no direct revenues from the sale of a vehicle and have no significant cost of goods sold, no procurement, carrying or shipping costs and no inventory risk.

Sales and marketing costs consist primarily of:

- Internet marketing and advertising expenses,

- fees paid to our Internet purchase request providers,

- promotion and advertising expenses to build our brand awareness and encourage potential customers to visit our Web site and

- personnel and other costs associated with sales, marketing, training and

support of our dealer network.

We use Internet advertising, as well as traditional media, such as television, radio and print. The majority of our Internet advertising is comprised of:

- sponsorship and partnership agreements with Internet portals such as Excite and Lycos and

- advertising and marketing affiliations with online automotive information providers such as Edmund's and Kelley Blue Book.

These Internet portals and online automotive information providers charge a combination of set-up, initial, annual, monthly and variable fees.

- Set-up fees are incurred for the development of the link between Autobytel.com and the Internet portal or online information provider and are expensed in the period the link is established.

- Initial fees are amortized over the period they relate to.

- Annual fees are amortized over the period they relate to.

- Monthly fees are expensed in the month they relate to.

- Variable fees are fees paid for purchase requests and are expensed in the period the purchase requests are received.

During the three months ended September 30, 1999, total Internet marketing and advertising costs incurred were $3.7 million, including annual, monthly and variable fees of $0.5 million, $1.1 million, and $2.1 million, respectively. There were no set-up or initial fees incurred in the three months ended September 30, 1999. Also included in sales and marketing expenses are the costs associated with signing up new dealers and their ongoing training and support. Sales and marketing costs are recorded as an expense in the period the service is provided. Sales and marketing expenses have historically fluctuated quarter-to-quarter due to varied levels of marketing and advertising and we believe this will continue in the future.

RESULTS OF OPERATIONS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
STATEMENT OF OPERATIONS DATA:				
Revenues				
Program fees	88%	97%	90%	97%
Related products and services	12	3	10	3
Total revenues	100	100	100	100
Operating expenses:				
Sales and marketing	104	129	115	135
Product and technology development	40	36	35	38
General and administrative	25	23	23	24
Total operating expenses	169	188	174	197
Loss from operations	(69)	(88)	(74)	(97)
Other income, net	10	2	8	3
Loss before provision for income taxes	(59)	(86)	(66)	(94)
Provision for income taxes	0	0	0	0

Net loss...	(59)%	(86)%	(66)%	(94)%

THREE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Revenues. Our revenues increased by $4.2 million, or 64%, to $10.6 million in the third quarter of 1999, compared to $6.5 million in the same period in 1998. The growth in revenues in the third quarter of 1999 was primarily attributable to an increase in the number of paying dealers and a $70, or 7%, increase in the average monthly program fee charged to paying dealers. The net number of paying dealers increased by 856, or 39%, to 3,063 as of September 30, 1999, compared to 2,207 as of September 30, 1998. Revenues from related products and services accounted for approximately 12% of revenues in the third quarter of 1999 compared to 3% of revenues in the third quarter of 1998.

Sales and marketing expense increased by $2.7 million, or 33%, to $11.0 million in the third quarter of 1999 compared to $8.3 million in the third quarter of 1998. The increase was primarily due to a $1.0 million, or 51%, increase in sales expenses due to additional sales and dealer support personnel, a $0.8 million, or 30%, increase in fees related to information search aggregators resulting from a higher number of purchase requests, and a $0.9 million, or 25%, increase in other advertising and marketing expenses to build brand awareness. We expect to continue to increase our sales, advertising and marketing expenses in the foreseeable future.

Product and Technology Development. Product and technology development expense primarily includes personnel costs relating to the introduction of products and services and the improvement of our Web site and Dealer Real Time system. It also includes expenses associated with our international start-up activities and

our telecommunications and computer infrastructure. Product and technology development expense increased by $1.8 million, or 79%, to $4.2 million in the third quarter of 1999, compared to $2.4 million in the third quarter of 1998. The increase was primarily due to a $1.1 million, or 73%, increase for additional personnel, recruiting and retention costs, both domestic and international, a $0.5 million increase in start up and legal expenses due to international product development, and a $0.2 million, or 64%, increase related to technological infrastructure costs.

General and Administrative. General and administrative expense primarily consists of executive, financial and legal personnel expenses and related costs. General and administrative expense was $2.7 million and $1.5 million in the third quarter of 1999 and 1998, respectively. General and administrative expense increased by $1.2 million, or 81%. The increase was primarily due to a non-recurring charge of $0.6 million related to the termination of the agreement to acquire W.G. Nichols, a $0.3 million increase in non-cash compensation expense associated with stock options granted in the first quarter of 1999, and a $0.3 million, or 853%, increase in public company infrastructure costs.

Other Income, Net. Other income, net, generally consists of interest income offset by other expenses. Other income, net increased $0.8 million, or 574%, to $1.0 million in the third quarter of 1999, compared to $0.2 million in the third quarter of 1998. Interest income increased due to higher cash balances resulting from the initial public offering in the first quarter of 1999.

Income Taxes. No provision for federal income taxes has been recorded as we incurred net operating losses through September 30, 1999. Provision for income taxes included in the accompanying statements of operations primarily consists of franchise taxes paid to the state of Delaware.

To date, quarter to quarter growth in revenues has offset any effects due to seasonality. However, we expect our business to experience seasonality as it matures, reflecting seasonal fluctuations in the automotive industry, Internet and commercial online service usage and advertising expenditures. We anticipate that purchase requests will typically increase during the first and third quarters when new vehicle models are introduced and will typically decline during the second and fourth quarters. Internet and commercial online service usage and the growth rate of such usage may be expected typically to decline during the summer. Depending on the extent to which the Internet and commercial

online services are accepted as an advertising medium, seasonality in the level of advertising expenditures could become more pronounced for Internet-based advertising. Seasonality in the automotive industry, Internet and commercial online service usage, and advertising expenditures is likely to cause fluctuations in our operating results and could have a material adverse effect on our business, operating results and financial condition.

NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Revenues. Our revenues increased $11.4 million, or 69%, to $27.9 million in the nine months ended September 30, 1999, compared to $16.5 million in the same period in 1998. The growth in revenues was primarily attributable to an increase in the net number of paying dealers and a $106, or 12%, increase in the average monthly program fee charged to paying dealers. The number of paying dealers increased by 856, or 39%, to 3,063 as of September 30, 1999, compared to 2,207 as of September 30, 1998. Revenues from related products and services accounted for approximately 10% of revenues for the nine months ended September 30, 1999 and 3% of revenues for the nine months ended September 30, 1998.

Sales and marketing expense increased by $9.8 million, or 44%, to $32.0 million for the nine months ended September 30, 1999 compared to $22.2 million for the nine months ended September 30, 1998. The increase was primarily due to a $2.5 million, or 41%, increase in sales expenses due to additional sales and dealer support personnel, a $2.9 million, or 36%, increase in fees related to information search aggregators resulting from a higher number of purchase requests, a $2.2 million, or 54%, increase in television advertising, and a $2.2 million, or 55%, increase in other advertising and marketing expenses to build brand awareness. We expect to continue to increase our sales, advertising and marketing expenses in the foreseeable future.

Product and Technology Development. Product and technology development expense increased by $3.6 million, or 58%, to $9.8 million in the nine months ended September 30, 1999, compared to $6.2 million

in the nine months ended September 30, 1998. The increase was primarily due to a $1.6 million, or 39%, increase for additional personnel, recruiting and retention costs, both domestic and international, a $0.9 million increase in start up and legal expenses related to the development of international joint ventures, a $0.7 million, or 83%, increase in technological infrastructure and a $0.4 million, or 21%, increase in other product technology development costs.

General and Administrative. General and administrative expense was $6.5 million and $4.0 million for the nine months ended September 30, 1999 and 1998, respectively. General and administrative expense increased by $2.5 million, or 63%. The increase was primarily due to a $0.8 million increase in non-cash compensation expense associated with stock options granted in the first quarter of 1999, a $0.7 million, or 499%, increase in accounting and other public company infrastructure costs, a non-recurring expense of $0.6 million related to the termination of the agreement to acquire W.G. Nichols, and a $0.4 million, or 11%, increase in payroll and related expenses for additional financial and human resource personnel.

Other Income, Net. In the nine months ended September 30, 1999, interest income of $2.5 million was offset by $0.3 million of costs related to our Japanese joint venture. Interest income for the nine months ended September 30, 1999 increased 402% as compared to the nine months ended September 30, 1998 due to higher cash balances resulting from the sale of preferred stock late in the fourth quarter of 1998 and the initial public offering late in the first quarter of 1999.

STOCK OPTIONS GRANTED IN 1999

From January to September 1999, we granted stock options to purchase 5,623, 153,000 and 782,612 shares of common stock under the 1996 Incentive Stock Plan, 1998 Stock Option Plan and 1999 Stock Option Plan, respectively. Certain of the stock options granted in the first quarter of 1999 were granted to employees and directors at exercise prices of $13.20 and $16 per share which were below the fair market value at the date of grant. In relation to these grants, we will recognize estimated compensation expense of approximately $2.7 million ratably over the vesting term of one to four years. Compensation expense of approximately $1.1 million, $0.5 million, $0.5 million, $0.5 million and $40,000

will be classified as general and administrative expense in the years ending 1999, 2000, 2001, 2002 and 2003, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities decreased to $9.6 million for the nine months ended September 30, 1999 from $10.5 million for the nine months ended September 30, 1998. The decrease resulted primarily from growth in the number of paying dealers and additional accounts payable and accrued expenses which were partially offset by increased prepaid expenditures and the net loss.

Cash used in investing activities decreased to $0.6 million for the nine months ended September 30, 1999 from $0.8 million for the nine months ended September 30, 1998. Cash used in investing activities resulted primarily from purchases of property and equipment consisting of computer hardware, telecommunications equipment, and furniture.

Cash provided by financing activities increased to $72.4 million for the nine months ended September 30, 1999 primarily from the consummation of our initial public offering. This was an increase from $5.9 million for the nine months ended September 30, 1998.

As of October 31, 1999, we had approximately $87.5 million in cash and cash equivalents. We believe our current cash and cash equivalents are sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months.

With respect to years beyond fiscal 1999, we may be required to raise additional capital to meet our long term operating requirements. Although our revenues have grown consistently since inception, our expenses have continued to, and in the foreseeable future are expected to, exceed our revenues. Accordingly, we do not expect to be able to fund our operations from internally generated funds for the foreseeable future.

Our cash requirements depend on several factors, including:

- the level of expenditures on marketing and advertising,

- the rate of market acceptance,

- the ability to expand our customer base,

- the ability to increase the volume of purchase requests,

- the cost of contractual arrangements with Internet portals, online information providers, and other referral sources, and

- the cash portion of acquisition transactions.

We cannot accurately predict the timing and amount of our cash requirements. If capital requirements vary materially from those currently planned, we may require additional financing sooner than anticipated. We have no commitments for any additional financing, and there can be no assurance that any such commitments can be obtained on favorable terms, if at all.

Any additional equity financing may be dilutive to our stockholders, and debt financing, if available, may involve restrictive covenants with respect to dividends, raising capital and other financial and operational matters which could restrict our operations or finances. If we are unable to obtain additional financing as needed, we may be required to reduce the scope of our operations or our anticipated expansion, which could have a material adverse effect on our business, results of operations and financial condition.

YEAR 2000 ISSUE

Because many computer applications have been written using two digits rather than four to define the applicable year, some date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This "Year 2000 issue" could result in system failures or miscalculations causing disruptions of operations, including disruptions of our Web site, the Dealer Real Time system or normal business activities.

The information technology systems pertain to software applications and database interface programs that support the consumer Web site, as well as the Dealer Real Time system that manages the inventory of pre-owned vehicles and purchase requests transmitted to our participating dealers.

Non-information technology systems include accounts receivable/payable, payroll, banking, 401(k), postal bar code, and Federal Express software that support our daily business activities. Although we have not conducted a survey, we believe there is no material exposure to our non-information technology systems. We believe that we do not have any other non-information, embedded technology systems, with potential Year 2000 issues.

We do not believe that we have material exposure to the Year 2000 issue with respect to our own information systems since our existing systems correctly define the Year 2000 with four digits. We are currently taking two actions to mitigate the risk and exposure of the Year 2000 issue:

1. We are obtaining confirmation from all of our third-party vendors that they have resolved their Year 2000 issues. These third-party vendors can be categorized as follows:

A. information technology systems

- computer hardware vendors
- computer software vendors
- network communications vendors
- data supplier vendors

B. non-information technology systems

- landlord who oversees the facilities and utilities
- building security company

As of October 31, 1999, all of the information technology system vendors have responded. Of these responses, 90% are in compliance and 10% have provided a 1999 expected compliance date. The two vendors included in non-information technology systems have also responded that they are in compliance. All of these vendors provided a statement of compliance either displayed on their Web site or have furnished us a hard copy.

2. We simulated the Year 2000 rollover with hardware, software, network communications vendors and certain key data suppliers in a test lab environment. We successfully tested the two information systems, the A Web site and the Dealer Real Time system, with rollover periods that included three critical timeframes:

- the turn of 1999 to 2000,
- leap month, and
- the turn of 2000 to 2001.

Based on the test results, if any vendor is found to be non-compliant, our contingency plan in order of priority is:

- to find a replacement vendor,
- to assist such vendor in becoming Year 2000 compliant, and
- to set up a front-end application to screen all non-compliant data or to receive the data and modify it so that the data is Year 2000 compliant. We have established a front-end application for screening data. Data determined to be non-compliant will either be modified or rejected and replaced, depending on the nature of the data.

Due to changes in technology and new products, we re-tested the

Autobytel.com Web site and the Dealer Real Time system in a test lab environment reflecting these enhancements. We completed the testing of the first critical time frame, the turn of 1999 to 2000. Both systems were found to be in compliance. We plan to test leap month prior to the end of the year. However, due to the rapidly changing nature of the Internet business, we expect that in 2000 our applications will be dramatically different from our current applications. We, therefore, determined not to retest the turn of 2000 to 2001 at the present time.

Thus far, our test results have not warranted the activation of our contingency plan.

The worst-case scenario pertaining to the Year 2000 issue would be an overall failure of the national Internet and telecommunications infrastructure. This may require alternative means for users to gain connection to our servers.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which will be adopted by us in our fiscal year beginning January 1, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments by requiring every derivative instrument to be recorded in the balance sheet as a liability or an asset at fair market value. Any changes to a derivatives fair market value must be recognized currently in earnings unless specific hedge accounting criteria are met. We do not have any derivative instruments or undertake any hedging activities and do not anticipate doing so, therefore the adoption of SFAS No. 133 will not have a material effect on our financial statements.

RISK FACTORS

In addition to the factors discussed in the "Overview" and "Liquidity and Capital Resources" sections of this "Management's Discussion and Analysis of Financial Condition and Results of Operations", the following additional factors may affect our future results. Unless specified otherwise as used herein, the terms "we," "us" or "our" refers to Autobytel.com inc. and its wholly owned subsidiaries.

WE HAVE A HISTORY OF NET LOSSES AND EXPECT NET LOSSES FOR THE FORESEEABLE FUTURE. IF WE CONTINUE TO LOSE MONEY, OUR OPERATIONS WILL NOT BE FINANCIALLY VIABLE.

We were formed in January 1995 as Auto-By-Tel LLC, and first received revenues from operations in March 1995. We therefore have a limited operating history upon which an investor may evaluate our operations and future prospects. Because of the recent emergence of the Internet-based vehicle information and purchasing industry, none of our senior executives has significant experience in the industry. This limited operating history and management experience means it is difficult for us to predict future operating results. We have incurred losses every quarter since inception and expect to continue to incur losses for the foreseeable future. We had an accumulated deficit of $61.7 million and $43.3 million as of September 30, 1999 and December 31, 1998, respectively. Our potential for future profitability must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in the early stages of development, particularly companies in new and rapidly evolving markets, such as the market for Internet commerce. To achieve profitability, we must, among other things:

- generate increased vehicle buyer traffic to our Web site,

- continue to send new and pre-owned vehicle purchase requests to dealers that result in sufficient dealer transactions to justify our fees,

- continue to expand the number of dealers in our network and enhance the quality of dealers,

- respond to competitive developments,

- increase our brand name visibility,

- successfully introduce new services,

- continue to attract, retain and motivate qualified personnel, and

- continue to upgrade and enhance our technologies to accommodate expanded service offerings and increased consumer traffic.

We cannot be certain that we will be successful in achieving these goals.

IF OUR DEALER TURNOVER INCREASES, OUR DEALER NETWORK AND REVENUES DERIVED FROM THIS NETWORK MAY DECREASE.

Substantially all of our revenues are derived from fees paid by our network of subscribing dealers. If dealer turnover increases and we are unable to add new dealers to mitigate any turnover, our revenues will decrease as our network of dealers decreases. If the number of dealers in our network declines our revenues may decrease and our business, results of operations and financial condition will be materially and adversely affected. A material factor affecting dealer turnover is our ability to provide dealers with high quality purchase requests. High quality purchase requests are those that result in high closing ratios. Closing ratio is the ratio of the number of vehicles purchased at a dealer generated from purchase requests to the total number of purchase requests sent to that dealer. All of our subscribing dealers have entered into written marketing agreements with us having a stated term of one year or five years, but they are cancelable by the dealer upon 30 days notice. A significant number of the agreements are for a one year term. We cannot assure that dealers will not terminate their agreements with us. Subscribing dealers may terminate their relationship with us for any reason, including an unwillingness to accept our subscription terms or as a result of joining alternative marketing programs. Our business is dependent upon our ability to attract and retain qualified new and pre-owned vehicle dealers. During the third quarter of 1999, we added 347 subscribing dealers to our North

American dealer network and 149 subscribing dealers terminated their affiliation with us or were terminated by us. In order for us to grow or maintain our dealer network, we may need to reduce dealer turnover.

WE MAY LOSE SUBSCRIBING DEALERS IF WE RECONFIGURE DEALER TERRITORIES. IF WE LOSE DEALERS, WE WILL LOSE THE REVENUES ASSOCIATED WITH THOSE DEALERS.

If the volume of purchase requests increases, we may reduce or reconfigure the exclusive territories currently assigned to dealers in order to serve consumers more effectively. If a dealer is unwilling to accept a reduction or reconfiguration of its territory, it may terminate its relationship with us. The loss of dealers will cause a subsequent reduction in revenues unless we are able to mitigate this loss by adding new dealers or increasing the fees we receive from other dealers. A dealer also could sue us to prevent such reduction or reconfiguration, or collect damages from us. We have experienced one such lawsuit. A material decrease in the number of dealers subscribing to our network or litigation with dealers could have a material adverse effect on our business, results of operations and financial condition.

WE RELY HEAVILY ON OUR PARTICIPATING DEALERS TO PROMOTE OUR BRAND VALUE BY PROVIDING HIGH QUALITY SERVICES TO OUR CONSUMERS. IF DEALERS DO NOT PROVIDE OUR CONSUMERS HIGH QUALITY SERVICES, OUR BRAND VALUE WILL DIMINISH AND THE NUMBER OF CONSUMERS WHO USE OUR SERVICES MAY DECLINE CAUSING A DECREASE IN OUR REVENUES.

Promotion of our brand value depends on our ability to provide consumers a high quality experience for purchasing vehicles throughout the purchasing process. If our dealers do not provide consumers with high quality service, the value of our brand could be damaged and the number of consumers using our services may decrease. We devote significant efforts to train participating dealers in practices that are intended to increase consumer satisfaction. Our inability to train dealers effectively, or the failure by participating dealers to adopt recommended practices, respond rapidly and professionally to vehicle inquiries, or sell and lease vehicles in accordance with our marketing strategies, could result in low consumer satisfaction, damage our brand name and could materially and adversely affect our business, results of operations and financial condition.

OUR QUARTERLY FINANCIAL RESULTS ARE SUBJECT TO SIGNIFICANT FLUCTUATIONS WHICH MAY MAKE IT DIFFICULT FOR INVESTORS TO PREDICT OUR FUTURE PERFORMANCE.

Our quarterly operating results may fluctuate due to many factors. Our expense levels are based in part on our expectations of future revenues which may vary significantly. We plan our business operations based on increased revenues and if our revenues do not increase faster than our expenses, our business, results of operations and financial condition will be materially and adversely affected. Other factors that may adversely affect our quarterly operating results include:

- our ability to retain existing dealers, attract new dealers and maintain dealer and customer satisfaction,

- the announcement or introduction of new or enhanced sites, services and products by us or our competitors,

- general economic conditions and economic conditions specific to the Internet, online commerce or the automobile industry,

- a decline in the usage levels of online services and consumer acceptance of the Internet and commercial online services for the purchase of consumer products and services such as those offered by us,

- our ability to upgrade and develop our systems and infrastructure and to attract new personnel in a timely and effective manner,

- the level of traffic on our Web site and other sites that refer traffic to our Web site,

- technical difficulties, system downtime or Internet brownouts,

- the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure,

- governmental regulation, and

- unforeseen events affecting the industry.

SEASONALITY IS LIKELY TO CAUSE FLUCTUATIONS IN OUR OPERATING RESULTS. INVESTORS MAY NOT BE ABLE TO PREDICT OUR ANNUAL OPERATING RESULTS BASED ON A QUARTER TO QUARTER COMPARISON OF OUR OPERATING RESULTS.

To date, our quarter to quarter growth in revenues have offset any effects due to seasonality. However, we expect our business to experience seasonality as it matures. If this occurs, 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, Internet and commercial online service usage and advertising expenditures is likely to cause fluctuations in our operating results and could have a material adverse effect on our business, operating results and financial condition. We anticipate that purchase requests will typically increase during the first and third quarters when new vehicle models are introduced and will typically decline during the second and fourth quarters. Internet and commercial online service usage and the growth rate of such usage typically declines during the summer.

INTENSE COMPETITION COULD REDUCE OUR MARKET SHARE AND HARM OUR FINANCIAL PERFORMANCE. OUR MARKET IS COMPETITIVE NOT ONLY BECAUSE THE INTERNET HAS MINIMAL BARRIERS TO ENTRY, BUT ALSO BECAUSE WE COMPETE DIRECTLY WITH OTHER COMPANIES IN THE OFFLINE ENVIRONMENT.

Our vehicle purchasing services compete against a variety of Internet and traditional vehicle purchasing services and automotive brokers. Therefore, we are affected by the competitive factors faced by both Internet commerce companies as well as traditional, offline companies within the automotive and automotive-related industries. The market for Internet-based commercial services is new, and competition among commercial Web sites is expected to increase significantly in the future. Our business is characterized by minimal barriers to entry, and new competitors can launch a competitive service at relatively low cost. To compete successfully as an Internet-based commercial entity, we must significantly increase awareness of our services and brand name. Failure to achieve these objectives will cause our revenues to decline and would have a material adverse effect on our business, results of operations and financial condition.

We compete with other entities which maintain similar commercial Web sites including Autoweb.com, Cendant Membership Service, Inc.'s AutoVantage, Microsoft Corporation's Carpoint, Carsdirect.com and Stoneage Corporation. AutoNation, a large consolidator of dealers, has launched a Web site for marketing vehicles. We also compete indirectly against vehicle brokerage firms and affinity programs offered by several companies, including Costco Wholesale Corporation and Wal-Mart Stores, Inc. In addition, all major vehicle manufacturers have their own Web sites and many have recently launched or announced plans to launch online buying services, such as General Motors Corporation's BuyPower. We also compete with vehicle insurers, lenders and lessors as well as other dealers that are not part of our network. Such companies may already maintain or may introduce Web sites which compete with ours.

We believe that the principal competitive factors in the online market are:

- brand recognition,
- speed and quality of fulfillment,
- variety of related products and services,
- ease of use,
- customer satisfaction,
- quality of service, and
- technical expertise.

We cannot assure that we can compete successfully against current or future competitors, many of which have substantially more capital, existing brand recognition, resources and access to additional financing. In addition, competitive pressures may result in increased marketing costs, decreased Web site traffic or loss of market share or otherwise may materially and adversely affect our business, results of operations and financial condition.

IF ANY OF OUR RELATIONSHIPS WITH INTERNET SEARCH ENGINES OR ONLINE AUTOMOTIVE INFORMATION PROVIDERS TERMINATES, OUR PURCHASE REQUEST VOLUME COULD DECLINE. IF OUR PURCHASE REQUEST VOLUME DECLINES, OUR PARTICIPATING DEALERS MAY NOT BE SATISFIED WITH OUR SERVICES AND MAY TERMINATE THEIR RELATIONSHIP WITH US OR FORCE US TO DECREASE THE FEES WE CHARGE FOR OUR SERVICE. IF THIS OCCURS, OUR REVENUES WOULD DECREASE.

We depend on a number of strategic relationships to direct a substantial amount of purchase requests and traffic to our Web site. The termination of any of these relationships or any significant reduction in traffic to Web sites on which our services are advertised or offered, or the failure to develop additional referral sources, would cause our purchase request volume to decline. Since our dealers would be receiving fewer purchase requests, they may no longer be satisfied with our service and may terminate their relationships with us or force us to decrease the fees we charge for our services. If our dealers terminate their relationship with us or force us to decrease the fees we charge for our services, our revenues will decline which will have a material adverse effect on our business, results of operations and financial condition. We receive a significant number of purchase requests through a limited number of Internet search engines, such as Excite, and online automotive information providers, such as Edmund's and Kelley Blue Book. For example, during the nine months ended September 30, 1999 and the years ended December 31,1998 and December 31, 1997, approximately 23%, 34% and 49%, respectively, of our purchase requests came through Edmund's. We may not be able to maintain our relationship with Edmund's or other online service providers or find alternative, comparable marketing partners capable of originating significant numbers of purchase requests on terms satisfactory to us. In addition, we periodically negotiate revisions to existing agreements and these revisions could increase our costs in future periods. A number of our agreements with online service providers may be terminated without cause.

IF WE CANNOT BUILD STRONG BRAND LOYALTY OUR BUSINESS MAY SUFFER.

We believe that the importance of brand recognition will increase as more

companies engage in commerce over the Internet. Development and awareness of the Autobytel.com brand will depend largely on our ability to obtain a leadership position in Internet commerce. If dealers do not perceive us as an effective channel for increasing vehicle sales, or consumers do not perceive us as offering reliable information concerning new and pre-owned vehicles, as well as referrals to high quality dealers, in a user-friendly manner that reduces the time spent for vehicle purchases, we will be unsuccessful in promoting and maintaining our brand. Our brand may not be able to gain widespread acceptance among consumers or dealers. Our failure to develop our brand sufficiently would have a material adverse effect on our business, results of operations and financial condition.

IF WE LOSE OUR KEY PERSONNEL OR ARE UNABLE TO ATTRACT, TRAIN AND RETAIN ADDITIONAL HIGHLY QUALIFIED SALES, MARKETING, MANAGERIAL AND TECHNICAL PERSONNEL, OUR BUSINESS MAY SUFFER.

Our future success depends on our ability to identify, hire, train and retain highly qualified sales, marketing, managerial and technical personnel. In addition, as we introduce new services we will need to hire a significant number of personnel. Competition for such personnel is intense, and we may not be able to attract, assimilate or retain such personnel in the future. The inability to attract and retain the necessary managerial, technical, sales and marketing personnel could have a material adverse effect on our business, results of operations and financial condition.

Our business and operations are substantially dependent on the performance of our executive officers and key employees, some of whom are employed on an at-will basis and all of whom have worked together for only a short period of time. We maintain "key person" life insurance in the amount of $3.0 million on the life of Mark W. Lorimer, our Chief Executive Officer and President. The loss of the services of Mr. Lorimer or

Ann M. Delligatta, Executive Vice President and Chief Operating Officer, or one or more of our other executive officers or key employees could have a material adverse effect on our business, results of operations and financial condition.

WE ARE A NEW BUSINESS IN A NEW INDUSTRY AND NEED TO MANAGE OUR GROWTH AND OUR ENTRY INTO NEW BUSINESS AREAS IN ORDER TO AVOID INCREASED EXPENSES WITHOUT CORRESPONDING REVENUES.

We are constantly expanding our operations and introducing new services to consumers and dealers in order to establish ourselves as a leader in the evolving market for Internet-based vehicle purchasing and related services. We also intend to enter into new markets overseas. The growth of our operations requires us to increase expenditures before we generate revenues. For example, we need to hire personnel to oversee the introduction of new services before we generate revenues from these services. Our inability to generate satisfactory revenues from such expanded services to offset costs could have a material adverse effect on our business, financial condition and results of operations. As of September 30, 1999, we had 209 employees, compared to 180 employees as of December 31, 1998, and 159 employees as of December 31, 1997.

We believe establishing industry leadership also requires us to:

- test, introduce and develop new services and products, including enhancing our Web site,

- expand the breadth of products and services offered,

- expand our market presence through relationships with third parties, and

- acquire new or complementary businesses, products or technologies.

We cannot assure you that we can successfully manage these tasks.

IF FEDERAL OR STATE FRANCHISE LAWS APPLY TO US WE MAY BE REQUIRED TO MODIFY OR ELIMINATE OUR MARKETING PROGRAMS. IF WE ARE UNABLE TO MARKET OUR SERVICES IN THE MANNER WE CURRENTLY DO, OUR REVENUES MAY DECREASE AND OUR BUSINESS MAY SUFFER.

We believe that neither our relationship with our dealers nor our dealer subscription agreements constitute "franchises" under federal or state franchise laws and that we are not subject to the coverage of state and motor vehicle

dealer licensing laws. However, if any state's regulatory requirements relating to franchises or our method of business impose additional requirements on us or include us within an industry-specific regulatory scheme, we may be required to modify our marketing programs in such states in a manner which undermines the program's attractiveness to consumers or dealers, we may become subject to fines or other penalties or if we determine that the licensing and related requirements are overly burdensome, we may elect to terminate operations in such state. In each case, our revenues may decline and our business, results of operations and financial condition could be materially and adversely affected.

A Federal court of appeals in Michigan has ruled that our dealer subscription agreement is not a "franchise" under Michigan law. However, if our relationship or written agreement with our dealers were found to be a "franchise" under federal or state franchise laws, then we could be subject to other regulations, such as franchise disclosure and registration requirements and limitations on our ability to effect changes in our relationships without our dealers. We also believe that our dealer marketing service does not qualify as an automobile brokerage activity and therefore state broker licensing requirements do not apply to us. In response to Texas Department of Transportation concerns, we modified our marketing program in that state to include a pricing model under which all subscribing dealers in Texas are charged uniform fees based on the population density of their particular geographic area and to make our program open to all dealers who wish to apply.

IF FINANCIAL BROKER AND INSURANCE LICENSING REQUIREMENTS APPLY TO US IN STATES WHERE WE ARE NOT CURRENTLY LICENSED, WE WILL BE REQUIRED TO OBTAIN ADDITIONAL LICENSES AND OUR BUSINESS MAY SUFFER.

We currently hold a financial broker license in the state of Florida. If we are required to be licensed elsewhere, it may result in an expensive and time-consuming process that could divert the effort of management away from day-to-day operations. In the event other states require us to be licensed

and we are unable to do so, or are otherwise unable to comply with regulations required by changes in current operations or the introduction of new services, we could be subject to fines or other penalties, and our business, results of operations and financial condition could be materially and adversely affected.

We provide a link on our Web site so consumers can receive real time quotes for insurance coverage from InsurQuote Systems Incorporated and submit applications online. Participants in the program include MetLife(R) Auto & Home Insurance, The Hartford (Hartford Financial Services Group, Inc.), Fireman's Fund Insurance Company and The GE Auto Insurance Program. As of October 31, 1999, the service is available only to consumers in California, Florida, Illinois, New York, Pennsylvania, Texas, Washington and Wisconsin. We receive fees from such participants in connection with this advertising activity.

We also provide a link on our Web site to an online insurance application program offered by the American International Group. We receive fees from a member company of the American International Group in connection with this advertising activity.

We do not believe that the above activities require us to be licensed under state insurance laws. The use of the Internet in the marketing of insurance products, however, is a relatively new practice. It is not clear whether or to what extent state insurance licensing laws apply to activities similar to ours. Given these uncertainties, we currently hold, through a wholly-owned subsidiary, insurance agent licenses or are otherwise authorized to transact insurance in the following jurisdictions:

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- District of Columbia
- Florida
- Georgia
- Idaho
- Illinois
- Indiana
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland
- Michigan
- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey
- New York
- North Carolina
- North Dakota
- Oklahoma
- Pennsylvania
- South Dakota
- Tennessee
- Utah
- Virginia
- Wisconsin
- Wyoming

We have applied for insurance agent licenses in eight other states that issue corporate licensing and are awaiting approval. In the event other states require us to be licensed and we are unable to do so, or are otherwise unable to comply with regulations required by changes in current operations or the introduction of new services, we could be subject to fines or other penalties, and our business, results of operations and financial condition could be materially and adversely affected.

THERE ARE MANY RISKS ASSOCIATED WITH CONSUMMATED AND POTENTIAL ACQUISITIONS.

We recently entered into an agreement to acquire A.I.N. Corporation. The closing of the acquisition is subject to a number of conditions, including a satisfactory audit of A.I.N. Corporation's financial statements. We expect to close the acquisition in the fourth quarter of 1999. Acquisitions involve numerous risks. For example:

- It may be difficult to assimilate the operations and personnel of an acquired business into our own business;

- Management information and accounting systems of an acquired business must be integrated into our current systems;

- Our management must devote its attention to assimilating the acquired business which diverts attention from other business concerns;

- We may enter markets in which we have limited prior experience; and

- We may lose key employees of an acquired business.

We intend to continue to evaluate potential acquisitions which we believe will complement or enhance our existing business. If we acquire other companies in the future, it may result in the issuance of equity securities that could dilute existing stockholders' ownership. We may also incur debt and amortize expenses related to goodwill and other intangible assets if we acquire another company, and this could negatively impact our results of operations. Except for the pending acquisition of A.I.N. Corporation, we currently do not have any agreements to acquire any company or business, and we cannot guarantee that we will be able to identify or complete any acquisition in the future.

INTERNET COMMERCE HAS YET TO ATTRACT SIGNIFICANT REGULATION. GOVERNMENT REGULATIONS MAY RESULT IN ADMINISTRATIVE MONETARY FINES, PENALTIES OR TAXES THAT MAY REDUCE OUR FUTURE EARNINGS.

There are currently few laws or regulations that apply directly to the Internet. Because our business is dependent on the Internet, the adoption of new local, state, national or international laws or regulations may decrease the growth of Internet usage or the acceptance of Internet commerce which could, in turn, decrease the demand for our services and increase our costs or otherwise have a material adverse effect on our business, results of operations and financial condition.

Tax authorities in a number of states are currently reviewing the appropriate tax treatment of companies engaged in Internet commerce. New state tax regulations may subject us to additional state sales, use and income taxes.

EVOLVING GOVERNMENT REGULATIONS MAY REQUIRE FUTURE LICENSING WHICH COULD INCREASE ADMINISTRATIVE COSTS OR ADVERSELY AFFECT OUR REVENUES.

In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various domestic and foreign laws and regulations. Compliance with these future laws and regulations may require us to obtain appropriate licenses at an undeterminable and possibly significant initial monetary and annual expense. These additional monetary expenditures may increase future overhead, thereby potentially reducing our future results of operations.

We have identified what we believe are the areas of domestic government regulation, which if changed, would be costly to us. These laws and regulations include franchise laws, motor vehicle brokerage licensing laws, insurance licensing laws, and motor vehicle dealership licensing laws, which may be

applicable to aspects of our business. There could be laws and regulations applicable to our business which we have not identified or which, if changed, may be costly to us.

The introduction of new services and expansion of our operations to foreign countries may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate business licenses, filing of bonds, appointment of foreign agents and periodic business reporting activity. The failure to adequately comply with these future laws and regulations may delay or possibly prevent some of our products or services from being offered in a particular foreign country, thereby having an adverse affect on our results of operations.

OUR SUCCESS 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.

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 and the emergence of new industry standards and practices that could render our existing Web site and technology obsolete. 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 Web site, Dealer Real Time system and other proprietary technology entails significant technical and business risks. We may not be successful in using new technologies effectively

or adapting our Web site, Dealer Real Time system, or other proprietary technology to customer requirements or to emerging industry standards.

WE ARE VULNERABLE TO COMMUNICATIONS SYSTEM INTERRUPTIONS BECAUSE ALL OF OUR PRIMARY SERVERS ARE LOCATED IN A SINGLE LOCATION. IF COMMUNICATIONS TO THAT LOCATION WERE INTERRUPTED, OUR OPERATIONS COULD BE ADVERSELY AFFECTED.

We host our Web site and Dealer Real Time system at our corporate headquarters in Irvine, California. Although offsite backup servers are available from outside sources, all of our primary servers are located at our corporate headquarters and are vulnerable to interruption by damage from fire, earthquake, flood, power loss, telecommunications failure, break-ins and other events beyond our control. In the event that we experience significant system disruptions, our business, results of operations and financial condition would be materially and adversely affected. We have, from time to time, experienced periodic systems interruptions and anticipate that such interruptions will occur in the future. We maintain business interruption insurance which pays up to $6 million for the actual loss of business income sustained due to the suspension of operations as a result of direct physical loss of or damage to property at our offices. However, in the event of a prolonged interruption, this business interruption insurance may not be sufficient to fully compensate us for the resulting losses.

INTERNET COMMERCE IS NEW AND EVOLVING WITH FEW PROFITABLE BUSINESS MODELS. WE CANNOT ASSURE THAT OUR BUSINESS MODEL WILL BE PROFITABLE.

The market for Internet-based purchasing services has only recently begun to develop and is rapidly evolving. While many Internet commerce companies have grown in terms of revenues, few are profitable. We can not assure that we will be profitable. As is typical for a new and rapidly evolving industry, demand and market acceptance for recently introduced services and products over the Internet are subject to a high level of uncertainty and there are few proven services and products. Moreover, since the market for our services is new and evolving, it is difficult to predict the future growth rate, if any, and size of this market.

IF CONSUMERS DO NOT ADOPT INTERNET COMMERCE AS A MAINSTREAM MEDIUM OF COMMERCE, OUR REVENUES MAY NOT GROW AND OUR EARNINGS MAY SUFFER.

The success of our services will depend upon the adoption of the Internet

by consumers and dealers as a mainstream medium for commerce. While we believe that our services offer significant advantages to consumers and dealers, there can be no assurance that widespread acceptance of Internet commerce in general, or of our services in particular, will occur. Our success assumes that consumers and dealers who have historically relied upon traditional means of commerce to purchase or lease vehicles, and to procure vehicle financing and insurance, will accept new methods of conducting business and exchanging information. In addition, dealers must be persuaded to adopt new selling models and be trained to use and invest in developing technologies. Moreover, critical issues concerning the commercial use of the Internet, such as, ease of access, security, reliability, cost, and quality of service, remain unresolved and may impact the growth of Internet use. If the market for Internet-based vehicle marketing services fails to develop, develops slower than expected or becomes saturated with competitors, or if our services do not achieve market acceptance, our business, results of operations and financial condition will be materially and adversely affected.

THE PUBLIC MARKET FOR OUR COMMON STOCK MAY CONTINUE TO BE VOLATILE, ESPECIALLY SINCE MARKET PRICES FOR INTERNET-RELATED AND TECHNOLOGY STOCKS HAVE OFTEN BEEN UNRELATED TO OPERATING PERFORMANCE.

Prior to the initial public offering of our common stock in March 1999, there was no public market for our common stock. We cannot assure that an active trading market will be sustained or that the market price of the common stock will not decline. Even if an active trading market does develop, the market price of the common stock is likely to continue 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,

- announcements of new product or service offerings,

- technological innovations,

- competitive developments,

- changes in financial estimates by securities analysts,

- conditions and trends in the Internet and electronic commerce industries,

- adoption of new accounting standards affecting the automotive industry, and

- general market conditions and other factors.

Further, the stock markets, and in particular the NASDAQ National Market, have experienced extreme 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 such companies. These broad market factors may adversely affect the market price of our common stock. In addition, general economic, political and market conditions such as recessions, interest rates or international currency fluctuations, may adversely affect the market price of the 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. Such litigation, if instituted, 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.

WE FACE UNCERTAINTIES WITH CHANGING LEGISLATION IN THE AUTOMOTIVE INDUSTRY WHICH COULD REQUIRE INCREASED REGULATORY AND LOBBYING COSTS AND MAY HARM OUR BUSINESS.

Our purchasing service may result in changing the way vehicles are sold which may be viewed as threatening by new and used vehicle dealers who do not subscribe to our program. Such businesses are often represented by influential lobbying organizations, and such organizations or other persons may propose legislation which could impact the evolving marketing and distribution model which our service promotes. Should current laws be changed or new laws passed, our business, results of operations and financial condition could be materially and adversely affected. As we introduce new services, we may need to comply with additional licensing regulations and regulatory requirements.

To date, we have not spent significant resources on lobbying or related government affairs issues but we may need to do so in the future. A significant increase in the amount we spend on lobbying or related activities would have a material adverse effect on our results of operations and financial condition.

OUR INTERNATIONAL EXPANSION MAY REQUIRE US TO COMPLY WITH BURDENSOME REGULATORY, TARIFF AND LICENSING REQUIREMENTS. OUR NEED TO COMPLY WITH BURDENSOME GOVERNMENTAL REQUIREMENTS MAY ADVERSELY AFFECT OUR ABILITY TO GROW OUR BUSINESS.

Our licensees have launched Web sites in the United Kingdom, Sweden and Japan. We intend to expand our new vehicle purchasing service into other foreign markets through licensing our technology, business processes and trade names and by establishing relationships with vehicle dealers and strategic partners located in foreign markets.

By expanding our operations to various other countries, we may become subject to laws or treaties that regulate the marketing, distribution and sale of motor vehicles. We will need to spend our resources to determine whether the laws of the countries in which we seek to operate require us to modify, or prohibit the use of, our Autobytel.com system. In addition, the laws of other countries may impose licensing, bonding or similar requirements on us as a condition to doing business in these countries.

WE HAVE LIMITED EXPERIENCE IN PROVIDING OUR INTERNET-BASED MARKETING SERVICE ABROAD. WE MAY NOT BE SUCCESSFUL IN ESTABLISHING OUR BUSINESS ABROAD WHICH MAY LIMIT OUR FUTURE GROWTH.

We have had limited experience in providing our Internet-based marketing service abroad and we cannot be certain that we will be successful in introducing or marketing our services abroad. In addition, there are risks inherent in conducting business in international markets, such as:

- changes in political conditions,

- regulatory requirements,

- potentially weaker intellectual property protections,

- tariffs and other trade barriers, fluctuations in currency exchange rates, or potentially adverse tax consequences,

- difficulties in managing or overseeing foreign operations, and

- educating consumers and dealers who may be unfamiliar with the benefits of online marketing and commerce.

One or more of such factors may have a material adverse effect on our current or future international operations and, consequently, on our business, results of operations and financial condition.

OUR COMPUTER INFRASTRUCTURE MAY BE VULNERABLE TO SECURITY BREACHES. ANY SUCH PROBLEMS COULD JEOPARDIZE CONFIDENTIAL INFORMATION TRANSMITTED OVER THE INTERNET, CAUSE INTERRUPTIONS IN OUR OPERATIONS OR CAUSE US TO HAVE LIABILITY TO THIRD PERSONS.

Our computer infrastructure is potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. Any such problems or security breach could cause us to have liability to one or more third parties and disrupt all or part of our operations. Any of these events would have a material adverse effect on our business, results of operations and financial condition. A party who is able to circumvent our security measures could misappropriate proprietary information, jeopardize the confidential nature of information transmitted over the Internet or cause interruptions in our operations. Concerns over the security of Internet transactions and the privacy of users could also inhibit the growth of the Internet in general, particularly as a means of conducting commercial transactions. To the extent that our activities or those of third party contractors involve the storage and transmission of proprietary information such as personal financial information, security breaches could expose us to a risk of financial loss, litigation and other liabilities. Our insurance does not

currently protect against such losses.

WE DEPEND ON CONTINUED TECHNOLOGICAL IMPROVEMENTS IN OUR SYSTEMS AND IN THE INTERNET OVERALL. IF WE ARE UNABLE TO HANDLE AN UNEXPECTEDLY LARGE INCREASE IN VOLUME OF CONSUMERS USING OUR WEB SITE, WE CANNOT ASSURE OUR CONSUMERS OR DEALERS THAT PURCHASE REQUESTS WILL BE EFFICIENTLY PROCESSED AND OUR BUSINESS MAY SUFFER.

If the Internet continues to experience significant growth in the number of users and the level of use, then the Internet infrastructure may not be able to continue to support the demands placed on it by such potential growth. The Internet may not prove to be a viable commercial medium because of inadequate development of the necessary infrastructure, timely development of complementary products such as high speed modems, delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity or increased government regulation.

An unexpectedly large increase in the volume or pace of traffic on our Web site or the number of orders placed by customers may require us to expand and further upgrade our technology, transaction-processing systems and network infrastructure. We may not be able to accurately project the rate or timing of increases, if any, in the use of our Web site or expand and upgrade our systems and infrastructure to accommodate such increases. In addition, we cannot assure that our dealers will efficiently process purchase requests.

OUR BUSINESS COULD BE INTERRUPTED BY YEAR 2000 PROBLEMS IF OUR VENDORS, CONSUMERS OR DEALERS ARE UNABLE TO CONVERT THEIR SYSTEMS. THEIR FAILURE TO CONVERT THEIR SYSTEMS MAY AFFECT THE ABILITY OF OUR CONSUMERS AND DEALERS TO ACCESS OUR WEB SITE OR THE DEALER REAL TIME SYSTEM. OUR BUSINESS WOULD SUFFER IF SUCH FAILURE PREVENTED ACCESS TO OUR ONLINE SYSTEMS.

Because many computer applications have been written using two digits rather than four to define the applicable year, date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This "Year 2000 issue" could result in system failures or miscalculations causing disruptions of operations, including disruptions of our Web site, the Dealer Real Time system or normal business activities.

We cannot predict the extent to which the Year 2000 issue will affect our vendors, consumers or dealers, or the extent to which we would be vulnerable if such parties fail to resolve any Year 2000 issues on a timely basis. The failure of such parties to convert their systems on a timely basis or effect a conversion that is compatible with our systems in order to avoid any Year 2000 issues could have a material adverse effect on us. In addition, to the extent our customers are unable to access our Web site or dealers are unable to access the Dealer Real Time system, such failures would have a material adverse effect on our business, results of operations, or financial condition.

The worst-case scenario related to the Year 2000 issue would be an overall failure of the national Internet and telecommunications infrastructure. If this failure were to prevent users and dealers from accessing the Internet, we would attempt to provide alternative means to allow users to connect to our servers. Any national disruption to the telecommunications systems used by our business will have a material adverse effect on our business, results of operations, or financial condition.

MISAPPROPRIATION OF OUR INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS COULD IMPAIR OUR COMPETITIVE POSITION.

Our ability to compete depends upon our proprietary systems and technology. While we rely on trademark, trade secret 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 Web site maintenance are more essential in establishing and maintaining a leadership position and strengthening our brand. 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 cannot assure that the steps taken by us will prevent misappropriation of technology or that the agreements entered into for that purpose will be enforceable.

Misappropriation of our intellectual property or potential litigation would have a material adverse effect on our business, results of operations and financial condition. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our products and services are made available online. In addition, litigation may be necessary in the future to enforce or protect our intellectual property rights or to defend against claims or infringement or invalidity. As part of our confidentiality procedures, we generally enter into agreements with our employees and consultants and limit access to our trade secrets and technology.

OUR FOUNDERS, OFFICERS AND DIRECTORS AND THEIR AFFILIATES HAVE SUBSTANTIAL CONTROL OF OUR VOTING STOCK AND HAVE THE ABILITY TO MAKE DECISIONS THAT COULD ADVERSELY AFFECT STOCKHOLDERS. SUCH DECISIONS COULD ADVERSELY AFFECT OUR STOCK PRICE.

The control of a large amount of our stock by insiders could have an adverse effect on the market price of our common stock. As of October 31, 1999, our executive officers and directors beneficially own or control approximately 4,525,549 shares or 22.4% of the outstanding shares of our common stock. In addition, our founders, Peter Ellis and John Bedrosian beneficially own or control approximately 17% and 15%, respectively, of the outstanding shares of our common stock. Our officers, directors, founders and their affiliates, assuming they vote together, have the ability to control the election of our board of directors and the outcome of corporate actions requiring stockholder approval, including mergers and other changes of corporate control, going private transactions and other extraordinary transactions.

SUBSTANTIAL SALES OR THE PERCEPTION OF FUTURE SALES OF OUR COMMON STOCK MAY DEPRESS OUR STOCK PRICE. SINCE THE MARKET PRICES FOR INTERNET-RELATED STOCKS ARE LIKELY TO REMAIN VOLATILE, OUR STOCK PRICE MAY BE MORE ADVERSELY AFFECTED THAN OTHER COMPANIES BY SUCH FUTURE SALES.

Sale of substantial numbers of shares of common stock in the public market could adversely affect the market price of our common stock and make it more difficult for us to raise funds through equity offerings in the future. A substantial number of outstanding shares of common stock and shares of common stock issuable upon exercise of outstanding stock options will become available for resale in the public market at prescribed times. Of the 18,211,895 shares that were outstanding as of October 31, 1999, 10,284,063 shares are eligible for sale in the public market without restriction and 2,118,855 shares are subject to restrictions on sale in the public market. In addition, 5,808,977 shares of common stock are currently restricted until December 22, 1999 under lock-up agreements with the underwriters for our initial public offering. Upon the expiration of these lock-up agreements, such shares of common stock will become eligible for sale in the public market in accordance with the provisions of Rule 144 under the Securities Act and any contractual restrictions on their transfer, as applicable. Deutsche Banc Alex. Brown may, in its sole discretion and at any time without notice, release all or any portion of the shares subject to lock-up agreements. In addition, holders of approximately 11,609,192 shares of common stock are entitled to certain registration rights with respect to such shares until such time as the holders of such common stock may sell such shares under Rule 144 of the Securities Act.

WE ARE UNCERTAIN OF OUR ABILITY TO OBTAIN ADDITIONAL FINANCING FOR OUR FUTURE CAPITAL NEEDS. IF WE ARE UNABLE TO OBTAIN ADDITIONAL FINANCING WE MAY NOT BE ABLE TO CONTINUE TO OPERATE OUR BUSINESS.

We currently anticipate that our cash, cash equivalents and short-term investments will be sufficient to meet our anticipated needs for working capital and other cash requirements at least for the next 12 months. We may need to raise additional funds sooner, however, in order to fund more rapid expansion, to develop new or enhance existing services or products, to respond to competitive pressures or to acquire complementary products, businesses or technologies. There can be no assurance that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, our ability to fund our expansion, take advantage of potential acquisition opportunities, develop or enhance services or products or respond to competitive pressures would be significantly limited. Such limitation could have a material adverse effect on our business, results of operations, financial condition and prospects.

OUR CERTIFICATE OF INCORPORATION AND BYLAWS 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 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 allow us to issue preferred stock with rights senior to those of the common stock without any further vote or action by the stockholders. These provisions provide 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, these provisions 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. Such charter provisions could limit the price that certain 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.

We are also subject to the anti-takeover provisions of 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.

OUR ACTUAL RESULTS COULD DIFFER FROM FORWARD-LOOKING STATEMENTS IN THIS REPORT.

This report contains forward-looking statements based on current expectations which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risk factors set forth above and elsewhere in this report. The cautionary statements made in this report should be read as being applicable to all forward-looking statements wherever they appear in this report.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In October 1999, Autobytel.com agreed to acquire A.I.N. Corporation, the parent company of CarSmart.com, an online automotive purchasing and related services Web site, for 1.8 million shares of common stock and $3.0 million in cash. The closing of the acquisition is subject to a number of conditions, including a satisfactory audit of A.I.N. Corporation's financial statements. The transaction is expected to be completed in the fourth quarter of 1999.

Autobytel.com has no specific plans at this time for the use of the balance of the proceeds and expects to use such proceeds for working capital and general corporate purposes.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Autobytel.com held its Annual Meeting of Stockholders on July 22, 1999. The following is a brief description of each matter voted upon at the meeting and the number of votes cast for, withheld or against with respect to each matter. Each director proposed by Autobytel.com was elected and the other two matters submitted for stockholder vote were approved.

(a) The stockholders reelected the three nominees for Autobytel.com's board of directors:

DIRECTOR	FOR	WITHHELD AUTHORITY
Mark W. Lorimer......................	15,454,370	27,691
Richard A. Post......................	15,454,370	25,691
Peter Titz...........................	15,454,370	25,691

The term of office as director for Jeffrey Coats, Michael J. Fuchs, Robert S. Grimes, Mark N. Kaplan and Kenneth J. Orton continued after the meeting.

(b) The stockholders approved the proposed amendment to Autobytel.com's Amended and Restated Certificate of Incorporation increasing the number of authorized shares of common stock from 50 million to 200 million.

FOR	AGAINST	ABSTAINING
15,302,426	159,915	19,720

(c) The stockholders approved the appointment of Arthur Andersen LLP as independent public accountants.

FOR	AGAINST	ABSTAINING
15,451,789	16,283	13,989

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1	Amendment No.1 to the autobytel.com inc. 1999 Stock Option Plan, dated September 22, 1999
10.2	Amendment No.1 to the autobytel.com inc. 1998 Stock Option Plan, dated September 22, 1999
10.3	Employment Agreement dated as of July 9, 1999 between Autobytel.com and Marc Benjamin
10.4	First Amendment dated as of December 31, 1998 to Employment Agreement between Autobytel.com and Ann Marie Delligatta
10.5	First Amendment, dated as of July 31, 1998 to Employment Agreement between Autobytel.com and Mark W. Lorimer
27.1	Financial Data Schedule (EDGAR version only)

(b) Reports on Form 8-K

1. On July 30, 1999, Autobytel.com filed a Report on Form 8-K, dated July 29, 1999, announcing its financial results for the second quarter of 1999 and its intent to acquire W.G. Nichols, Inc. and a related company named Marine Information Technology, LLC.

SIGNATURES

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

autobytel.com inc.

Date: November 11, 1999

By: /s/ HOSHI PRINTER

Hoshi Printer
Senior Vice President
Chief Financial Officer
(Principal Financial Officer
and Duly Authorized Officer)

By: /s/ AMIT KOTHARI

Amit Kothari
Vice President and Corporate
Controller
(Principal Accounting Officer)

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
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27.1	Financial Data Schedule (EDGAR version only)

EXHIBIT 10.1

AMENDMENT NO. 1 TO THE AUTOBYTEL.COM INC. 1999 STOCK OPTION PLAN

This Amendment No. 1 dated as of September 22, 1999 to the autobytel.com inc. 1999 Stock Option Plan (the "Plan") is adopted by the Board of Directors (the "Board") of autobytel.com inc. (the "Company") pursuant to Section 8.1 of the Plan.

Effective as of September 22, 1999, the Plan is hereby amended by deleting Section 3.1 in its entirety and inserting in lieu thereof the following:

> 3.1 The Plan shall be administered, in the discretion of the Board from time to time, by the Board or by the Committee acting as the Administrator. The Committee shall be appointed by the Board, in a manner consistent with the Company's Bylaws, and shall consist of two (2) or more members, each of whom is an outside director (within the meaning of Code Section 162(m) and the Treasury Regulations thereunder) as well as a non-employee director (within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended). The Board may from time to time remove members from, or add members to, the Committee. The Board shall fill vacancies on the Committee however caused. The Board may appoint one (1) of the members of the Committee as Chairman. The Administrator shall hold meetings at such times and places as it may determine. Acts of a majority of the Administrator at which a quorum is present, or acts reduced to or approved in writing by the unanimous consent of the members of the Administrator, shall be the valid acts of the Administrator. Additionally, and notwithstanding anything to the contrary contained in the Plan, the Board or Committee may delegate to a committee of one or more members of the Board the authority to grant options and to specify the terms and conditions thereof to certain eligible persons who are not subject to the requirements of Section 16 of the Securities Exchange Act of 1934, as amended, in accordance with guidelines approved by the Board or Committee.

Except as specifically amended hereby, the Plan shall remain in full force and effect as in existence on September 22, 1999, and any reference to the Plan shall mean the Plan as amended hereby.

In witness whereof, the Board has caused this Amendment No. 1 to the Plan to be duly executed as of the day and year first above written.

autobytel.com inc.

By: /s/Ariel Amir

Title: Secretary of the Board of Directors

EXHIBIT 10.2

AMENDMENT NO. 1 TO THE AUTOBYTEL.COM INC. 1998 STOCK OPTION PLAN

This Amendment No. 1 dated as of September 22, 1999 to the autobytel.com inc. 1998 Stock Option Plan (the "Plan") is adopted by the Board of Directors of autobytel.com inc. (the "Company") pursuant to Section 8.1 of the Plan.

Effective as of September 22, 1999, the Plan is hereby amended by deleting Section 3.1 in its entirety and inserting in lieu thereof the following:

> 3.1 The Plan shall be administered, in the discretion of the Board from time to time, by the Board or by the Committee acting as the Administrator. The Committee shall be appointed by the Board, in a manner consistent with the Company's Bylaws, and shall consist of two (2) or more members, each of whom is an outside director (within the meaning of Code Section 162(m) and the Treasury Regulations thereunder) as well as a non-employee director (within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended). The Board may from time to time remove members from, or add members to, the Committee. The Board shall fill vacancies on the Committee however caused. The Board may appoint one (1) of the members of the Committee as Chairman. The Administrator shall hold meetings at such times and places as it may determine. Acts of a majority of the Administrator at which a quorum is present, or acts reduced to or approved in writing by the unanimous consent of the members of the Administrator, shall be the valid acts of the Administrator. Additionally, and notwithstanding anything to the contrary contained in the Plan, the Board or Committee may delegate to a committee of one or more members of the Board the authority to grant options and to specify the terms and conditions thereof to certain eligible persons who are not subject to the requirements of Section 16 of the Securities Exchange Act of 1934, as amended, in accordance with guidelines approved by the Board or Committee.

Except as specifically amended hereby, the Plan shall remain in full force and effect as in existence on September 22, 1999, and any reference to the Plan shall mean the Plan as amended hereby.

In witness whereof, the Board has caused this Amendment No. 1 to the Plan to be duly executed as of the day and year first above written.

autobytel.com inc.

By: /s/Ariel Amir

Title: Secretary of the Board of Directors

EXHIBIT 10.3

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into, at Irvine, California, as of July 9, 1999, by and between AUTOBYTEL.COM INC., a corporation duly organized under the laws of the State of Delaware, with its principal offices at 18872 MacArthur Blvd., Second Floor, Irvine, California, 92612-1400, a Delaware Corporation, and its affiliated companies, including DealerSites.com Corporation, a corporation duly organized under the laws of the State of Delaware, with offices in Houston, Texas, (hereinafter, collectively referred to as the "Company"), and MARC BENJAMIN, domiciled at 2922 Western Avenue, Unit 612, Seattle, Washington 98121.

WHEREAS: Company desires to employ Marc Benjamin (hereinafter, sometimes referred to herein as "Employee"), as Chief Marketing Officer for the Company.

WHEREAS: Employee desires to be so employed by the Company, subject to the following terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and with reference to the above recitals, the parties hereby agree as follows:

ARTICLE 1. TERM OF EMPLOYMENT

Section 1.1 The Company hereby employs Marc Benjamin as Chief Marketing Officer of the Company, on an "at-will" basis and Employee hereby accepts such employment by the Company, on such basis, commencing on July 15, 1999.

ARTICLE 2. DUTIES AND OBLIGATIONS OF EMPLOYEE

Section 2.1 Employee shall be employed as a full time employee of the Company. In such capacity, Employee shall do and perform all services, acts, or things necessary or advisable as Chief Marketing Officer of the Company, subject at all times to all present and future policies and requirements of the Company in connection with Company's business. Employee shall perform all services required hereunder to the best of his/her ability.

ARTICLE 3. OBLIGATIONS OF THE COMPANY

Section 3.1 The Company shall provide Employee with the compensation, incentives, benefits, and business expense reimbursement specified elsewhere in this Agreement. Employee and the Company acknowledge that such compensation, incentives, benefits, and business expense reimbursement are commensurate with the duties and obligations required of Employee hereunder.

ARTICLE 4. COMPENSATION OF EMPLOYEE

Section 4.1 As compensation for services to be rendered by Employee pursuant to this Agreement, the Company hereby agrees to pay Employee a semi-monthly (twenty-four (24) pay periods per year) salary of $8,333.33 payable at such times or on such dates that Employees of the Company are regularly and customarily paid.

Section 4.2 In lieu of participating in any ABT bonus plans or arrangements, Employee will receive an annual bonus of not less than $75,000.00 unless terminated for Cause as defined below.

As used herein, the term "for Cause" shall refer to the termination of your employment as a result of any one or more of the following: (i) your conviction for a felony; (ii) your gross willful misconduct which

has a direct and material injurious effect on the business or reputation of ABT; or (iii) your gross dishonesty which is directly and materially injurious to the business and reputation of ABT.

Section 4.3 Upon commencement of employment with ABT, Employee will receive a signing bonus of $50,000.00.

Section 4.4 The Company shall have the right to deduct or withhold from the compensation due to Employee hereunder any and all sums required for federal income and social security taxes and all state or local taxes now applicable or that may be enacted and become applicable during the Term.

Section 4.5 Additionally, Employee will be granted stock options under ABT's 1999 Stock Option Plan to purchase 150,000 shares of ABT common stock at an exercise price equal to the closing price of ABT's common stock on the date approved by the compensation committee. One-fourth of the option grant will vest on the first anniversary of the date of grant and the remainder of the option grant will vest at a rate of 1/48th of the entire grant per month, with the entire grant also vesting as otherwise provided in such plan.

Section 4.6 Employee will be eligible to receive reimbursement of up to $15,000.00 of valid expenses resulting from relocation to Orange County California. Moving expenses are reimbursable, and should be submitted and approved through the Company's standard expense reimbursement process.

- Includes:
  - Hotels
  - Travel
  - Home sale charges or charges resulting from breaking of lease *
  - Moving Company *
    - * Expenses will be reflected on W-2 as earnings

ARTICLE 5. EMPLOYEE BENEFITS

Section 5.1 The Company agrees that Employee shall be eligible to participate in the company's group benefits package. The company will pay for all or part of the premium costs based upon plan selection and dependents' covered. Medical, dental and life insurance benefits are effective on the 1st of the month following 30 days of employment.

Section 5.2 Employee shall be eligible to participate in the Company's 401(k) retirement savings plan on the first enrollment period following 90 days of employment. Enrollment in the Plan takes place on January 1st and July 1st of each year.

Section 5.3 Paid vacation is provided to all regular full-time ABT personnel. Vacation is accrued monthly at a rate equal to two (2) weeks (80 hours) per year during the first five years of employment. After completing five (5) years of employment, employees will begin to accrue at a rate equal to three (3) weeks (120 hours) per year. Employees begin accruing vacation in the first month in which they have completed 120 hours of service. However, paid vacation may not be taken until an employee has completed six (6) months of service. Vacation taken prior to six (6) months will be unpaid, and may only be taken with supervisor approval. Only accrued, but unused vacation will be paid out to employees in the event of termination.

Section 5.4 Regular full-time employees are eligible for up to six (6)

days of paid sick time off per year. Employees who have been employed since January 1st will be eligible for the full six (6) days of paid sick time off. Employees hired after the first of the year will receive a pro-rated amount of time based upon their date of hire. Because sick time does not accrue, balances are not paid out to an employee in the event of termination.

ARTICLE 6. BUSINESS EXPENSES

Section 6.1 The Company shall pay or reimburse Employee for all reasonable and authorized business expenses incurred by Employee during the Term; such payment or reimbursement shall not be unreasonably withheld so long as said business expenses have been incurred for and promote the business of the Company and are normally and customarily incurred by employees in comparable positions at other comparable businesses in the same or similar market. Notwithstanding the above, the Company shall not pay or reimburse Employee for the costs of any membership fees or dues for private clubs, civic organizations, and similar organizations or entities, unless and until such organizations and the fees and costs associated therewith have been approved in writing by the Board of Directors of the Company.

Section 6.2 The Company shall reimburse Employee for business-related mileage at the reimbursement rate approved by the United States Internal Revenue Service, as such rate may change from time to time. Notwithstanding the foregoing, the Company shall not reimburse Employee for mileage traveled to the Company's office from Employee's residence, or from the Company's office to Employee's residence. Nothing contained in this Section 6.2 shall be construed as requiring the Company to reimburse Employee for the cost of gasoline for his/her motor vehicle.

Section 6.3 As a condition to reimbursement, Employee shall furnish to the Company adequate records and other documentary evidence required by federal and state statutes and regulations for the substantiation of each expenditure as an income tax deduction. Employee acknowledges and agrees that failure to furnish the required documentation may result in the Company denying all or part of the expense for which reimbursement is sought.

ARTICLE 7. TERMINATION OF EMPLOYMENT

ABT is an "At-Will" employer. You are free to terminate your employment with ABT at any time, with or without reason, and ABT has the right to terminate your employment at any time with or without reason. Although ABT may choose to terminate employment for cause, cause is not required.

If employment is terminated without Cause, Employee will receive six months base salary plus the greater of (i) six month's bonus and (ii) accrued portion of Employee's annual bonus, in each case, payable monthly over the first six months following such termination. Termination without cause shall include termination by Employee due to material diminution of Employee's status, duties or reporting structure.

ARTICLE 8. RESTRICTIVE COVENANTS

Section 8.1 Employee shall devote all or substantially all of his/her entire productive time, ability and attention to the business of the Company during the Term. Employee shall not engage in any other business duties or pursuits whatsoever, or directly or indirectly render any services of a business, commercial, or professional nature to any other person or organization, including, but not limited to, providing services to any business that is in competition with or similar in nature to the Company, whether for compensation or otherwise, without the prior written consent of the Company's Board of Directors. However, the expenditure of reasonable amounts of time for educational, charitable, or professional activities shall not be deemed a breach of the Agreement, if those activities do not materially interfere with the services required under this Agreement, and shall not require the prior written consent of the Company's Board of Directors. Notwithstanding anything herein contained to the contrary, this Agreement shall not be construed to prohibit Employee from making passive personal investments or conducting private business affairs if those activities do not materially interfere with the services required hereunder.

Section 8.2 During the Term and following termination of this Agreement, Employee agrees that, without the Company's prior written consent, he will not disclose to any person, firm, association, partnership, entity or corporation, any information concerning: (a) the business operations or internal structure of the Company; (b) the customers of the Company; (c) the financial condition of the Company; and (d) other confidential information pertaining to the Company, including without limitation, trade secrets, technical data, marketing analyses and studies, operating procedures, customer and/or inventor lists, or the existence or nature of any of the Company's agreements; provided, however, that Employee shall be entitled to disclose such information: (i) to the extent the same shall have otherwise become publicly available (unless made publicly available by Employee); or (ii) during the course of or in connection with any litigation, arbitration, or other proceeding based upon or in connection with the subject matter of this Agreement.

Section 8.3 Employee acknowledges that a breach or violation of the covenants contained in Section 8.2 will cause severe and irreparable harm to the Company and that recovery by the Company of monetary damages will not constitute an adequate remedy. Accordingly, in the event of any breach or violation of such covenants by Employee, and with the Company not having an adequate remedy at law, the Company will have the right to have Section 8.2 of this Agreement specifically enforced by any court having equity jurisdiction, without requirement of bond or showing of actual damages, provided that nothing contained herein shall limit or restrict any other rights or remedies that the Company may have. Each of the rights and remedies of the Company enumerated in this Section shall be independent of the other, and shall be in addition

to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

ARTICLE 9. GENERAL PROVISIONS

Section 9.1 This document contains the entire agreement between the parties with respect to the subject matter hereof.

Section 9.2 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.

Section 9.3 No modification, waiver, amendment, discharge or change of this Agreement, shall be valid unless the same is in writing and signed by the party against whom enforcement of such modification, waiver, amendment, discharge, or change is sought.

Section 9.4 Except as hereinafter provided, all claims, disputes and other matters in question between the parties hereto arising out of, or relating to this Agreement or the breach thereof, shall be resolved solely by mediation and arbitration in accordance with the provisions of this Section 9.4.

9.4.1 With respect to any dispute between the parties, the parties shall attempt in good faith first to mediate such dispute and use their best efforts to reach agreement on the matters in dispute. After a written request for non-binding mediation, which shall specify in detail the facts of this dispute, and within ten (10) business days from the date of delivery of the demand, the matter shall be submitted to a mediator mutually agreeable to the parties (the "Mediator") in Irvine, California. The party who did not initiate the mediation may submit a statement of facts to the Mediator, and provide a copy to the other party within five (5) business days of the mediation hearing. The mediator shall hear the matter and provide an informal opinion and advice, none of which shall be binding upon the parties, but is expected by the parties to help resolve the dispute. Pursuant to Evidence Code Section 1152.5(c) the parties agree: (i) Evidence of anything said or of any admission made in the course of the mediation is not admissible in evidence, and disclosure of any such evidence shall not be compelled, in any arbitration proceeding or civil action in which, pursuant to law, testimony can be compelled to be given; (ii) Unless the document otherwise provides, no document prepared for the purpose of, or in the course of, or pursuant to, the mediation, or copy thereof, is admissible in evidence, and disclosure of any such document shall not be compelled, in any arbitration proceeding or civil action in which, pursuant to law, testimony can be compelled to be given; and (iii) The Mediator's fee shall be shared equally

by the parties. If the dispute has not been resolved, the matter shall then be submitted to arbitration in accordance with section 9.4.2

9.4.2 Any dispute between the parties that is to be resolved by arbitration as provided in Section 9.4.1 shall be conducted pursuant to the provisions of California Code

of Civil Procedure Sections 1280 through 1287.6, except as provided below. Any such arbitration shall be held and conducted in Irvine, California, and shall be conducted by a sole arbitrator mutually selected by the parties. If the parties cannot agree on a sole arbitrator within ten (10) business days from the first request for arbitration, each party shall each select one arbitrator and the two (2) selected arbitrators shall select the third arbitrator. The parties further agree: (i) Any request for arbitration shall be in writing and must be made within a reasonable time after the claim, dispute or other matter in question has arisen; provided, however, that in no event shall the demand for arbitration be made after the date that institution of legal or equitable proceedings based on such claim, dispute, or other matter would be barred by the applicable statute of limitations; (ii) The arbitrator or arbitrators appointed must be former or retired judges or attorneys at law with at least ten (10) years experience in employment, financing, and other matters; (iii) All proceedings involving the parties shall be reported by a certified shorthand court reporter and written transcripts of the proceedings shall be prepared and made available to the parties; (iv) The arbitrator or arbitrators shall prepare in writing and provide to the parties an award together with the reasons upon which the award of the arbitrators is based; (v) The final award by the arbitrator or arbitrators must be made within ninety (90) days from the date the arbitration proceedings are initiated; (vi) The prevailing parties shall be awarded reasonable attorney's fees, expert and non-expert witness costs and expenses, and other costs and expenses incurred in connection with the arbitration, unless the arbitrator or arbitrators for good cause determine otherwise; (vii) Costs and fees of the arbitrator or arbitrators shall be borne by the non-prevailing parties, unless the arbitrator or arbitrators for good cause determine otherwise; and (viii) The award or decision of the arbitrator or arbitrators, which may include equitable relief, shall be final and judgment may be entered on it in accordance with applicable law in any court having jurisdiction over the matter.

NOTICE: BY INITIALING IN THE SPACE BELOW THE PARTIES ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THIS SECTION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND THE PARTIES ARE GIVING UP ANY RIGHTS THE PARTIES MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW THE PARTIES ARE GIVING UP THEIR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE PROVISIONS OF THIS SECTION. IF THE PARTIES REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, THE PARTIES MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THEIR AGREEMENT TO THE ARBITRATION PROVISION IS VOLUNTARY.

THE PARTIES HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS SECTION TO NEUTRAL ARBITRATION.

Company Initials AD   Employee's Initials MB

Section 9.5 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.

Section 9.6 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 telegram, tested telex or cable, or sent prepaid by registered or certified mail with return receipt requested and shall be deemed given (i) if personally served, when delivered to the person to whom such notice is addressed, (ii) if given by telegram, telex or cable, when sent, or (ii) if given by mail, two (2) business days following deposit in the United States mail. Any notice given by telegram, telex or cable shall be confirmed in writing 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, TO:
AUTOBYTEL.COM INC.
18872 MacArthur Blvd., Second Floor
Irvine, California 92612-1400
Attn.: Mark W. Lorimer
President/Chief Executive Officer

IF TO EMPLOYEE:
Marc Benjamin
2922 Western Avenue, Unit 612
Seattle, Washington 98121

Section 9.7 The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

Section 9.8 This Agreement shall be construed and enforced in accordance with the laws of the State of California.

Section 9.9 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.

Section 9.10 The provisions of this Agreement are agreed to be severable, and if any provision, or application thereof, is held invalid or unenforceable, then such holding shall not effect any other provision or application.

Section 9.11 As used herein, and as the circumstances require, the plural term shall include the singular, the singular shall include the plural, the neuter term shall include the masculine and feminine genders, and the feminine term shall include the neuter and the masculine genders.

Section 9.12 Each party hereto shall pay its or their own expenses incident to the negotiation, preparation and consummation of this Agreement, including all fees and expenses of its or their respective counsel.

ARTICLE 10. EMPLOYEE CONFIDENTIALITY AGREEMENT

As a further condition of his/her employment by Company, Employee agrees to execute an "Employee Confidentiality Agreement".

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

AUTOBYTEL.COM INC.

By: /s/Ann Delligatta

Ann Delligatta

EMPLOYEE:

/s/ Marc Benjamin

Marc Benjamin

Executive Vice President and Chief
Operating Officer

EXHIBIT 10.4

FIRST AMENDMENT

This First Amendment ("Amendment"), dated as of December 31, 1998 to that certain Employment Agreement ("Agreement") dated as of December 17, 1998, by and between autobytel.com inc., a corporation duly organized under the laws of the State of Delaware (the "Company"), with offices at 18872 MacArthur Blvd., Second Floor, Irvine, California, 92612-1400, and Ann Marie Delligatta (hereinafter referred to as the "Executive"), who resides at 14400 Navarro Place, Orange, California 92689.

WHEREAS, The parties desire to amend the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereby agree as follows:

1. The first sentence of Article 1 of the Agreement is hereby amended in its entirety to read as follows:

> "The Company hereby employs the Executive as Executive Vice President and Chief Operating Officer of the Company and the Executive hereby accepts such employment by the Company for a period of three (3) years (the "Term") commencing from October 1, 1998 (the "Commencement Date"), which Term shall automatically renew for one year periods unless either party notifies the other of its election not to renew at least 30 days prior to the applicable anniversary of the Commencement Date."

2. The other terms and conditions of the Agreement shall remain in effect and not be affected by this Amendment.

3. This Amendment shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the principles of conflict of laws thereof.

4. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

autobytel.com inc.

By /s/Mark Lorimer

Mark W. Lorimer
President and Chief Executive Officer

/s/ Ann Marie Delligatta

Ann Marie Delligatta

EXHIBIT 10.5

FIRST AMENDMENT

This First Amendment ("Amendment"), dated as of July 31, 1998 to that certain Employment Agreement ("Agreement") dated as of July 1, 1998, by and between autobytel.com inc., a corporation duly organized under the laws of the State of Delaware (the "Company"), with offices at 18872 MacArthur Blvd., Second Floor, Irvine, California, 92612-1400, and Mark W. Lorimer (hereinafter referred to as the "Executive"), who resides at 2624 Calle Onice, San Clemente, California 92673.

WHEREAS, The parties desire to amend the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereby agree as follows:

1. The first sentence of Article 1 of the Agreement is hereby amended in its entirety to read as follows:

> "The Company hereby employs the Executive as President and Chief Executive Officer of the Company and the Executive hereby accepts such employment by the Company for a period of three (3) years (the "Term") commencing from July 1, 1998 (the "Commencement Date"), which Term shall automatically renew for one year periods unless either party notifies the other of its election not to renew at least 30 days prior to the applicable anniversary of the Commencement Date."

2. The other terms and conditions of the Agreement shall remain in effect and not be affected by this Amendment.

3. This Amendment shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the principles of conflict of laws thereof.

4. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

autobytel.com inc.

By /s/ Michael Fuchs

Michael J. Fuchs
Chairman of the Board

/s/ Mark Lorimer

Mark W. Lorimer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AS OF SEPTMEBER 30, 1999 AND THE CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS ON FORM 10-Q.
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