FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission File Number 1-34761

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

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

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

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

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

<table>
<thead>
<tr>
<th>Title of each class</th>
<th>Name of each exchange on which registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock, par value $0.001 per share</td>
<td>The NASDAQ Global Market</td>
</tr>
<tr>
<td>Preferred Stock Purchase Right</td>
<td>The NASDAQ Global Market</td>
</tr>
</tbody>
</table>

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

(Do not check if a smaller reporting company)

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

Based on the closing sale price of $1.14 for our common stock on The NASDAQ Global Market on June 30, 2010, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately $51 million.

As of March 4, 2011, 45,845,264 shares of our common stock were outstanding.
Documents Incorporated by Reference

Portions of our Definitive Proxy Statement for the 2011 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.
<table>
<thead>
<tr>
<th>Part I</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>Business</td>
</tr>
<tr>
<td>Item 1A</td>
<td>Risk Factors</td>
</tr>
<tr>
<td>Item 1B</td>
<td>Unresolved Staff Comments</td>
</tr>
<tr>
<td>Item 2</td>
<td>Properties</td>
</tr>
<tr>
<td>Item 3</td>
<td>Legal Proceedings</td>
</tr>
<tr>
<td>Item 4</td>
<td>(Removed and Reserved)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part II</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 5</td>
<td>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</td>
</tr>
<tr>
<td>Item 6</td>
<td>Selected Financial Data</td>
</tr>
<tr>
<td>Item 7</td>
<td>Management’s Discussion and Analysis of Financial Condition and Results of Operations</td>
</tr>
<tr>
<td>Item 7A</td>
<td>Quantitative and Qualitative Disclosures About Market Risk</td>
</tr>
<tr>
<td>Item 8</td>
<td>Financial Statements and Supplementary Data</td>
</tr>
<tr>
<td>Item 9</td>
<td>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</td>
</tr>
<tr>
<td>Item 9A</td>
<td>Controls and Procedures</td>
</tr>
<tr>
<td>Item 9B</td>
<td>Other Information</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part III</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 10</td>
<td>Directors, Executive Officers and Corporate Governance</td>
</tr>
<tr>
<td>Item 11</td>
<td>Executive Compensation</td>
</tr>
<tr>
<td>Item 12</td>
<td>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</td>
</tr>
<tr>
<td>Item 13</td>
<td>Certain Relationships and Related Transactions, and Director Independence</td>
</tr>
<tr>
<td>Item 14</td>
<td>Principal Accountant Fees and Services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part IV</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 15</td>
<td>Exhibits and Financial Statement Schedules</td>
</tr>
<tr>
<td></td>
<td>Signatures</td>
</tr>
</tbody>
</table>
PART I

FORWARD-LOOKING STATEMENTS

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

Item 1. Business

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

Overview

We are an automotive marketing services company that assists automotive retail dealers (“Dealers”) and automotive manufacturers (“Manufacturers”) market and sell new and used vehicles through our internet purchase request referral programs, together with related Dealer marketing products and services, and online advertising programs.

Internet purchase request referrals (“Purchase Requests”) are internet requests from consumers seeking information or quotes regarding pricing and availability of new or used vehicles or for vehicle financing. Our network of owned, consumer-facing automotive websites (“Owned Websites”), which include Autobytel.com®, Autotropolis.com®, Autoweb.com®, AutoSite.com®, Car.com®, CarSmart.com®, CarTV.com®, MyGarage.com® and MyRide.com®, provide consumers with information and tools to aid them with their automotive purchase decisions and the opportunity to submit Purchase Requests. Approximately 70% of our Purchase Requests are now internally generated from our Owned Websites (“Internally-Generated Purchase Requests”). We also procure Purchase Requests from third parties (“Other Purchase Requests”) that generate Purchase Requests from their websites (“Third Party Websites”). We sell Internally-Generated Purchase Requests and Other Purchase Requests direct to Dealers and indirectly to Dealers through a wholesale market consisting of Manufacturers and other third parties in the automotive Purchase Request distribution industry. We believe we are now the largest generator of Purchase Requests for new vehicles in the United States in terms of number of Purchase Requests generated. In conjunction with our Purchase Request programs, we also offer Dealers and Manufacturers other products and services to assist them in capturing online, in-market customers and selling more vehicles, including our iControl by Autobytel®, WebLeads®, Email Marketing Manager, and Lead Call products and services.

Our Owned Websites offer Manufacturers the opportunity to feature their makes and models within highly contextual content. Through their advertising placements, Manufacturers can direct consumers to their respective websites for further information. We believe this transfer of consumers from our Owned Websites to Manufacturer sites is the most significant action measured by Manufacturers in evaluating our performance and value as a marketing partner. Most of the Manufacturers advertising on our Owned Websites have benefitted from all-time highs at times during 2010 with regard to our performance metrics such as click-through rates and actions taken once consumers reach the Manufacturer’s site. One hundred percent of the consumer page views generated from Manufacturer advertising on our Owned Websites are transferred to Manufacturer sites. We have also developed, internally or in partnership with others, data and market analytics products utilizing information from users of our Owned Websites. These products provide marketing insights to advertisers and agencies demanding better performance from their advertising dollars across online and offline sources.
Available Information

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

Significant Business Developments

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

On September 17, 2010, we acquired substantially all of the assets of two privately-held companies, Autotropolis, Inc. and Cyber Ventures, Inc. (collectively, "Auto/Cyber") for total consideration of $16.8 million (See Part II, Item 8, Note 3, “Acquisition of Autotropolis, Inc. and Cyber Ventures, Inc.” of this Annual Report on Form 10-K). The business acquired from Cyber Ventures, Inc. generates and sells in-market consumer automotive Purchase Requests. The business acquired from Autotropolis, Inc., through its Autotropolis.com website, provides new vehicle Purchase Requests and related products and services directly to Dealers and expands our ability to generate revenues from the acquired, incremental traffic through advertising on the Autotropolis website.

New Products and Services

During 2010 we introduced WebLeads+, which is described in the section of this Item 1 entitled “Products and Services—Other Dealer Products and Services—WebLeads+.” Approximately 10 percent of our automotive Dealers now subscribe to our WebLeads+ product.

In an effort to further expand our services to Dealers, we launched DealershipJobs.com at the February 2011 National Automotive Dealers Association Conference in San Francisco. DealershipJobs.com was developed to serve automotive dealerships with regard to attracting and hiring personnel across multiple dealership functions (e.g., sales and service). The site is comprised of job listings from across the country giving Dealers and prospective employees a hub on which to connect. At present, the site is free to Dealers and job seekers, however, we believe that once a degree of scale is achieved from a traffic perspective, we should be able to generate advertising and other revenues from the site.

Beginning in the fourth quarter of 2010, we began packaging data generated from our websites to expand our product offerings to automobile advertisers. Specifically, our data products are designed to assist automobile advertisers in their efforts to accurately profile prospective new car buyers, better target internet advertising campaigns to them and further optimize those campaigns both in terms of media placement and messaging.

Website Enhancements

During 2010, we began a comprehensive redesign of our flagship consumer brand site, Autobytel.com. The launch of the redesigned Autobytel.com, which is anticipated to occur in June of 2011, reflects the culmination of consumer internet and automotive shopping behavioral research, as well as design and navigational principles which we believe will offer consumers a richer and more customized experience. The objective of the redesign is centered on a consumer proposition that expands our offerings and serves the entire automotive lifecycle for visitors to our website. Specifically, the new Autobytel.com is intended to enhance our current content and tools for those researching a vehicle purchase while at the same time, through our new MyGarage® vehicle ownership service, offering specific destinations for consumers to better manage maintenance for their vehicles, shop for competitive insurance pricing, and stay informed of Manufacturer recalls and special offers, as well as explore their options given the equity they have in an existing vehicle and financial options for trade-ins or private resell.

By expanding Autobytel.com’s offerings, our goal is for consumers to interact with our brand on an on-going basis rather than only serving their automotive shopping needs every three to seven years. We believe that this consumer proposition will ultimately enable us to reposition our brand to benefit from greater consumer satisfaction and recommendations, thus increasing our visitor footprint and driving growth across our Purchase Request, advertising and data products and services.
During 2010, we increased the number of Dealers in our network by 27% compared to year-end 2009. Dealer count is the sum of the number of Dealer franchises subscribing to our new vehicle Purchase Request programs, the number of Dealer franchises and independent Dealers subscribing to our used vehicle Purchase Request program, the number of Dealers subscribing to our finance Purchase Request program, and the number of Dealers subscribing to our WebLeads+ program, with Dealers participating in more than one of these programs counted by the number of programs in which they participate.

Operating Expenses

We initiated expense reduction initiatives in the fourth quarter of 2010 that were intended to better align our operating costs with our revenues and leverage operational efficiencies gained through technology and the acquisition of Auto/Cyber. As a result of these efforts, we believe we will realize $6.3 million in annualized savings for 2011.

Industry Background

The internet has been rapidly adopted by consumers engaged in the vehicle purchasing process, primarily because the internet has become the best method to easily find the information necessary to make informed buying decisions. Additionally, the internet has become a primary tool for consumers to begin communicating with local automotive Dealers regarding vehicle pricing, availability, options, and financing. J.D. Power and Associates reported in 2010 that seventy-seven percent of all U.S. new light vehicle consumer buyers have moved to the internet as a primary vehicle research and shopping tool. In fact, CNW Research/Marketing reported in 2009 that during several phases of the purchase process, more in-market shoppers considered third party websites as their primary source for information, thus, surpassing both television and magazines. In addition, many Dealers and all Manufacturers use the internet as an efficient way to reach those consumers through marketing programs.

According to a 2010 presentation by JD Power & Associates, U.S. light vehicle sales increased 12% in 2010 compared to 2009, or 11.6 million for 2010 from 10.4 million for 2009. The U.S automotive market is showing signs of recovery as General Motors and Chrysler reorganized through bankruptcy during 2009 and both General Motors and Ford reported net income for 2010. This recovery may result in increased use of the internet for consumers engaged in the vehicle purchasing process and increased submission of Purchase Requests by consumers in 2011.

Strategy

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

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

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

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

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

- **Increase the Quality of our Purchase Requests.** High quality Purchase Requests are those Purchase Requests that result in high transaction (i.e., purchase) closing ratios for our Dealer customers. As of December 31, 2010, approximately 70% of our Purchase Requests are Internally-Generated Purchase Requests. Internally-Generated Purchase Requests are generally higher quality than Other Purchase Requests and increase the overall quality of our Purchase Request portfolio. Other Purchase Requests are of varying quality. Therefore, we plan to continue to develop and maintain strong relationships only with suppliers of Other Purchase Requests that consistently provide high quality Purchase Requests.

- **Increase Purchase Request Sales to Our Dealer Customers.** Sales of Purchase Requests to our Dealer network constitute a significant source of our revenues. Our goal is to increase the number of Purchase Requests sold to our retail Dealer customers by:
  - increasing the quality of the Purchase Requests sold to our Dealers,
  - increasing the number of Purchase Requests sold to each of our Dealers,
  - increasing the number of Dealers in our Dealer network,
  - providing customizable Purchase Request programs to meet our Dealers’ unique marketing requirements,
  - providing additional value added marketing services that help Dealers more effectively utilize the internet to market and sell new and used vehicles, and
  - increasing overall Dealer satisfaction by improving all aspects of our services.

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

**Increase Advertising Revenue.** As traffic to and time spent on our Owned Websites by consumers increases, we will seek to increase our advertising revenue. We intend to leverage our relationships with Manufacturers and their advertising agencies to garner higher rates for our traditional display advertising. We also intend to provide new advertising offerings built around the enhancements to our Owned Websites, including new editorial opportunities and high-demand sales event promotions for individual Manufacturers. It is our belief that if the volume of our traffic and performance of the advertisements placed by Manufacturers continue to increase (as measured by the click through rates and other metrics typically monitored by online marketers), existing and prospective advertisers will recognize this increased value by agreeing to pay higher premiums for the advertising space available on our Owned Websites. Finally, our goal is to increase the number of our advertising customers and to expand beyond Manufacturers to include non-Manufacturer advertising customers.

**Expand our Products and Services.** We gather significant amounts of data on consumer intent as it relates to purchasing vehicles. We intend to use these data to create products and services, including direct business database offerings, which we believe will ultimately help Manufacturers and Dealers market and sell more new and used vehicles. We believe that there is significant value in these data, and our objective is to generate revenues from this asset in the most effective and efficient ways possible.

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

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

**Products and Services**

**Vehicle Purchase Request Programs**

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

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

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

Dealers participate in our retail new vehicle Purchase Request program by entering into contracts directly with us or through major Dealer groups. Generally, our Dealer contracts may be terminated by either party on 30 days’ notice and are non-exclusive. The majority of our retail Purchase Request revenues consist of either a monthly subscription or per Purchase Request fee paid by Dealers in our network; however, under our recently introduced Pay-per-Sale program, we offer a limited number of Dealers in states where we are permitted to charge on per transaction basis the opportunity to pay a flat per transaction fee for a Purchase Request that results in a vehicle sale. We reserve the right to adjust our fees to retail Dealers upon 30 days’ prior notice at any time during the term of the contract. Manufacturers (directly or through their marketing agencies) and other third parties participating in our wholesale new vehicle Purchase Request programs generally by entering into agreements where either party has the right to terminate upon prior notice, with the length of the time for notice varying by contract. Revenue from retail new vehicle Purchase Requests accounted for 37% and 45% of total revenue in 2010 and 2009, respectively. Revenue from wholesale Purchase Requests accounted for 34% and 24% of total revenue in 2010 and 2009, respectively.

**Used Vehicle Purchase Request Program.** Our used vehicle Purchase Request program allows consumers to search for used vehicles according to specific search parameters, such as the price, make, model, mileage, year and location of the vehicle. The consumer is able to locate and display the description, price, and, if available, digital images of vehicles that satisfy their search parameters. The consumer can then submit a Purchase Request for additional information regarding a specific vehicle that we then deliver to the Dealer offering the vehicle. In addition to sending Purchase Requests directly through our Owned Websites, consumers may choose to contact the Dealer using a toll free number posted next to the vehicle search results. We charge each Dealer that participates in the used vehicle program a monthly subscription or a fee per Purchase Request. Revenues from used vehicle Purchase Requests accounted for 8% of total revenues in 2010 and 2009.

**Finance Purchase Request Program**

Our Purchase Requests program for vehicle financing is designed to provide consumers who may not be able to secure loans through conventional lending sources the opportunity to obtain vehicle financing and other services from Dealers or finance institutions offering vehicle financing to these consumers. Consumers can submit a request for vehicle financing or submit a credit questionnaire for a credit report or other credit services that are provided by third party providers. Finance Purchase Requests are forwarded to the nearest participating Dealer that offers financing or, if a Dealer is not available, to an automotive finance institution. We charge each Dealer and finance institution that participates in the finance Purchase Request program a monthly subscription or per Purchase Request fee. Revenues from finance Purchase Requests accounted for 13% and 10% of total revenues in 2010 and 2009, respectively. In 2010, we implemented a call center program that consists of telephone surveys of finance Purchase Request consumers. The purpose of this program is to evaluate consumer experience with our Dealers and other financing customers and our finance Purchase Request program and to determine

---

8
whether or not the consumers purchased a vehicle. In addition, we inquire about the consumer’s interest in obtaining information or quotes for relevant products and services, including credit report repair and vehicle loan refinancing, offered by third parties. If the consumer expresses an interest, we refer the consumer to the third party and obtain a referral fee.

**Other Dealer Products and Services**

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

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

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

- **Zip Code** – enables Dealers to apply different territories/zip codes to each of their models and Purchase Request sources. Dealers can make territory changes dynamically, while adjusting for return on investment based on market analysis. For example, a dealership may choose to increase the territory range for vehicles with higher closing ratios and have a smaller territory for lower grossing vehicles.

- **Make/Model** – helps Dealers spend their budget more effectively by allowing them to increase the number of Purchase Requests for hard to move models or, conversely, block or restrict Purchase Requests by model for those high demand “hot” models.

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

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

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

**Advertising Programs**

Our websites attract an audience of prospective automotive buyers that advertisers can target through display advertising. A primary way advertisers use our Owned Websites to reach consumers is through vehicle content targeting. This allows automotive marketers to reach consumers while they are researching one of our comprehensive automotive segments such as mini-vans or SUVs. We sell fixed placement advertising across our Owned Websites and offer Manufacturers sponsorship opportunities to assist in their efforts both in terms of customer retention and conquest strategies. We also have a direct marketing platform that enables Manufacturers to selectively target in-market consumers during the often-extended vehicle shopping process. Designed to keep a specific automotive brand in consideration, our direct marketing programs allow automotive marketers to deliver specific communication through either email or direct mail formats to in-market consumers during their purchase cycle. Advertising revenues including direct marketing accounted for 8% and 13% of total revenues in 2010 and 2009, respectively.

9
Data Licensing

We license the use of our aggregated Purchase Request data to third parties for the purposes of advertising targeting and optimization. We also license our audience (i.e., website cookie) data to various advertising targeters to add to their existing cookie pools that they offer to advertisers. We are planning to begin selling our data direct to advertisers and other users of our data without the use of third party advertising targeters.

Seasonality

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

Intellectual Property

Our intellectual property includes patents and patent applications related to our innovations, products and services; trademarks related to our brands, products and services; copyrights in software and creative content; trade secrets; and other intellectual property rights and licenses of various kinds. We seek to protect our intellectual property assets through patent, copyright, trade secret, trademark and other laws and through contractual provisions. We enter into confidentiality and invention assignment agreements with our employees and contractors, and non-disclosure agreements with third parties with whom we conduct business in order to secure our proprietary rights and additionally limit access to, and disclosure of, our proprietary information.

We have registered service marks with the United States Patent and Trademark Office, including Auto-By-Tel, Autobytel.com, MyRide, Autoweb, CarSmart, and the Autobytel.com, Mygang.com, MyRide.com and Autotropolis.com logos. We have been issued U.S. Patent Number 6,282,517 (“517 Patent”) which is directed toward an innovative method and system for forming and submitting a Purchase Request over the internet and other computer networks from consumers to suppliers of goods and services. This method permits suppliers of goods or services to provide enhanced customer service by making the purchasing process convenient for consumers as well as suppliers. The ‘517 Patent is also directed toward the communication system used to bring consumers and suppliers closer together. The ‘517 Patent expires on January 14, 2019. We have sought to enforce our ‘517 Patent through litigation and negotiated licenses. We continue to evaluate whether other organizations may be infringing our ‘517 Patent. We may evaluate possible licenses for the ‘517 Patent that may include consideration consisting of content and data for our websites as well as cash payments. We have also been issued patents related to on-line aftermarket accessory shopping and on-line auctions. We cannot assure that these patents will be enforceable by us in litigation. We have applied for additional service marks and patents, including a patent on our proprietary iControl by Autobytel technology. We cannot assure that any additional service marks will be registered or additional patents issued, or if registered or issued, that they will be enforceable by us in litigation. Additional information regarding certain risks related to our intellectual property is included in Part I, Item 1A “Risk Factors” of this Annual Report on Form 10-K.

Competition

In the automotive-related Purchase Request marketing services and advertising marketplace we compete for Dealer and Manufacturer customers. Competition with respect to our core Purchase Request referral programs continued to be impacted by changing industry conditions in 2010. We continue to compete with several companies that maintain business models similar to ours, some with greater resources, and competition has increased from larger competitors that traditionally have competed only in the used vehicle market. Dealers continue to invest in their proprietary websites and traffic acquisition activities, and we expect this trend to continue as Dealers strive to own and control more Purchase Request generating assets under their captive brands. Additionally, all major Manufacturers that market their vehicles in the U.S. have their own websites that market their vehicles direct to consumers and generate Purchase Requests for delivery direct to the Manufacturers’ Dealers.

We continue to observe new and emerging business models relating to the generation and delivery of Purchase Requests. Although these emerging models have put pressure on pricing and gross profit margins for our Purchase Requests, it is still to be determined whether these new and emerging revenue models will take hold.
In the advertising marketplace, we compete with major internet portals, transaction based websites, automotive vertical companies and numerous lifestyle websites. We also compete with traditional marketing channels such as print, radio and television.

**Operations and Technology**

We believe that our future success is significantly dependent upon our ability to continue to deliver high-performance, reliable and comprehensive websites, enhance consumer and Dealer product and service offerings, maintain the highest levels of information privacy and ensure transactional security. Our websites are hosted at secure third-party data center facilities. These data centers include redundant power infrastructure, redundant network connectivity, fire detection and suppression systems and security systems to prevent unauthorized access. Our network and computer systems are built on industry standard technology.

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

**Government Regulation**

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

**Employees**

As of March 4, 2011 we had 119 employees. We also use independent contractors as required. None of our employees are represented by labor unions. We have not experienced any work stoppages and consider our employee relations to be generally good.

**Basis of Presentation**

We sold certain assets and liabilities of our AVV Inc. (“AVV”) business on January 23, 2008. Accordingly, the results of AVV are presented in the consolidated financial statements as discontinued operations. As discontinued operations, AVV is presented on a net basis and stated separately from the respective captions in continuing operations in the Consolidated Statements of Operations and Comprehensive Loss. Expenses included in discontinued operations are direct costs of the divestiture that were eliminated from future operations. Unless stated otherwise, all amounts in this Annual Report on Form 10-K are presented net of discontinued operations.
Item 1A. Risk Factors

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

Except for fiscal years 2003 and 2004, we have had a history of net annual losses. We may not be profitable in the future. If we are unable to achieve profitability in the future and we continue to lose money, our operations will not be financially viable.

Except for fiscal years 2003 and 2004 we have experienced net annual losses, and as of December 31, 2010 we had an accumulated deficit of $282 million. We may not be able to achieve profitability in the future. Our potential for future profitability must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in rapidly evolving markets, such as the market for internet commerce. We believe that to achieve and sustain profitability, we must, among other things:

- Continue to send new and used automotive Purchase Requests to Dealers that result in sufficient Dealer vehicle sales to justify our fees;
- Expand the number of Dealers in our networks and increase the number of Purchase Requests delivered to Dealers;
- Sustain and expand our relationships with Manufacturers;
- Increase the volume of Purchase Requests that originate on our websites;
- Expand Purchase Request referral sales to other automotive-related markets;
- Assure continued access to a high volume of high quality Purchase Requests at acceptable prices from third party sources;
- Maintain a high degree of customer satisfaction;
- Provide secure and easy to use websites with relevant and quality content for consumers;
- Increase visibility of our brand names;
- Defend and enforce our intellectual property rights;
- Continue to attract, train, retain and motivate qualified personnel; and
- Continue to upgrade and enhance our technologies to accommodate expanded product and service offerings and increased consumer traffic.

We cannot be certain that we will be successful in achieving these goals or that if we are successful in achieving these goals, that we will be profitable in the future.

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

General economic conditions, specifically including the adverse effect of high unemployment on the number of vehicle purchasers and the lack of available consumer credit to finance vehicle purchases have affected the automotive industry, which is currently experiencing what is considered to be the most challenging environment of the past several decades:

- North American vehicle sales stabilized in 2010 from 2009 levels, but U.S. light vehicle sales remain at lower levels compared to years prior to 2008
- Unemployment levels remain a risk through 2011,
- Fuel prices have been rising and may continue to rise in 2011.
Our strategy is dependent on increasing Purchase Request revenue; Should Dealer attrition occur in our network it could impact Purchase Request revenue and the number of Purchase Requests.

Our strategy and achievement of profitability are dependent on our ability to increase Purchase Request revenue. If we are not successful in increasing Purchase Request revenue, then we may not be able to achieve profitability in the future. Increasing Purchase Request revenue is dependent upon our ability to attract and retain qualified Dealers and Manufacturers as well as expand the number of Purchase Requests we sell to our Dealers and Manufacturers.

We derive a majority of our revenue from Purchase Request fees paid by Dealers and Manufacturers participating in our programs. Although in 2008 and 2009 we experienced attrition in the number of our Dealers, we halted this attrition during 2010 and ended the year with 27% more Dealers compared to that number of Dealers at year-end 2009. The number of Manufacturers participating in our programs also increased during 2010 compared to 2009. In addition, we delivered 8% more Purchase Requests during 2010 than 2009. If Dealer attrition were to occur again and we were unable to add new Dealers to mitigate the attrition, our revenues might again decrease. Were Dealer attrition or reductions in the number of Purchase Requests sold to occur again, we cannot provide any assurances that we will be able to reduce the level of Dealer attrition or increase the number of Purchase Requests sold, and our failure to do so could materially and adversely affect our business, results of operations and financial condition. In addition, if Manufacturers or Dealers require us to decrease the fees we charge for our services, our revenues will decline, which could have a material adverse effect on our business, results of operations and financial condition.

If any of our advertising relationships with Manufacturers terminate, our advertising rates decrease, or we are unable to develop additional advertising customers, our revenues will decrease.

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

If Manufacturers are subject to product recalls or other business interruption, our revenues may decrease and our business could suffer.

Manufacturers are periodically subject to product recalls. Product recalls may result in a decline in Purchase Request requests by our Dealers affected by the recalls, including the elimination of Purchase Requests for certain vehicle models or the cancellation of the Purchase Request program with us. If we cannot replace these Purchase Request sales with Purchase Request sales to other customers, our results of operations or financial condition will be materially and adversely impacted.

Concentration of Credit Risk and Risks Due to Significant Customers.

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are primarily maintained with two financial institutions in the United States. Deposits held by banks that exceed the amount of insurance provided for such deposits. Generally these deposits may be redeemed upon demand. Accounts receivable are primarily derived from fees billed to automotive Dealers and Manufacturers. We have a concentration of credit risk with our automotive industry related accounts receivable balances, and in particular with two Manufacturers (General Motors and Nissan). During 2010 approximately 16% of the Company’s total revenues were derived from these Manufacturers, and approximately 16% of its total gross accounts receivable are receivable from them at December 31, 2010. No collateral is required to support our accounts receivables and we maintain an allowance for bad debts for potential credit losses. If there is a decline in the general economic environment that negatively affects the financial condition of our customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required and the impact on the our business, results of operations or financial condition could be material.

Competition could adversely affect our market share, pricing, cost structure and Purchase Request supply.

The success we achieve in our Purchase Requests businesses is dependent on our ability to originate or acquire and sell high quality Purchase Requests in sufficient volumes at profitable margins. These Purchase Requests may be submitted by consumers through our websites or purchased from Third Party Websites. We actively compete for Dealer and Manufacturer
customers with companies that maintain automotive Purchase Request referral businesses that are very similar to ours. Several of these competitors are larger than us and may have greater financial resources than we have. In addition to competition for customers, we also compete with several of these companies in the acquisition of Purchase Requests from third party Purchase Request suppliers. If we lose customers or quality Purchase Request supply volume to our competitors, or if our pricing or cost to acquire Purchase Requests is impacted, our business, results of operations and financial condition will be materially and adversely impacted.

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

We cannot provide any assurances that we will be able to compete successfully against current or future competitors, many of which have substantially more technical and financial resources as well as existing brand recognition. In addition, competitive pressures may result in increased marketing costs, decreased traffic to our websites or loss of market share that may materially and adversely affect our business, results of operations and financial condition.

Our quarterly financial results are subject to significant fluctuations that may make it difficult for investors to predict our future performance.

Our quarterly operating results have fluctuated in the past and may fluctuate in the future due to unforeseen events affecting the economy and industry in which we operate. Other factors that may adversely affect our quarterly operating results include our Purchase Request volume, which fluctuates with automotive industry sales volume that has some measure of seasonality. Typically, volume is highest in the spring and summer months, with lower volume in the fall and winter months. As seasonality 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 is likely to cause fluctuations in our operating results and could have a material adverse effect on our business, results of operations and financial condition.

There are many risks associated with potential acquisitions.

We may evaluate potential acquisitions which we believe will complement or enhance our existing business. If we acquire other companies in the future in exchange for our equity securities, existing stockholders’ may suffer dilution in the value of their shares and their percentage ownership. The impact of dilution may restrict our ability or otherwise not allow us to consummate acquisitions using equity securities. Issuance of equity securities may restrict utilization of net operating loss carryforwards because of an annual limitation due to ownership change limitations under the Internal Revenue Code. We may also utilize cash and incur debt and losses related to the impairment of goodwill and other intangible assets if we acquire another company, and this could negatively impact our liquidity and results of operations. We may be unable to raise the capital necessary to consummate an acquisition. We may be unable to integrate successfully the companies that we may acquire and management attention may be diverted. We currently do not have any definitive agreements to acquire any company or business, and we may not be able to identify or complete any acquisition in the future.

Risks Associated with Governmental Regulation

We have identified below areas of government regulation, which if changed or interpreted to apply to our business, we believe could be costly for us. These laws and regulations include motor vehicle dealership licensing laws, motor vehicle Dealer licensing laws, franchise laws, insurance licensing laws, financial services laws, data security and privacy laws, and tax laws.

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

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

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

If 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 market our services, 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. 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 that state in a manner that undermines the program’s attractiveness to consumers or Dealers. If our relationship or written agreement with our Dealers was found to be a “franchise” under federal or state franchise laws, we could be subject to additional requirements, such as franchise disclosure and registration requirements, and limitations on our ability to affect changes in our relationships with our Dealers, which may negatively impact our ability to compete and cause our revenues to decrease and our business to suffer. If we become subject to fines or other penalties or if we determine that the franchise and related requirements are overly burdensome, we may elect to terminate operations in that state. If this happens, our revenues may decline and our business, results of operations and financial condition could be materially and adversely affected.

If financial broker 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 provide a connection through our websites that allows consumers to obtain finance information and submit Purchase Requests for vehicle financing to third party lenders. We also acquire finance-related Purchase Requests from third parties. We receive marketing fees from financial institutions and Dealers in connection with this marketing activity. We do not demand nor do we receive any fees from consumers for this service. In the event states require us to be licensed as a financial broker, we may be unable to comply with a state’s laws or regulations, or we could be required to incur significant fees and expenses to obtain any financial broker required license and comply with regulatory requirements. In the event states require us to be licensed and we are unable to do so, or we are otherwise unable to comply with laws or regulations required by changes in current operations or the introduction of new services, we could be subject to fines or other penalties or be compelled to discontinue operations in those states, and our business, results of operations and financial condition could be materially and adversely affected.

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

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

Because our business is dependent on the internet, the adoption of new local, state or federal tax laws or regulations or new interpretations of existing laws or regulations by governmental authorities may subject us to additional local, state or federal sales, use or income taxes and could decrease the growth of internet usage or marketing or the acceptance of internet commerce which could, in turn, decrease the demand for our services and increase our costs. As a result, our business, results of operations and financial condition could be materially and adversely affected. Tax authorities in a number of states are currently reviewing and re-evaluating the tax treatment of companies engaged in internet commerce, including the application of sales taxes to internet marketing businesses similar to ours. We accrue for tax contingencies based upon our estimate of the taxes ultimately expected to be paid, which we update over time as more information becomes available. The amounts ultimately paid in resolution of reviews or audits by taxing authorities could be materially different from the amounts we have accrued and result in additional tax expense, and our business, results of operations and financial condition could be materially and adversely affected.

Data Security and Privacy Risks

Our business is subject to various laws, rules and regulations relating to data security and privacy. New data security and privacy laws, rules and regulations may be adopted regarding the internet or other on-line services that could limit our business flexibility or cause us to incur higher compliance costs.

Compliance with anti-spam laws, rules and regulations may impose significant costs and burdens on our email marketing activities, and violations of these laws and regulations could subject us to fines or other enforcement actions. Among other laws, rules and regulations, federal and state legislation regulating email communications and internet advertising, such as proposed or adopted privacy-related laws that restrict or prohibit unsolicited email (commonly known as “spam”) may adversely affect our ability to market our services to consumers in a cost-effective manner. Violation of these laws may result in monetary fines or penalties or damage to our reputation. The federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (“CAN-SPAM”) imposes complex and often burdensome requirements in connection with sending commercial emails. In addition, the language of CAN-SPAM contains ambiguities, not all rules implementing CAN-SPAM have yet been promulgated, and courts have not yet interpreted key provisions of CAN-SPAM. In addition, state laws regulating the sending of commercial emails, including California’s law regulating the sending of commercial emails, to the extent found to not be preempted by CAN-SPAM, may impose requirements or conditions more restrictive than CAN-SPAM. Depending on how these laws are interpreted and applied, CAN-SPAM and such state laws may impose significant costs and burdens on our email marketing services and our business, results of operations and financial condition could be materially and adversely affected.

Failure to comply with data privacy laws, rules and regulations may significantly impact our business. Various laws, rules and regulations govern the collection, use, retention, sharing and security of data that we receive from our users, advertisers, and affiliates. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use and disclosure of user data and personal information. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, Federal Trade Commission requirements or orders or other federal or state privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business. Further, failure or perceived failure by us to comply with our policies, applicable requirements, or industry self-regulatory principles related to the collection, use, sharing or security of personal information or other privacy-related matters could result in a loss of user confidence in us, damage to our brands, and ultimately in a loss of users, advertisers, or Purchase Request referral and advertising affiliates which could adversely affect our business. We can not predict whether new legislation or regulations concerning data privacy and retention issues related to our business will be adopted. Certain proposals, if adopted, could impose requirements that may result in a decrease in our user registrations and revenues. In addition, the interpretation and application of user data protection laws are currently unsettled. New legislation being considered includes restrictions relating to the collection and use of data and information obtained through the tracking of internet use, including the possible implementation of a “Do Not Track” list that would allow internet users to opt-out of such
Increased security risks of on-line Purchase Requests collection and referral, advertising and e-commerce may cause us to incur significant expenses and may negatively impact our credibility and business. A significant issue for on-line businesses like ours is the secure transmission of confidential and personal information over public networks. Concerns over the security of transactions conducted on the internet, consumer identity theft and user privacy issues have been significant barriers to growth in consumer use of the internet, on-line advertising, and e-commerce. Despite our implementation of security measures, our computer systems may be susceptible to electronic or physical computer break-ins, viruses and other disruptive harms and security breaches. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may specifically compromise our security measures. Any perceived or actual unauthorized disclosure of personally identifiable information regarding website visitors, whether through break of our network by an unauthorized party, employee theft or misuse, or otherwise, could harm our reputation and brands, substantially impair our ability to attract and retain our audiences, or subject us to claims or litigation arising from damages suffered by consumers, and thereby harm our business and operating results. If consumers experience identity theft after using any of our websites, we may be exposed to liability, adverse publicity and damage to our reputation. To the extent that identity theft gives rise to reluctance to use our websites or a decline in consumer confidence in financial transactions over the internet, our business could be adversely affected. Alleged or actual breaches of the network of one of our business partners or competitors whom consumers associate with us could also harm our reputation and brands. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. For example, California law requires companies to inform individuals of any security breaches that result in their personal information being stolen. Because our success depends on the acceptance of on-line services and e-commerce, we may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by those breaches. Internet fraud has been increasing over the past few years, and fraudulent on-line transactions, should they continue to increase in prevalence, could also materially and adversely affect the customer experience and therefore our business, operating results and financial condition.

**Technology Risks**

If we fail to detect click-through fraud, we could lose the confidence of our advertisers, thereby causing our business to suffer. We are exposed to the risk of fraudulent click-throughs on advertisements displayed on our websites by persons seeking to increase the advertising fees paid to us. Click-through fraud occurs when a person clicks on an advertisement displayed on our website in order to generate revenue to us and to increase the cost for the advertiser. If we are unable to monitor and prevent this type of fraudulent activity, we may have to issue retroactive refunds of amounts previously paid to us if any such fraud is later detected. This fraud could cause Purchase Request advertisers to become dissatisfied with our advertising programs, which, in turn, could lead to a loss of advertisers and revenue and thus, materially and adversely affect our business, operating results and financial condition.

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. If we are required to invest substantial amounts in technology, our results of operations will suffer. 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 websites and technology obsolete. These market characteristics are intensified by the emerging nature of the market and the fact that many companies are expected to introduce new internet products and services in the near future. If we are unable to adapt to changing technologies, our business, results of operations and financial condition could be materially and adversely affected. Our performance will depend, in part, on our ability to continue to enhance our existing services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license Purchase Requesting technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our websites and other proprietary technology entails significant technical and business risks. We may not be successful in using new technologies effectively or adapting our websites, or other proprietary technology to customer requirements or to emerging industry standards. In addition, if we are required to invest substantial amounts in technology in order to keep pace with technological advances, our business results of operations and financial condition could suffer.

Interruptions or failures in our information technology platforms, communication systems, or security systems could harm our operating results. Our information technology and communications systems are susceptible to outages and interruptions due to fire, flood, earthquake, power loss, telecommunications failures, cyber attacks, terrorist attacks, failure of redundant systems and disaster recovery plans and similar events. Such outages and interruptions could damage our reputation and harm our operating results. We are insured for some, but not all, of these events. Even for those events for
which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all losses we might incur or experience.

We rely on third-party providers for our primary and secondary internet connections. Our co-location service which provides environmental and power support for our technology platforms, communication systems, and security systems is received from a third-party provider. We have little or no control over these third-party providers. Any disruption of the services they provide us or any failure of these third-party providers to effectively plan for increases in capacity could, in turn, cause delays or disruptions in our services.

Despite our network security measures, our information technology platforms are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage, and similar disruptions from unauthorized tampering, as well as coordinated denial-of-service attacks. We do not have multiple site capacity for all of our services. In the event of delays or disruptions to services we rely on third-party providers to perform disaster recovery planning and services on our behalf. We are vulnerable to extended failures to the extent that planning and services are not adequate to meet our continued technology platform, communication or security systems’ needs. For the foregoing reasons, interruptions or failures of our information technology platforms could materially and adversely affect our business, operating results and financial condition.

Securities Market Risks

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

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

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

Our common stock could be delisted from The NASDAQ Global Market if we are not able to maintain continued listing requirements, and if this were to occur, the price of our common stock and our ability to raise additional capital may be adversely affected and the ability to buy and sell our stock may be less orderly and efficient. Our common stock is currently listed on the NASDAQ Global Market. Continued listing of a security on the NASDAQ Global Market is conditioned upon compliance with various continued listing standards. The standards for continued listing require, among other things, that the closing minimum bid price for the listed securities be at least $1.00 per share for 30 consecutive trading days.
In 2010 and 2009, we received letters from The NASDAQ Stock Market LLC, notifying us that Autobytel failed to meet the $1.00 minimum bid price per share required for continued listing on The NASDAQ Global Market. In each case, we regained compliance with the minimum bid price continued listing requirement within the grace period allowed to regain compliance. There can be no assurance that we will continue to satisfy the requirements for maintaining the listing of our common stock on The NASDAQ Global Market.

If our common stock were to be delisted from The NASDAQ Global Market, the price of our common stock, the ability of holders to sell such stock, and our ability to raise additional capital will likely be adversely affected. If our common stock is delisted and thereafter traded in the over-the-counter market, the ability to buy and sell our stock could be less orderly and efficient and more costly. If we sought to relist our stock on The NASDAQ Global Market we would be required to comply with all of the initial listing requirements to be relisted on The NASDAQ Global Market, which in some instances are more stringent than the continued listing requirements.

Risks Associated with Intellectual Property and Other Litigation

Lithigation regarding intellectual property rights is common in the internet and technology industries. We expect that internet technologies and software products and services may be increasingly subject to third-party infringement claims as the number of competitors in our industry segment grows and the functionality of products in different industry segments overlaps.

Misappropriation or infringement of our intellectual property and proprietary rights could impair our competitive position. Enforcement actions to protect our intellectual property could materially and adversely affect our business, results of operations and financial condition. Our ability to compete depends upon our proprietary systems and technology. While we rely on trademark, trade secret, patent and copyright law, confidentiality agreements and technical measures to protect our proprietary rights, we believe that the technical and creative skills of our personnel, continued development of our proprietary systems and technology, brand name recognition and reliable website maintenance are more essential in establishing and maintaining a leadership position and strengthening our brands. As part of our procedures, we generally enter into confidentiality agreements with our employees and consultants and limit access to our trade secrets and technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our services or to obtain and use information that we regard as proprietary. Policing unauthorized use of our proprietary rights is difficult. We have no assurance that the steps taken by us will prevent misappropriation of technology or that the agreements entered into for that purpose will be enforceable. Effective trademark, service mark, patent, copyright and trade secret protection may not be available when our products and services are made available on-line. In addition, litigation may be necessary to enforce or protect our intellectual property rights or to defend against claims of infringement or invalidity. Litigation, even if successful, could result in substantial costs and diversion of resources and management attention and could materially and adversely affect our business, results of operations and financial condition. Misappropriation of our intellectual property or potential litigation could also have a material adverse effect on our business, results of operations and financial condition.

We face risk of claims from third parties relating to intellectual property that could materially and adversely affect our business. We have no assurance that our products and services do not infringe on the intellectual property rights of third parties. Claims of infringement, even if unsuccessful, could result in substantial costs and diversion of resources and management attention and could materially and adversely affect our business. If we are not successful, we may be subject to preliminary and permanent injunctive relief and monetary damages which may be trebled in the case willful infringements. If awarded, these remedies could materially and adversely affect our business, results of operations and financial condition. We could be materially and adversely affected by other litigation. From time to time, we are involved in litigation or legal matters not related to intellectual property rights and arising from the normal course of our business activities. The actions filed against us and other litigation or legal matters, even if not meritorious, could result in substantial costs and diversion of resources and management attention and an adverse outcome in litigation could materially and adversely affect our business, results of operations and financial condition. Our liability insurance may not cover all potential claims to which we are exposed and may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of our insurance coverage could have a material adverse effect on our business, results of operations and financial condition. See Part II, Item 8, Note 7, “Commitments and Contingencies—Lithigation” of this Annual Report on Form 10-K.

We could be adversely affected by actions of third parties that could subject us to litigation that could significantly and adversely affect our business. We could face liability for information retrieved or obtained from or transmitted over the internet by third parties and liability for products sold over the internet by third parties. We could be exposed to liability with respect to third-party information that may be accessible through our websites, links or vehicle review services. These claims might, for example, be made for defamation, negligence, patent, copyright or trademark infringement, personal injury, breach

19
of contract, unfair competition, false advertising, invasion of privacy or other legal theories based on the nature, content or copying of these materials. These claims might assert, among other things that, by directly or indirectly providing links to websites operated by third parties we should be liable for copyright or trademark infringement or other wrongful actions by such third parties through those websites. It is also possible that, if any third-party content provided on our websites contains errors, consumers could make claims against us for losses incurred in reliance on such information. Any claims could result in costly litigation, divert management’s attention and resources, cause delays in releasing new or upgrading existing services or require us to enter into royalty or licensing agreements.

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

We are uncertain of our ability to obtain additional financing for our future working capital needs. If we are unable to obtain additional financing we may not be able to continue to operate our business.

Under our current operating plan for 2011, we currently anticipate that our cash and 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 develop new or enhance existing services or products or to respond to competitive pressures, or to acquire assets or businesses. There can be no assurance that additional financing will be available on terms favorable to us, or at all. Recent macroeconomic conditions include reported reductions in available credit. If adequate funds are not available or are not available on acceptable terms, our ability to develop or enhance services or products or respond to competitive pressures or acquire assets or businesses would be significantly limited. In addition, our ability to continue to operate our business may also be materially and adversely affected in the event additional financing is not available when required.

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

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

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

Under our Tax Benefit Preservation Plan, rights to purchase capital stock of the Company (“Rights”) have been distributed as a dividend at the rate of one Right for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $8.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company’s outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company’s outstanding common stock. If a person or group acquires 4.90% or more of our common stock, all Rights holders, except the acquirer, will be entitled to acquire at the then exercise price of a Right that number of shares of our common stock which, at the time, has a market value of two times the exercise price of the Right.
We are also subject to Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a “business combination” includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an “interested stockholder” is a person who, together with affiliates and associates, owns or did own 15% or more of the corporation’s voting stock. Section 203 could discourage a third party from attempting to acquire control of us.

If our internal controls and procedures fail, our financial condition, results of operations and cash flow could be materially and adversely affected.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In making its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2010, management used the criteria described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Management determined that we had no material weaknesses in our internal control over financial reporting as of December 31, 2010. Our internal controls may not prevent all potential errors and fraud, because any control system, no matter how well designed, can only provide reasonable and not absolute assurance that the objectives of the control system will be achieved. We have had material weaknesses in our internal control over financial reporting in the past and there is no assurance that we will not have one or more material weaknesses in the future resulting from failure of our internal controls and procedures.

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our headquarters are located in an office building in Irvine, California. We lease a total of approximately 26,000 square feet. The lease expires on July 31, 2012 with two one-year extension options available. Our finance leads operations are located in an office building in Troy, Michigan and occupies approximately 5,449 square feet. This lease expires on July 31, 2013 with an option to extend the term for one term of three years. We also have offices located in Tampa, Florida, which consists of approximately 2,843 rentable square feet. This lease expires May 31, 2012, with an option to extend for additional one-year terms. We believe that our existing facilities are adequate to meet our needs and that existing needs and future growth can be accommodated by leasing alternative or additional space.

Item 3. Legal Proceedings

See Note 7 of the “Notes to Consolidated Financial Statements” in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K, which is incorporated herein by reference.

Item 4. (Removed and Reserved)
Our common stock, par value $0.001 per share, is listed on The NASDAQ Global Market and trades under the symbol “ABTL.” The following table sets forth, for the calendar quarters indicated, the range of high and low sales prices of our common stock.

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Quarter</td>
<td>$0.57</td>
<td>$0.23</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>$0.54</td>
<td>$0.25</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>$0.70</td>
<td>$0.41</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>$1.10</td>
<td>$0.59</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Quarter</td>
<td>$1.14</td>
<td>$0.90</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>$1.28</td>
<td>$0.79</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>$1.21</td>
<td>$0.80</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>$0.89</td>
<td>$0.74</td>
</tr>
</tbody>
</table>

As of March 4, 2011, there were 499 holders of record of our common stock. We have never declared or paid any cash dividends on our common stock and we do not expect to pay any cash dividends in the foreseeable future. As of March 4, 2011, our common stock closing price was $1.13 per share.
Performance Graph

The following graph shows a comparison of cumulative total stockholder returns for our common stock, the NASDAQ Composite, the S&P Automobile Manufacturers Index, and the S&P Smallcap 600 Automotive Retail Index. The comparisons reflected in the graph and table below are not intended to predict the future performance of our stock and may not be indicative of our future performance. The data regarding our common stock assume an investment in our common stock at the closing price of $4.94 per share of our common stock on December 30, 2005.

Cumulative Total Return

<table>
<thead>
<tr>
<th></th>
<th>12/05</th>
<th>12/06</th>
<th>12/07</th>
<th>12/08</th>
<th>12/09</th>
<th>12/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autobytel</td>
<td>$100.00</td>
<td>$70.85</td>
<td>$55.67</td>
<td>$9.11</td>
<td>$20.24</td>
<td>$17.41</td>
</tr>
<tr>
<td>NASDAQ Composite</td>
<td>100.00</td>
<td>111.16</td>
<td>124.64</td>
<td>73.80</td>
<td>107.07</td>
<td>125.99</td>
</tr>
<tr>
<td>S&amp;P Automobile Manufacturers</td>
<td>100.00</td>
<td>128.04</td>
<td>110.69</td>
<td>26.40</td>
<td>86.97</td>
<td>146.02</td>
</tr>
<tr>
<td>S&amp;P Smallcap 600 Automotive Retail</td>
<td>100.00</td>
<td>124.66</td>
<td>78.79</td>
<td>39.11</td>
<td>71.47</td>
<td>106.20</td>
</tr>
</tbody>
</table>
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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

Overview

For the year ended December 31, 2010 our results of operations were affected and will continue to be affected in the future by various factors, including, but not limited to, the following:

- General economic conditions, specifically including the adverse effect of high unemployment on the number of vehicle purchasers and the lack of available consumer credit to finance vehicle purchases have affected the automotive industry, which is currently enduring what is considered to be the most challenging environment of the past several decades:
  - North American vehicle sales stabilized in 2010 from 2009 levels, but U.S. light vehicle sales remain at lower levels compared to years prior to 2008;
  - Unemployment levels remain a risk through 2011; and
  - Fuel prices have been rising and may continue to rise in 2011.

- The market for Purchase Requests, including:
  - The effects of competition and Purchase Request sourcing (i.e., Purchase Requests from our Owned Websites versus Other Purchase Requests acquired from third parties) on our supply and acquisition costs of quality Purchase Requests and the resulting effects on sales, pricing and margins for our services and products, and
  - Increases or decreases in the number of Dealers in our Dealer base.

- The market for advertising services, including:
  - Continued volatility in spending by Manufacturers and others in marketing allocations,
  - The amount of visits (traffic) to our Owned Websites,
  - The cost of acquiring traffic to our Owned Websites, and
  - The rates attainable from our advertisers.

Basis of Presentation

We sold certain assets and liabilities of our AVV Inc. (“AVV”) business on January 23, 2008. Accordingly, the results of AVV are presented in the consolidated financial statements as discontinued operations. As discontinued operations, AVV is presented on a net basis and stated separately from the respective captions in continuing operations in the Consolidated Statements of Operations and Comprehensive Loss. Expenses included in discontinued operations are direct costs of the divestiture that were eliminated from future operations. Unless stated otherwise, all amounts in this Annual Report on Form 10-K are presented net of discontinued operations.
## Results of Operations

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

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Requests</td>
<td>92%</td>
<td>87%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>8</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net revenues</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>62%</td>
<td>64%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>38%</td>
<td>36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>22%</td>
<td>19%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology support</td>
<td>14%</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>23%</td>
<td>22%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2%</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patent litigation settlement</td>
<td>(6)%</td>
<td>(5)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>55%</td>
<td>46%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>(17)%</td>
<td>(10)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other income</td>
<td>1%</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax provision (benefit)</td>
<td>1%</td>
<td>(1)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from continuing operations</td>
<td>(17)%</td>
<td>(7)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discontinued operations, net</td>
<td>—</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>(17)%</td>
<td>(4)%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(in thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Requests</td>
<td>47,609</td>
<td>46,236</td>
<td>1,373</td>
<td>3%</td>
</tr>
<tr>
<td>Advertising</td>
<td>3,815</td>
<td>6,508</td>
<td>(2,693)</td>
<td>(41)</td>
</tr>
<tr>
<td>Other revenues</td>
<td>110</td>
<td>174</td>
<td>(64)</td>
<td>(37)</td>
</tr>
<tr>
<td>Total net revenues</td>
<td>51,534</td>
<td>52,918</td>
<td>$(1,384)</td>
<td>(3)%</td>
</tr>
<tr>
<td><strong>Cost of revenues (excludes depreciation of $243 in 2010 and $304 in 2009)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>51,534</td>
<td>52,918</td>
<td>$(1,384)</td>
<td>(3)%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>19,502</td>
<td>18,932</td>
<td>$ 570</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Purchase Requests.* Purchase Requests revenues increased $1.4 million or 3% in 2010 compared to 2009. The increase in Purchase Requests revenues was primarily due to the acquisition of Auto/Cyber and an increase in finance Purchase Requests revenues offset by a shift in mix from new and used retail Purchase Requests to Manufacturer and wholesale Purchase Requests, which have a lower average sales price per Purchase Request. Revenue from new and used retail Purchase Requests delivered decreased 18%, which was partially offset by an increase in revenue from Purchase...
Requests delivered to Manufacturers/wholesalers and finance Purchase Requests delivered of 40% and 24%, respectively, as the automotive consumer credit environment showed signs of recovery in 2010.

Advertising. The $2.7 million or 41% decrease in advertising revenues in 2010 compared to 2009 was primarily due to a reduction in total monetized page views across our Owned Websites, reflecting the full year effect of poor quality traffic cancelled in late 2009 and early 2010.

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

The $2.0 million or 6% decrease in the cost of revenues in 2010 compared to 2009 was primarily due to a decrease of $7.1 million in Purchase Request acquisition costs directly related to reduced volume and the change in mix of Purchase Requests delivered and a $1.3 million decrease in traffic acquisition costs. This was offset by an increase in SEM costs of $6.5 million.

Operating expenses were as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2010</th>
<th>2009</th>
<th>2010 vs. 2009 Change</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(dollar amounts in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>$11,282</td>
<td>$10,073</td>
<td>$1,209</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Severance included in sales and marketing</td>
<td>301</td>
<td>17</td>
<td>284</td>
<td>1671</td>
<td></td>
</tr>
<tr>
<td>Total sales and marketing</td>
<td>11,583</td>
<td>10,090</td>
<td>1,493</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Technology support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology support</td>
<td>6,593</td>
<td>4,383</td>
<td>2,210</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Severance included in technology support</td>
<td>362</td>
<td>—</td>
<td>362</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Acquisition costs included in technology support</td>
<td>8</td>
<td>—</td>
<td>8</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total technology support</td>
<td>6,963</td>
<td>4,383</td>
<td>2,580</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>10,490</td>
<td>10,948</td>
<td>(458)</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>Severance included in general and administrative</td>
<td>599</td>
<td>506</td>
<td>93</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Acquisition costs included in general and administrative</td>
<td>679</td>
<td>—</td>
<td>679</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total general and administrative</td>
<td>11,768</td>
<td>11,454</td>
<td>314</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>717</td>
<td>1,087</td>
<td>(370)</td>
<td>(34)</td>
<td></td>
</tr>
<tr>
<td>Amortization related to acquired intangible assets</td>
<td>382</td>
<td>—</td>
<td>382</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total depreciation and amortization</td>
<td>1,099</td>
<td>1,087</td>
<td>12</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Patent litigation settlement</td>
<td>(2,939)</td>
<td>(2,892)</td>
<td>(47)</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$28,474</td>
<td>$24,122</td>
<td>$4,352</td>
<td>18%</td>
<td></td>
</tr>
</tbody>
</table>

26
Sales and Marketing. Sales and marketing expense includes costs for developing our brand equity, personnel costs, and other costs associated with Dealer sales, website advertising, Dealer support, and bad debt expense. Sales and marketing expense for the year ended December 31, 2010 increased by $1.5 million or 15% compared to the prior year, due principally to increased advertising and personnel costs offset by a decrease in bad debt expense. Sales and marketing expense also included $0.3 million and $17,000 in severance related costs during 2010 and 2009, respectively.

Technology Support. Technology support include compensation, benefits, software licenses and other direct costs incurred by the Company to enhance, manage, maintain, support, monitor and operate the Company’s websites and related technologies, and to operate the Company’s internal technology infrastructure.

Technology support expense for the year ended December 31, 2010 increased by $2.6 million or 59% compared to the prior year, primarily due to increased personnel costs related to strategic initiatives. Technology support expense also increased due to $0.4 million in severance related costs and $8,000 in acquisition costs in 2010 compared to none in 2009.

General and Administrative. General and administrative expense for the year ended December 31, 2010 increased by $0.3 million compared to the prior year. The increase was primarily due to $0.7 million in legal, professional and other costs associated with the acquisition of Auto/Cyber and $0.6 million in severance related costs in 2010 compared to no acquisition costs and $0.5 million in severance related costs in 2009. These increases were offset by a decrease of $0.6 million in bonus expense.

Depreciation and amortization. Depreciation and amortization expense for the year ended December 31, 2010 increased by $12,000 primarily due to the addition of intangible assets related to the Auto/Cyber acquisition offset by a decrease in depreciation and amortization related to fixed assets that became fully amortized in 2010.

Patent Litigation Settlement. In 2004, we brought a lawsuit for patent infringement against Dealix Corporation (“Dealix”). In December 2006, we entered into a settlement agreement with Dealix (“Settlement Agreement”). The Settlement Agreement provided for Dealix to pay us a total of $20.0 million in settlement payments for a mutual release of claims and a license from us to Dealix and its parent company, the Cobalt Group, of certain of our patent and patent applications. On March 13, 2007, we received the initial $12.0 million settlement payment with the remainder to be paid out in installments of $2.7 million on the next three annual anniversary dates of the initial payment. As of December 31, 2010 we received the final annual installment payment of $2.7 million. We recorded the payment as patent litigation settlement in the period payment was received, as a reduction to operating expenses.

Interest and Other Income. Interest and other income decreased by $0.4 million or 43% to $0.6 million for the year ended December 31, 2010, compared to $1.0 million for the prior year. The decrease is primarily related to the gain on sale of an available-for-sale investment of $0.6 million included in 2009 partially offset by an increase in license fees of $0.3 million.

Segment Information

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

Liquidity and Capital Resources

The table below sets forth a summary of our cash flow for the years ended December 31, 2010 and 2009:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>$ (4,346)</td>
<td>$ (4,529)</td>
</tr>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(12,197)</td>
<td>2,233</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>265</td>
<td>—</td>
</tr>
</tbody>
</table>

Our principal sources of liquidity are our cash and cash equivalents balances. Our cash and cash equivalents totaled $8.8 million as of December 31, 2010 compared to cash and cash equivalents of $25.1 million as of December 31, 2009.

We have historically experienced negative cash flow. We believe our 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, primarily as a result of the recent acquisition of Auto/Cyber, which we believe will contribute to reducing negative cash flow, and expense reduction initiatives designed to preserve working capital that were commenced in the fourth quarter of 2010. However, we
continue to face many risks and uncertainties, many of which are beyond our control, including those related to general economic conditions and the automotive industry in general and there can be no assurance given that we will be able to meet anticipated cash needs for at least the next 12 months.

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

Net cash used in operating activities in 2009 of $4.5 million resulted primarily from a net operating loss and the change in working capital, which was the result of a year-over-year decrease in accounts payable and accrued expenses. The net decrease in accounts payable and accrued expenses was primarily due to the timing of vendor and employee severance payments. Accounts receivable decreased by $0.6 million and is due to overall decline in our sales during 2009 and the timing of our collections at each period end. The days of sales outstanding (“DSO”) declined to 53 days from 64 days for the months ended December 31, 2009 and 2008, respectively, which was due primarily to an enhanced collection effort in 2009.

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

Our primary sources of cash from investing activities in 2009 of $2.2 million were from the sale of an available-for-sale investment of $0.6 million and the receipt of $1.6 million of escrow proceeds related to the sale of our AVV business in 2008, partially offset by $0.1 million of purchases of property and equipment.

**Net Cash Provided by Financing Activities.** Our primary source of cash from financing activities is from the exercise of stock options. 539,386 options were exercised during 2010 resulting in $0.3 million of cash inflow. There were no option exercises during 2009. Our future cash flows from employee stock options, if any, will depend on the future timing, value, and amount of stock option exercises.

**Contractual Obligations**

The following table provides aggregated information about our outstanding contractual obligations as of December 31, 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015 and thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases (a)</td>
<td>$745</td>
<td>$401</td>
<td>$70</td>
<td>—</td>
<td>—</td>
<td>$1,216</td>
</tr>
<tr>
<td>Long-term debt obligations (b)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$745</td>
<td>$401</td>
<td>$70</td>
<td>—</td>
<td>$5,000</td>
<td>$6,216</td>
</tr>
</tbody>
</table>

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

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

**Off-Balance Sheet Arrangements**

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

**Critical Accounting Policies and Estimates**

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We believe the following critical accounting policies, among others,
require significant judgment in determining estimates and assumptions used in the preparation of our Consolidated Financial Statements. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and our actual results, our financial condition or results of operations may be affected. For a detailed discussion of the application of these and other accounting policies, see Note 2 of the “Notes to Consolidated Financial Statements” in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Revenue Recognition. Purchase Requests consist of vehicle buying purchase requests for new and used vehicles, and finance request fees (“Purchase Requests”). Fees paid by customers participating in our Purchase Request programs are comprised of monthly transaction and/or subscription fees. Advertising revenues represent fees for display advertising on our websites.

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

Investments. In August 2010 we acquired less than a 5% equity interest in Driverside, Inc. (“Driverside”), a non-publicly traded company, for $1.0 million. Driverside provides consumers with a broad set of content, features, tools, technology, systems, products, services and programs related to the efficient ownership of motor vehicles. We received 1,352,082 shares of Series C preferred stock in Driverside for our investment. We recorded this investment in Driverside at cost since we do not have significant influence over Driverside. We will review the investment for indicators of impairment on a quarterly basis by evaluating whether an event or change in circumstance has occurred that may have a significant adverse effect on the value of the investment. As of December 31, 2010, there were no changes in the recognized amount of the investment in Driverside.

We had an investment in one publicly traded company’s equity securities, acquired as part of an acquisition in 2001, categorized as available-for-sale. Investments categorized as available-for-sale are measured at fair value with unrealized gains and losses included in accumulated comprehensive income as a separate component of stockholders’ equity. We record our investment based on level-one inputs, which are quoted market prices in active markets for identical assets or liabilities. During 2009, we sold our investment and recorded a gain of $0.6 million, which is classified as other income on the Consolidated Statement of Operations and Comprehensive Loss.

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

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

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

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

Contingencies. From time to time we may be subject to proceedings, lawsuits and other claims. We assess the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. We record a loss contingency when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. The
amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter. At December 31, 2010, we did not record any allowances for contingencies. Gain contingencies are not recorded until all elements necessary to realize the revenue are present. Any legal fees incurred in connection with a contingency are expensed as incurred.

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

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

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

Level 3 – Unobservable financial instruments, including cash equivalents, accounts receivable, net of allowance, accounts payable and accrued liabilities, are carried at cost, which management believes approximates fair value because of the short-term maturity of these instruments.

The total consideration paid as part of the acquisition of Auto/Cyber on September 17, 2010 included contingent consideration of up to $1.0 million. On the Acquisition Date, a liability was recognized for an estimate of the Acquisition Date fair value of the contingent consideration based on the probability of achieving the targets and the probability weighted discount on cash flows. The fair value of the contingent consideration arrangement as of the Acquisition Date was $526,000. We recorded an additional $237,000 of fair value in the fourth quarter of 2010 to account for changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition of Auto/Cyber, which was included in the Statement of Operations. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. See Part II, Item 8, Note 3, “Acquisition of Autotropolis, Inc. and Cyber Ventures, Inc.”, for further discussion of the contingent consideration and key assumptions used in the Level 3 measurement. Future changes in fair value of the contingent consideration, as a result of changes in significant inputs, could have a material effect on the statement of operations in the period of the change.

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

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

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

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

As of December 31, 2010, we had $0.5 million of unrecognized tax benefits. These unrecognized tax benefits reduced our deferred tax assets which were subject to a valuation allowance of $0.5 million. There were no material changes to our uncertain tax positions during the current period. Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2010, we did not have any accrued interest or penalties associated with any unrecognized tax benefits, and no interest expense was recognized in 2010.

Deferred tax liabilities related to an asset with an indefinite useful life (goodwill and indefinite-lived intangible assets) in jurisdictions where there is a finite loss carryforward period will ordinarily not serve as a source of income for the realization of deferred tax assets because the deferred tax liability will not reverse until some indefinite future period when the asset is sold or written down due to impairment. During 2010, we recorded $11.7 million of goodwill related to the acquisition of Auto/Cyber. For tax purposes, we are amortizing tax basis goodwill of $10.3 million over 15 years. The tax amortization resulted in a deferred tax liability of $96,000 at December 31, 2010.

Goodwill. Goodwill represents the excess of the purchase price for business acquisitions over the fair value of identifiable assets and liabilities acquired. We evaluate the carrying value of enterprise goodwill for impairment. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the enterprise’s carrying value to its fair value. If the fair value is less than the carrying value, enterprise goodwill is potentially impaired and we then complete the second step to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of enterprise goodwill, an impairment loss is recognized equal to the difference. We evaluate enterprise goodwill, at a minimum, on an annual basis, in the fourth quarter of each year or whenever events or changes in circumstances suggest that the carrying amount of goodwill may be impaired. During 2010 we recognized $11.7 million in goodwill related to the acquisition of Auto/Cyber.

Impairment of Long-Lived Assets and Other Intangible Assets. We periodically review long-lived assets to determine if there is any impairment of these assets. We assess the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our long-lived assets and other intangibles. Future events could cause us to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. We assess the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset’s carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, we will write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on our financial condition and results of operations. During 2010 we recorded $4.5 million of
intangible assets related to the Auto/Cyber acquisition. At December 31, 2010, we had approximately $4.3 million of remaining long-lived assets that could be subject to future impairment. We did not record any impairment in 2010.

Recent Accounting Pronouncements

Business Combinations

Accounting Standards Codification ("ASC") 805 "Business Combinations." In December 2010, Accounting Standards Update ("ASU") 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations," was issued. This ASU clarifies that if comparative financial statements are presented, the pro forma disclosures for both periods presented (the year in which the acquisition occurred and the prior year) should be reported as if the acquisition had occurred as of the beginning of the comparable prior annual reporting period only and not as if it had occurred at the beginning of the current annual reporting period. The ASU also expands the supplemental pro forma disclosure requirements to include a description of the nature and amount of any material non-recurring adjustments that are directly attributable to the business combination. This ASU is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, and should be applied prospectively. We do not believe adoption of this ASU will have a material effect on our consolidated financial results.

Intangibles – Goodwill and Other

ASC 350 “Intangibles – Goodwill and Other.” In December 2010, ASU 2010-28, “When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts,” was issued. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 if it appears more likely than not that a goodwill impairment exists by considering whether there are any adverse qualitative factors indicating that an impairment may exist. This ASU is effective for public entities in fiscal years and interim periods within those years beginning after December 15, 2010. We do not believe adoption of this ASU will have a material effect on our consolidated financial results.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

At December 31, 2010 we had $8.8 million in cash and cash equivalents.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Balance Sheets as of December 31, 2010 and 2009 and our Consolidated Statements of Operations and Comprehensive Loss, Stockholders’ Equity and Cash Flows for each of the years in the two-year period ended December 31, 2010, together with the report of our independent registered public accounting firm, begin on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that material information relating to the Company and its subsidiaries required to be disclosed by us in the reports that are filed under the Securities Exchange Act of 1934, as amended ("Exchange Act") is recorded, processed, summarized and reported in the time periods specified in the SEC’s rules and forms, and that this information is accumulated and communicated to our management, including our Chief Executive and Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only a reasonable assurance of achieving the desired control objectives, and management was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.
Under the supervision and with the participation of our management, including our Chief Executive and Financial Officers, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as of December 31, 2010. Based on this evaluation, the Chief Executive and Financial Officers concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2010.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Company’s Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2010. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In making this assessment, management used the criteria set forth in the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) entitled Internal Control—Integrated Framework. Based on this evaluation, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2010.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 of the Exchange Act that have occurred during the fourth quarter of fiscal year 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.
PART III

Information called for by the Items included under this Part III is incorporated by reference to the sections listed below of our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders that will be filed not later than 120 days after December 31, 2010, ("2011 Proxy Statement").

Item 10 Directors, Executive Officers and Corporate Governance

The information called for by this Item 10 is incorporated by reference to the following sections of the 2011 Proxy Statement: “Proposal 1- Nomination and Election of Directors;” “Board of Directors;” “Executive Officers;” “Section 16(a) Beneficial Ownership Reporting Compliance;” and the following paragraphs under the section “Corporate Governance Matters” --Code of Conduct and Ethics,” “--Committees of the Board of Directors—Audit Committee,” “ --Code of Conduct and Ethics,” --Attendance at Board and Committee Meetings, “ and “—Director Independence.”

Item 11 Executive Compensation

The information called for in this Item 11 is incorporated by reference to the following sections of the 2011 Proxy Statement: “Executive Compensation,” “Corporate Governance Matters–Compensation Committee Interlocks and Insider Participation,” and “Executive Compensation--Compensation Committee Report.”

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

The information called for in this Item 12 is incorporated by reference to the following sections of the 2011 Proxy Statement: “Security Ownership of Owners and Certain Beneficial Owners and Management” and “Executive Compensation--Equity Compensation Plans.”

Item 13 Certain Relationships and Related Transactions, and Director Independence

The information called for in this Item 13 is incorporated by reference to the following sections of the 2011 Proxy Statement: “Corporate Governance Matters--Certain Relationships and Related Party Transactions” and “--Director Independence.”

Item 14 Principal Accountant Fees and Services

The information called for in this Item 14 is incorporated by reference to the following sections of the 2011 Proxy Statement: “Independent Registered Public Accounting Firm and Audit Committee Report--Principal Accountant Fees and Services;” “--Audit Related Fees,” “--Tax Fees,” “--All Other Fees,” and “--Pre-Approval Policy for Services.”

34
PART IV

Item 15. Exhibits and Financial Statement Schedules

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

   (1) Financial Statements:

<table>
<thead>
<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>F-2</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>F-3</td>
</tr>
<tr>
<td>Consolidated Statements of Operations and Comprehensive Loss</td>
<td>F-4</td>
</tr>
<tr>
<td>Consolidated Statements of Stockholders’ Equity</td>
<td>F-5</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>F-6</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>F-7</td>
</tr>
</tbody>
</table>

   (2) Financial Statement Schedules:

   Schedule II - Valuation and Qualifying Accounts F-29

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

   (3) Exhibits:

   The exhibits filed or furnished as part of this Annual Report on Form 10-K are listed in the Index to Exhibits immediately preceding such exhibits, which Index to Exhibits is incorporated herein by reference.
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 10th day of March, 2011.

AUTObYTEL INC.

By: _____________________________
    /s/ JEFFREY H. COATS
    Jeffrey H. Coats
    President, Chief Executive Officer and Director

POWER OF ATTORNEY

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

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

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ MICHAEL J. FUCHS</td>
<td>Chairman of the Board and Director</td>
<td>March 10, 2011</td>
</tr>
<tr>
<td>Michael J. Fuchs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JEFFREY H. COATS</td>
<td>President, Chief Executive Officer and Director</td>
<td>March 10, 2011</td>
</tr>
<tr>
<td>Jeffrey H. Coats</td>
<td>(Principal Executive Officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ CURTIS E. DEWALT</td>
<td>Senior Vice President and Chief Financial Officer</td>
<td>March 10, 2011</td>
</tr>
<tr>
<td>Curtis E. DeWalt</td>
<td>(Principal Financial Officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ WESLEY OZIMA</td>
<td>Vice President and Controller</td>
<td>March 10, 2011</td>
</tr>
<tr>
<td>Wesley Ozima</td>
<td>(Principal Accounting Officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ MARK N. KAPLAN</td>
<td>Director</td>
<td>March 10, 2011</td>
</tr>
<tr>
<td>Mark N. Kaplan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ MARK R. ROSS</td>
<td>Director</td>
<td>March 10, 2011</td>
</tr>
<tr>
<td>Mark R. Ross</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JEFFREY M. STIBEL</td>
<td>Director</td>
<td>March 10, 2011</td>
</tr>
<tr>
<td>Jeffrey M. Stibel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JANET M. THOMPSON</td>
<td>Director</td>
<td>March 10, 2011</td>
</tr>
<tr>
<td>Janet M. Thompson</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# AUTOBYTEL INC.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>F-2</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>F-3</td>
</tr>
<tr>
<td>Consolidated Statements of Operations and Comprehensive Loss</td>
<td>F-4</td>
</tr>
<tr>
<td>Consolidated Statements of Stockholders’ Equity</td>
<td>F-5</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>F-6</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>F-7</td>
</tr>
</tbody>
</table>
Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Autobytel Inc.

We have audited the accompanying consolidated balance sheets of Autobytel Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive loss, stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autobytel Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/or Ernst & Young LLP
Orange County, California
March 10, 2011

F-2
# AUTOBYTEL INC.

## CONSOLIDATED BALANCE SHEETS

(in thousands, except per-share and share data)

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$8,819</td>
<td>$25,097</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>400</td>
<td>—</td>
</tr>
<tr>
<td>Accounts receivable, net of allowances for bad debts and customer credits of $621 and $1,107 at December 31, 2010 and 2009, respectively</td>
<td>9,067</td>
<td>8,573</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>797</td>
<td>594</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>19,083</td>
<td>34,264</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,733</td>
<td>1,003</td>
</tr>
<tr>
<td>Long-term strategic investment</td>
<td>1,000</td>
<td>—</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>4,258</td>
<td>—</td>
</tr>
<tr>
<td>Goodwill</td>
<td>11,677</td>
<td>—</td>
</tr>
<tr>
<td>Other assets</td>
<td>81</td>
<td>123</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$37,832</strong></td>
<td><strong>$35,390</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Stockholders’ Equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,713</td>
<td>$2,539</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>4,995</td>
<td>4,028</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>564</td>
<td>603</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>9,272</td>
<td>7,170</td>
</tr>
<tr>
<td>Convertible note payable</td>
<td>5,000</td>
<td>—</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>457</td>
<td>79</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>14,729</td>
<td>7,249</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders’ equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, $0.001 par value; 11,445,187 shares authorized; none outstanding</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.001 par value; 200,000,000 shares authorized; 45,689,062 and 45,168,706 shares issued and outstanding at December 31, 2010 and 2009, respectively</td>
<td>46</td>
<td>45</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>305,356</td>
<td>301,831</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(282,299)</td>
<td>(273,735)</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity</strong></td>
<td>23,103</td>
<td>28,141</td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders’ equity</strong></td>
<td><strong>$37,832</strong></td>
<td><strong>$35,390</strong></td>
</tr>
</tbody>
</table>

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

F-3
### AUTOBYTEL INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(in thousands, except per-share data)

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase requests</td>
<td>$47,609</td>
</tr>
<tr>
<td>Advertising</td>
<td>3,815</td>
</tr>
<tr>
<td>Other revenues</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total net revenues</strong></td>
<td>$51,534</td>
</tr>
<tr>
<td><strong>Cost of revenues (excludes depreciation of $243 in 2010 and $304 in 2009)</strong></td>
<td>$32,032</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$19,502</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>$11,583</td>
</tr>
<tr>
<td>Technology support</td>
<td>6,963</td>
</tr>
<tr>
<td>General and administrative</td>
<td>11,768</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,099</td>
</tr>
<tr>
<td>Patent litigation settlement</td>
<td>(2,939)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$28,474</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(8,972)</td>
</tr>
<tr>
<td><strong>Interest and other income, net</strong></td>
<td>590</td>
</tr>
<tr>
<td><strong>Income tax provision (benefit)</strong></td>
<td>182</td>
</tr>
<tr>
<td><strong>Loss from continuing operations</strong></td>
<td>(8,564)</td>
</tr>
<tr>
<td><strong>Discontinued operations, net</strong></td>
<td>—</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$ (8,564)</td>
</tr>
<tr>
<td><strong>Basic and diluted loss per common share:</strong></td>
<td></td>
</tr>
<tr>
<td>Loss from continuing operations</td>
<td>$(0.19)</td>
</tr>
<tr>
<td>Discontinued operations, net</td>
<td>—</td>
</tr>
<tr>
<td><strong>Basic and diluted loss per common share</strong></td>
<td>$(0.19)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
## AUTOBYTEL INC.

### CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY

(in thousands, except share data)

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Accumulated Deficit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Shares</td>
<td>Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 2008</td>
<td>45,219,679</td>
<td>$45</td>
<td>$300,720</td>
<td>$568</td>
<td>$(271,358)</td>
</tr>
<tr>
<td>Shares forfeited pursuant to stock awards</td>
<td>(50,973)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>—</td>
<td>—</td>
<td>1,111</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Realized gains reclassified to the Statement of Operations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(568)</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance, December 31, 2009</td>
<td>45,168,706</td>
<td>45</td>
<td>301,831</td>
<td>—</td>
<td>(273,735)</td>
</tr>
<tr>
<td>Shares forfeited pursuant to stock awards</td>
<td>(19,030)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>—</td>
<td>—</td>
<td>1,101</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of warrants</td>
<td>—</td>
<td>—</td>
<td>1,260</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Premium on convertible note</td>
<td>—</td>
<td>—</td>
<td>900</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>539,386</td>
<td>1</td>
<td>264</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance, December 31, 2010</td>
<td>45,689,062</td>
<td>$46</td>
<td>$305,356</td>
<td>—</td>
<td>$(282,299)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
### AUTOBYTEL INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(in thousands)**

<table>
<thead>
<tr>
<th>Years Ended</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31</td>
<td>2010</td>
<td>2009</td>
</tr>
</tbody>
</table>

**Cash flows from operating activities:**

- **Net loss**: $ (8,564) $ (2,377)

**Adjustments to reconcile net loss to net cash used in operating activities:**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>1,365</td>
<td>1,620</td>
</tr>
<tr>
<td>Provision for bad debt</td>
<td>105</td>
<td>1,051</td>
</tr>
<tr>
<td>Provision for customer credits</td>
<td>714</td>
<td>982</td>
</tr>
<tr>
<td>Gain on AVV divestiture</td>
<td>—</td>
<td>(1,787)</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>1,101</td>
<td>1,111</td>
</tr>
</tbody>
</table>

**Changes in assets and liabilities:**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>(17)</td>
<td>(559)</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(191)</td>
<td>784</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>48</td>
<td>(576)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>747</td>
<td>(1,040)</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>428</td>
<td>(2,404)</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>(39)</td>
<td>(1,232)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(43)</td>
<td>(102)</td>
</tr>
</tbody>
</table>

**Net cash used in operating activities**: $(4,346) $ (4,529)

**Cash flows from investing activities:**

- **Purchase of Autotropolis and Cyber Ventures**: $ (9,000) —
- **Purchases of strategic investment**: $ (1,000) —
- **Purchases of property and equipment**: $ (1,797) $ (134)
- **Purchase of short-term investment**: $ (400) —
- **Proceeds from sale of investment**: — $ 580
- **Proceeds from AVV Divestiture**: — $ 1,787

**Net cash (used in) provided by investing activities**: $(12,197) $ 2,233

**Cash flows from financing activities:**

- **Net proceeds from stock option exercises**: $ 265 —

**Net cash provided by financing activities**: $ 265 —

**Net decrease in cash and cash equivalents**: $(16,278) $(2,296)

**Cash and cash equivalents, beginning of period**: $25,097 $27,393

**Cash and cash equivalents, end of period**: $8,819 $25,097

**Supplemental disclosure of cash flow information:**

- **Cash paid for income taxes**: $ 225 $ 161

**Supplemental disclosure of non-cash financing activities:**

- **Issuance of convertible note related to Autotropolis/Cyber Ventures acquisition**: $ 5,000 —

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

   Autobytel Inc. ("Autobytel" or the "Company") is an automotive marketing services company that assists automotive retail dealers ("Dealers") and automotive manufacturers ("Manufacturers") market and sell new and used vehicles through its internet purchase request referral programs, together with related Dealer marketing products and services, and online advertising programs.

   Internet purchase request referrals ("Purchase Requests") are internet requests from consumers seeking information or quotes regarding pricing and availability of new or used vehicles or for vehicle financing. The Company’s network of owned, consumer-facing automotive websites ("Owned Websites"), which include Autobytel.com®, Autotropolis.com®, Autoweb.com®, AutoSite.com®, Car.com®, CarSmart.com®, CarTV.com®, MyGarage.com® and MyRide.com®, provide consumers with information and tools to aid them with their automotive purchase decisions and the opportunity to submit Purchase Requests. Purchase Requests are internally generated from the Company’s Owned Websites ("Internally-Generated Purchase Requests") or purchased from third parties ("Other Purchase Requests") that generate Purchase Requests from their websites ("Third Party Websites"). Autobytel sells Internally-Generated Purchase Requests and Other Purchase Requests direct to Dealers and indirectly to Dealers through a wholesale market consisting of Manufacturers and other third parties in the automotive Purchase Request distribution industry. In conjunction with the Company’s Purchased Request programs, Autobytel also offers Dealers and Manufacturers other products and services to assist them in capturing online, in-market customers and selling more vehicle sales, including the Company’s iControl by Autobytel®, WebLeads+, Email Marketing Manager, and Lead Call products and services. The Company’s Owned Websites offer Manufacturers the opportunity to feature their makes and models within highly contextual content.

   The Company’s Owned Websites also offer Manufacturers the opportunity to feature their makes and models within highly contextual content. Through their advertising placements, Manufacturers can direct consumers to their respective websites for further information.

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

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

   The Company continued to experience negative cash flow in 2010 and at December 31, 2010 had an accumulated deficit of $282 million. Based on the Company’s current operating plan for 2011, it expects that its net operating cash flows will improve from 2010 levels. The Company continues to face many risks and uncertainties related to the general economic conditions and the automotive industry in particular, however, the Company believes current cash and cash equivalents are sufficient to meet anticipated cash needs for working capital and capital expenditures for at least the next 12 months.

2. **Summary of Significant Accounting Policies**

   **Basis of Presentation.** The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company sold certain assets and liabilities of its AVV Inc. business on January 23, 2008, the "Divestiture" (See Note 5). Accordingly, the Divestiture is presented in the Consolidated Statements of Operations and Comprehensive Loss as discontinued operations. As discontinued operations, revenues and expenses of the Divestiture are presented on a net basis and stated separately from the respective captions in continuing operations in the Consolidated Statements of Operations and Comprehensive Loss. Expenses included in discontinued operations were direct costs of the Divestiture that were eliminated from future operations.

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

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

Restricted Cash. In December 2010, the Company paid $0.4 million for a certificate of deposit to secure processing of certain search engine marketing (“SEM”) activity. The certificate of deposit matures in December 2011.

Investments. In August 2010, the Company acquired less than a 5% equity interest in Driverside, Inc. (“Driverside”), a non-publicly traded company, for $1.0 million. Driverside provides consumers with a broad set of content, features, tools, technology, systems, products, services and programs related to the efficient ownership of motor vehicles. The Company received 1,352,082 shares of Series C preferred stock in Driverside for its investment. The Company recorded this investment in Driverside at cost since it does not have significant influence over Driverside. The Company will review the investment for indicators of impairment on a quarterly basis by evaluating whether an event or change in circumstance has occurred that may have a significant adverse effect on the value of the investment. As of December 31, 2010, there were no changes in the recognized amount of the investment in Driverside.

The Company had an investment in one publicly traded company’s equity securities, acquired as part of an acquisition in 2001, categorized as available-for-sale. Investments categorized as available-for-sale are measured at fair value with unrealized gains and losses included in accumulated comprehensive income as a separate component of stockholders’ equity. The Company recorded this investment based on level-one inputs, which are quoted market prices in active markets for identical assets or liabilities. During 2009, the Company sold the investment and recorded a gain of $0.6 million, which is classified as other income on the Consolidated Statements of Operations and Comprehensive Loss.

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

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

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

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

Contingencies. From time to time the Company may be subject to proceedings, lawsuits and other claims. The Company assesses the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. The Company records a loss contingency when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. The amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter. At December 31, 2010, the Company did not record any allowances for contingencies. Gain contingencies are
not recorded until all elements necessary to realize the revenue are present. Any legal fees incurred in connection with a contingency are expensed as incurred.

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

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – Unobservable financial instruments, including cash equivalents, accounts receivable, net of allowance, accounts payable and accrued liabilities, are carried at cost, which management believes approximates fair value because of the short-term maturity of these instruments.

The total consideration paid as part of the acquisition of Auto/Cyber on September 17, 2010 (“Acquisition Date”) included contingent consideration of up to $1.0 million. On the Acquisition Date, a liability was recognized for an estimate of the Acquisition Date fair value of the contingent consideration based on the probability of achieving the targets and the probability weighted discount on cash flows. The fair value of the contingent consideration arrangement as of the Acquisition Date was $526,000. The Company recorded an additional $237,000 of fair value in the fourth quarter of 2010 to account for changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition of Auto/Cyber, which was included in the Statement of Operations. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. See Note 3 for further discussion of the contingent consideration and key assumptions used in the Level 3 measurement. Future changes in fair value of the contingent consideration, as a result of changes in significant inputs, could have a material effect on the Statement of Operations in the period of the change.

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

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, and in particular with two automobile Manufacturers (General Motors and Nissan). During 2010 approximately 16% of the Company’s total revenues were derived from these two automobile Manufacturers, and approximately 16% of its total gross accounts receivable are receivable from them at December 31, 2010. The Company generally requires no collateral to support its accounts receivables and maintains an allowance for bad debts for potential credit losses. The Company has no pre-bankruptcy receivables from General Motors as of December 31, 2010.

In 2010 and 2009, no customer accounted for greater than 10% of total revenues, and the Company had no balances due from any customer that accounted for more than 10% of total accounts receivable as of December 31, 2010 or 2009.

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

**Operating Leases.** The Company leases office space, certain office equipment and a domain name under operating lease agreements which expire on various dates through 2013, with options to renew on expiration of the original lease terms.
Reimbursed tenant improvements are considered in determining straight-line rent expense, and are amortized over the shorter of their estimated useful lives or the lease term. The lease term begins on the date of initial possession of the leased property for purposes of recognizing rent expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term.

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

**Impairment of Long-Lived Assets.** The Company periodically reviews long-lived assets to determine if there is any impairment of these assets. The Company assesses the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of the long-lived assets and other intangibles. Future events could cause the Company to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. The Company assesses the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset’s carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, the Company will write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on the Company’s financial condition and results of operations. During 2010 the Company recorded $4.5 million of intangible assets related to the Auto/Cyber acquisition. At December 31, 2010, the Company had approximately $4.3 million of remaining long-lived assets that could be subject to future impairment. The Company did not record any impairment in 2010 or 2009.

**Goodwill.** Goodwill represents the excess of the purchase price for business acquisitions over the fair value of identifiable assets and liabilities acquired. The Company evaluates the carrying value of enterprise goodwill for impairment. Testing for impairment of goodwill is a two-step process. The first step requires the Company to compare the enterprise’s carrying value to its fair value. If the fair value is less than the carrying value, enterprise goodwill is potentially impaired and the Company then completes the second step to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of enterprise goodwill, an impairment loss is recognized equal to the difference. The Company evaluates enterprise goodwill, at a minimum, on an annual basis, in the fourth quarter of each year or whenever events or changes in circumstances suggest that the carrying amount of goodwill may be impaired. During 2010 the Company recognized $11.7 million in goodwill related to the acquisition of Auto/Cyber.

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

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

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

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

Deferred tax liabilities related to an asset with an indefinite useful life (goodwill and indefinite-lived intangible assets) in jurisdictions where there is a finite loss carryforward period will ordinarily not serve as a source of income for the realization of deferred tax assets because the deferred tax liability will not reverse until some indefinite future period when the asset is sold or written down due to impairment. During 2010, the Company recorded $11.7 million of goodwill related to the acquisition of Auto/Cyber. For tax purposes, the Company is amortizing tax basis goodwill of $10.3 million over 15 years. The tax amortization resulted in a deferred tax liability of $96,000 at December 31, 2010.

Computation of Basic and Diluted Net Loss per Share. Basic net loss per share is computed using the weighted average number of common shares outstanding during the period, excluding any unvested restricted stock. Diluted net loss per share is computed using the weighted average number of common shares, and if dilutive, potential common shares outstanding, assuming that any proceeds from the exercise of stock options and unvested restricted stock would be used to purchase common stock at the average market price during the period.

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

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted loss per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average common shares outstanding</td>
<td>45,354,243</td>
<td>44,947,865</td>
</tr>
<tr>
<td>Weighted average unvested restricted stock outstanding</td>
<td>(264,279)</td>
<td>(385,023)</td>
</tr>
<tr>
<td>Basic and dilutive shares</td>
<td>45,089,964</td>
<td>44,562,842</td>
</tr>
</tbody>
</table>

Potentially dilutive securities representing approximately 3.9 million and 8.2 million shares of common stock for the years ended December 31, 2010 and 2009, respectively, were excluded from the computation of diluted loss for these periods because their effect would have been anti-dilutive.

Share-Based Compensation. The Company grants restricted stock and stock option awards (the “Awards”) under several of its share-based compensation Plans (the “Plans”), that are more fully described in Note 9. The Company recognizes share-based compensation based on the Awards’ fair value, net of estimated forfeitures on a straight line basis over the requisite service periods, which is generally over the awards’ respective vesting period, or on an accelerated basis over the estimated performance periods for options with performance conditions.

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

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

Reclassifications. Certain reclassifications have been made to prior years’ consolidated financial statements to conform to the current year presentation. These reclassifications include presenting depreciation and amortization expense on a separate line within the Consolidated Statements of Operations.

Advertising Expense. Advertising costs are expensed in the period incurred. Advertising expense in 2010 and 2009 was $0.9 million and $2.1 million, respectively.

F-11
Recent Accounting Pronouncements

Business Combinations

Accounting Standards Codification ("ASC") 805 "Business Combinations." In December 2010, Accounting Standards Update ("ASU") 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations," was issued. This ASU clarifies that if comparative financial statements are presented, the pro forma disclosures for both periods presented (the year in which the acquisition occurred and the prior year) should be reported as if the acquisition had occurred as of the beginning of the comparable prior annual reporting period only and not as if it had occurred at the beginning of the current annual reporting period. The ASU also expands the supplemental pro forma disclosure requirements to include a description of the nature and amount of any material non-recurring adjustments that are directly attributable to the business combination. This ASU is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or on after December 15, 2010, and should be applied prospectively. The Company does not believe adoption of this ASU will have a material effect on its consolidated financial results.

Intangibles – Goodwill and Other

ASC 350 “Intangibles – Goodwill and Other.” In December 2010, ASU 2010-28, “When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts,” was issued. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 if it appears more likely than not that a goodwill impairment exists by considering whether there are any adverse qualitative factors indicating that an impairment may exist. This ASU is effective for public entities in fiscal years and interim periods within those years beginning after December 15, 2010. The Company does not believe adoption of this ASU will have a material effect on its consolidated financial results.

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

On September 17, 2010, the Company acquired substantially all of the assets of Auto/Cyber. The results of Auto/Cyber’s operations have been included in the consolidated financial statements since that date. The business acquired from Cyber Ventures, Inc. generates and sells in-market consumer automotive Purchase Requests. The business acquired from Autotropolis, Inc., through its Autotropolis.com website, provides new car Purchase Requests and related digital products directly to automotive Dealers. The Company expects the transaction to extend its core growth and margin-enhancement strategies and solidify its position as the premier provider of automotive-related consumer Purchase Requests in the industry. The two former owners of the acquired businesses were employed by the Company upon closing of the acquisition. Payments of purchase consideration are made to entities controlled by the former owners. Prior to the acquisition, Auto/Cyber was a Purchase Request provider for the Company.

The Acquisition Date fair value of the consideration transferred totaled $16.8 million which consisted of the following:

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

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

The Warrant to purchase 2,000,000 shares of Company common stock issued in connection with the acquisition ("Warrant") has been valued at $0.63 per share for a total value of $1.3 million. The Company used an option pricing model to determine the value of the Warrant. Key assumptions used in valuing the Warrant are as follows: risk-free rate of 2.3%, stock price volatility of 77.5% and a term of 8.04 years. The Warrant was valued based on long-term volatilities of the Company and comparable public companies as of the Acquisition Date. The exercise price of the Warrant is $0.93 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The Warrant becomes exercisable on the third anniversary of the issuance date and expires on the eighth anniversary of the issuance date. The right to exercise the Warrant is accelerated in the event of a change in control of the Company.

The contingent consideration arrangement requires the Company to pay up to $1.0 million (representing quarterly payments of up to $83,334 beginning fourth quarter 2010 and ending third quarter 2013) of additional consideration to the sellers if certain quarterly Purchase Request volume, Purchase Request quality and gross margin targets are met. The targets were met for the quarter ended December 31, 2010 and the Company accrued $83,334 for the quarter. The fair value of the contingent consideration arrangement as of the Acquisition Date was $526,000. The fair value of the contingent consideration was estimated using a Monte Carlo Simulation. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820, Fair Value Measurements and Disclosures. The key assumptions in applying the Monte Carlo Simulation consisted of minimum, maximum, and modal values for the expected quarterly incremental Purchase Request volume, close rate index, and gross margin growth rate as well as a triangular distribution assumption. The Company recorded an additional $237,000 in fair value in the fourth quarter of 2010 to account for changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition of Auto/Cyber.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the acquisition date. Because the transaction was completed near the end of the third quarter, the Company has not yet finalized the fair values of the assets and liabilities assumed in connection with the acquisition.

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

The preliminary fair value of the acquired intangible assets was determined using the below valuation approaches. In estimating the preliminary fair value of the acquired intangible assets, the Company utilized the valuation methodology determined to be most appropriate for the individual intangible asset being valued as described below. The acquired intangible assets include the following:
(1) Determination of the estimated useful lives of the individual categories of purchased intangible assets was based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Amortization of intangible assets with definite lives are recognized over the shorter of the respective lives of the agreement or the period of time the assets are expected to contribute to future cash flows.

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

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

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

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

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of the identifiable purchased intangible assets include all assumptions associated with forecasting cash flows and profitability. The primary assumptions used for the determination of the preliminary fair value of the purchased intangible assets were generally based upon the present value of anticipated cash flows discounted at a rate of 18.0%. Estimated years of projected earnings generally follow the range of estimated remaining useful lives for each intangible asset class.

The goodwill recognized of $11.7 million is attributable primarily to expected synergies and the assembled workforce of Auto/Cyber. Of this amount, approximately $10.3 million is amortizable for income tax purposes. As of December 31, 2010, there were no changes in the recognized amounts of goodwill resulting from the acquisition of Auto/Cyber.

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

The operating results of Auto/Cyber have been included in the Company’s consolidated financial statements from the date of the acquisition through December 31, 2010. Total revenue of $4.7 million and net income of $1.0 million, which includes all Purchase Requests generated through Auto/Cyber, was recognized for Auto/Cyber through December 31, 2010.

The following unaudited pro forma information presents the consolidated results of the Company and Auto/Cyber for the years ended December 31, 2010 and 2009, respectively, with adjustments to give effect to pro forma events that are directly attributable to the acquisition and have a continuing impact, but exclude the impact of pro forma events that are directly attributable to the acquisition and are one-time occurrences. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods, the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results of operations that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur as a result of the acquisition and combining the operations of the companies.
The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2009, are as follows:

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

4. **Selected Balance Sheet Accounts**

*Property and Equipment*

Property and equipment consists of the following:

<table>
<thead>
<tr>
<th>As of December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td><strong>Computer software and hardware and capitalized internal use software</strong></td>
<td>$ 11,651</td>
<td>$ 10,095</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>1,505</td>
<td>1,432</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,024</td>
<td>949</td>
</tr>
<tr>
<td><strong>Less—Accumulated depreciation and amortization</strong></td>
<td>(12,447)</td>
<td>(11,473)</td>
</tr>
<tr>
<td><strong>Property and Equipment, net</strong></td>
<td>$ 1,733</td>
<td>$ 1,003</td>
</tr>
</tbody>
</table>

As of December 31, 2010 and 2009, capitalized internal use software, net of amortization, was $0.2 million and $0.1 million, respectively. Depreciation and amortization expense related to property and equipment was $1.0 million for the year ended December 31, 2010. Of this amount, $0.3 million was recorded in cost of revenues and $0.7 million was recorded in operating expenses. Depreciation and amortization expense related to property and equipment was $1.6 million for the year ended December 31, 2009. Of this amount, $0.5 million was recorded in cost of revenues and $1.1 million was recorded in operating expenses.

*Investments.* On August 16, 2010, the Company acquired less than a 5% interest in Driverside, Inc. for $1,000,000. The Company recorded this investment in Driverside, Inc. at cost since it does not have significant influence over Driverside, Inc. The Company will review for indicators of impairment on a quarterly basis by evaluating whether an event or change in circumstance has occurred that may have a significant adverse effect on the value of the investment. As of December 31, 2010, there were no changes in the recognized amount of the investment in Driverside, Inc.

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

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Estimated Useful Life</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademarks/trade names</td>
<td>5 years</td>
<td>$5,540 $4,618 $922</td>
</tr>
<tr>
<td>Software and publications</td>
<td>3 years</td>
<td>$1,300 $125 $1,175</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>3 years</td>
<td>$1,870 $180 $1,690</td>
</tr>
<tr>
<td>Employment/non-compete agreements</td>
<td>5 years</td>
<td>$500 $29 $471</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong> 9,210 $4,952 $4,258</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amortization Expense (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,370</td>
</tr>
<tr>
<td>2012</td>
<td>1,356</td>
</tr>
<tr>
<td>2013</td>
<td>1,037</td>
</tr>
<tr>
<td>2014</td>
<td>286</td>
</tr>
<tr>
<td>2015</td>
<td>209</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong> 4,258</td>
</tr>
</tbody>
</table>

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

Accrued Expenses and Other Current Liabilities

As of December 31, 2010 and 2009, accrued expenses and other current liabilities consisted of the following:

<table>
<thead>
<tr>
<th>As of December 31, 2010</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and related costs</td>
<td>$1,988</td>
<td>$2,629</td>
</tr>
<tr>
<td>Professional fees and other accrued expenses</td>
<td>2,103</td>
<td>667</td>
</tr>
<tr>
<td>Amounts due to customers</td>
<td>367</td>
<td>468</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>537</td>
<td>264</td>
</tr>
<tr>
<td><strong>Total accrued expenses and other current liabilities</strong></td>
<td>$4,995</td>
<td>$4,028</td>
</tr>
</tbody>
</table>

Long-term debt. In connection with the acquisition of Auto/Cyber, the Company issued the Note. Interest is payable at an annual interest rate of 6% in quarterly installments. The Company accrued $86,667 of interest related to the Note during the year ended December 31, 2010. The entire outstanding balance of the Note is to be paid in full on September 30, 2015.

F-16
At any time after September 30, 2013, holders of the Note may convert all or any part of, but in 200,000 minimum share increments, the then outstanding and unpaid principal of the Note into fully paid shares of the Company’s Common Stock at a conversion price of $0.93 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The right to convert the Note into Common Stock of the Company is accelerated in the event of a change in control of the Company. In the event of default, the entire unpaid balance of the Note will become immediately due and payable and will bear interest at the lower of 8% per year and the highest legal rate permissible under applicable law. See Note 3 for further discussion of the convertible subordinated promissory note.

5. AVV Divestiture

On January 23, 2008, the Company completed the sale of certain assets and liabilities of its AVV, Inc. data extraction and customer relationship management software business (“AVV”) to Dominion Enterprises (“Dominion”) for approximately $22.75 million in cash, plus a working capital payment of approximately $1.0 million. The Company recorded a gain on sale of approximately $4.2 million in 2008, which is classified as discontinued operations in the Consolidated Statements of Operations and Comprehensive Loss. The Company and Dominion also agreed to a $1.9 million escrow in connection with the sale (the “Escrow”). During 2009, the Company received approximately $1.8 million of the Escrow, with the remaining $0.1 million distributed to Dominion. The $1.8 million Escrow received by the Company in 2009 is classified as a gain on sale, discontinued operations.

The AVV results of operations are presented as discontinued operations for all periods presented. As discontinued operations, revenues and expenses have been aggregated and stated separately from the respective captions of continuing operations in the Consolidated Statements of Operations and Comprehensive Loss. Expenses include direct costs of the business that were eliminated from future operations. For the years ended December 31, 2010 and 2009 the results of operations of AVV are reported as discontinued operations, net of taxes, as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net revenues:</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gross profit</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Technology support</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>General and administrative</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total operating costs</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sale</td>
<td>—</td>
<td>1,787</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>—</td>
<td>608</td>
</tr>
<tr>
<td>Discontinued operations, net</td>
<td>$ —</td>
<td>$1,179</td>
</tr>
</tbody>
</table>

6. Patent Litigation Settlement

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

The Company did not have reasonable assurance that it would receive the remaining payment on its due date and therefore had not recorded any amounts receivable related to the Settlement Agreement as of December 31, 2009. On March 15, 2010, the Company had received the final annual installment payment of $2.7 million. The Company recorded the payment as patent litigation settlement in the period payment was received, as a reduction to operating expenses.
Texas and California Patent Litigation Settlements. The Company entered into a settlement agreement with Insweb Corporation ("Insweb"), Leadpoint, Inc. ("Leadpoint"), and Internet Brands, Inc. ("Internet Brands") settling and dismissing with prejudice various patent-related and other claims by and against the Company. Under the settlement terms, Autobytel granted to Insweb, Leadpoint and Internet Brands, and Insweb, Leadpoint and Internet Brands each granted to Autobytel, a non-exclusive perpetual license to their respective patents as well as long-term covenants not to sue any of the parties for infringement of current or future patents; and mutual releases of claims. In connection with the settlement, (i) Autobytel and Autodata Solutions, Inc. ("Autodata"), a wholly owned subsidiary of Internet Brands, entered into a Master License and Services Agreement pursuant to which the Company will have the right to publish certain editorial content, images, shopping tools and vehicle data provided by Autodata for a term of five years; and (ii) shares of Internet Brands’ common stock previously issued to one of the Company’s subsidiaries but held by Internet Brands was released to the Company. In addition, InsWeb and Autobytel entered into a Content License Agreement pursuant to which Autobytel will receive specific auto insurance editorial content, data and interactive tools from InsWeb. The content and tools will contain links to one of InsWeb’s insurance websites, and Autobytel and InsWeb will share the revenue associated with consumer activity generated by the links. LeadPoint agreed to pay Autobytel $200,000, $100,000 of which was paid in connection with the signing of the settlement, to be followed by $50,000 installments payable on or before March 31, 2010 and September 30, 2010, respectively. The $50,000 payments were received in April and October of 2010, respectively. In connection with the settlement, all claims brought by Insweb, Internet Brands and Leadpoint against Dominion Enterprises ("Dominion"), the purchaser of the Company’s AVV business, and Retention Performance Marketing, Inc. ("RPM"), and OneCommand, Inc. ("OneCommand"), the purchaser of the Company’s RPM business, were also dismissed with prejudice, with Internet Brands, Leadpoint, and Insweb each providing Dominion, OneCommand, and RPM covenants not to sue for infringement of the Insweb patent at issue in the litigation, and Dominion, OneCommand, and RPM each granting to Insweb, Internet Brands, and Leadpoint, and Insweb, Internet Brands and Leadpoint each granting to Dominion, OneCommand, and RPM, mutual releases of claims.

Edmunds Declaratory Relief Action Settlement. On March 13, 2008, Edmunds Holding Company and Edmunds.com (collectively “Edmunds”) filed a lawsuit against the Company in the United States District Court for the District of Delaware relating to the Company’s U.S. Patent Number 6,282,517 for purchase request technology ("517 Patent"). In the lawsuit, Edmunds sought a declaration that its business activities, some of which include generating automotive purchase requests, did not infringe on the ‘517 Patent and that such patent was invalid. On February 20, 2009, this declaratory relief action was dismissed by the court.

In March 2009, the Company entered into a settlement agreement resolving the issues presented in Edmunds’ declaratory judgment action. Under this settlement, Autobytel granted to Edmunds a limited license to the ‘517 Patent and other existing Autobytel purchase request-related patents in exchange for the right to publish on Autobytel’s family of websites a select assortment of Edmunds.com’s multi-media automotive content, including photos, editorial reviews, and articles. The settlement agreement also provided for mutual releases of claims. This settlement did not have a material impact on the Company’s financial statements.

7. Commitments and Contingencies

Operating Leases

The Company leases its facilities and certain office equipment under operating leases which expire on various dates through 2013. On November 29, 2010 the Company amended its operating lease for its corporate offices in Irvine, California ("Headquarters Lease"). Effective January 2, 2011, (i) the term of the Headquarters Lease was extended from July 31, 2011 to July 31, 2012, with two options to extend the lease for a period of one year each, and (ii) the monthly rent under the Headquarters Lease was reduced by approximately 15%. The Company’s finance leads operations are located in an office building in Troy, Michigan. This lease expires on July 31, 2013 with an option to extend the term for one term of three years. The Company also has offices located in Tampa, Florida, whose lease expires May 31, 2012, with an option to extend for an additional one-year term. The Company’s future minimum lease payments on leases with non-cancelable terms in excess of one year were as follows (in thousands):

<table>
<thead>
<tr>
<th>Years Ending December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>$745</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

F-18
Rent expense included in operating expenses was $0.7 million and $0.9 million for the years ended December 31, 2010 and 2009, respectively.

Employment Agreements

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

Litigation

In August 2001, a purported class action lawsuit was filed in the United States District Court for the Southern District of New York against Autobytel, certain of the Company’s current and former directors and officers (“Autoweb Individual Defendants”) and underwriters involved in the Company’s initial public offering. A Consolidated Amended Complaint, which is now the operative complaint, was filed on April 19, 2002. This action purports to allege violations of the Securities Act of 1933 (“Securities Act”) and the Securities Exchange Act of 1934 (“Exchange Act”). Plaintiffs allege that the underwriter defendants agreed to allocate stock in the Company’s initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at predetermined prices. Plaintiffs allege that the prospectus for the Company’s initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. The action is being coordinated with approximately 300 other nearly identical actions filed against other companies. The parties in the approximately 300 coordinated cases, including the parties in the Autobytel case, reached a settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Autobytel. On October 6, 2009, the Court granted final approval of the settlement. Two appeals by objectors to the settlement are proceeding before the United States Court of Appeals for the Second Circuit. Plaintiffs have moved to dismiss both appeals. Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of this matter. If the settlement does not survive appeal, and Autobytel is found liable, it is possible that damages could be greater than Autobytel’s insurance coverage, and the impact on Autobytel’s financial statements could be material.

Between April and September 2001, eight separate purported class actions virtually identical to the one filed against Autobytel were filed against Autoweb.com, Inc. (“Autoweb”), certain of Autoweb’s former directors and officers (“Autoweb Individual Defendants”) and underwriters involved in Autoweb’s initial public offering. A Consolidated Amended Complaint, which is now the operative complaint, was filed on April 19, 2002. It purports to allege violations of the Securities Act and the Exchange Act. Plaintiffs allege that the underwriter defendants agreed to allocate stock in Autoweb’s initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at predetermined prices. Plaintiffs also allege that the prospectus for Autoweb’s initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. The action is being coordinated with approximately 300 other nearly identical actions filed against other companies. The parties in the approximately 300 coordinated cases, including Autoweb’s case, reached a settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Autoweb. On October 6, 2009, the Court granted final approval of the settlement. Two appeals by objectors to the settlement are proceeding before the United States Court of Appeals for the Second Circuit. Plaintiffs have moved to dismiss both appeals. Due to inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of this matter. If the settlement does not survive appeal, and Autoweb is found liable, it is possible that damages could be greater than Autoweb’s insurance coverage and the impact on Autobytel’s financial statements could be material.

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

8. Retirement Savings Plan

The Company has a retirement savings plan which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code (“IRC”) (the “401(k) Plan”). The 401(k) Plan covers all employees of the Company who are over...
21 years of age and is effective on the first day of the month following date of hire. Under the 401(k) Plan, participating employees are allowed to defer up to 100% of their pretax salaries not to exceed the maximum IRC deferral amount. The Company contributions to the 401(k) Plan are discretionary. The Company contributed $0.2 million in each of the years ended December 31, 2010 and 2009.

9. Stockholders’ Equity

Stock-Based Incentive Plans

The Company has established several Plans that provide for stock-based awards (“Awards”) primarily in the form of stock options and restricted stock awards (“RSAs”). Certain of these Plans provide for awards to employees, the Company’s Board of Directors, and independent consultants. The Awards were granted under the 1996 Stock Incentive Plan, the 1998 Stock Option Plan, the 1999 Stock Option Plan, the 1999 Employee and Acquisition Related Stock Option Plan, the 2000 Stock Option Plan, the Amended and Restated 2001 Restricted Stock and Option Plan, the 2004 Restricted Stock and Option Plan, the 2006 Inducement Stock Option Plan and the 2010 Equity Incentive Plan. As of June 24, 2010, awards may only be granted under the 2010 Equity Incentive Plan. An aggregate of 5.4 million shares of Company common stock are reserved for future issuance under the 2010 Equity Incentive Plan at December 31, 2010.

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

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based compensation expense:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>$33</td>
<td>$32</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>301</td>
<td>358</td>
</tr>
<tr>
<td>Technology support</td>
<td>196</td>
<td>115</td>
</tr>
<tr>
<td>General and administrative</td>
<td>571</td>
<td>606</td>
</tr>
<tr>
<td>Total share-based compensation expense</td>
<td>$1,101</td>
<td>$1,111</td>
</tr>
</tbody>
</table>

Certain Awards accelerated their vesting in accordance with their respective original award agreements. The total expense related to these accelerated vested Awards was approximately $0.1 million for both years ended December 31, 2010 and 2009. As of December 31, 2010, there was approximately $0.8 and $0.1 million of unrecognized compensation expense related to unvested stock option and restricted stock award grants, respectively. This expense is expected to be recognized over a weighted average period of approximately 2.2 and 0.7 years for unvested stock options and restricted stock, respectively.

Stock Options

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

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

F-20
Awards granted under the Company’s stock option plans were estimated to have a weighted average grant date fair value per share of $0.58 and $0.23 for the years ended December 31, 2010 and 2009, respectively, based on the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>83%</td>
<td>75%</td>
</tr>
<tr>
<td>Expected risk-free interest rate</td>
<td>2.1%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Expected life (years)</td>
<td>4.1</td>
<td>4.1</td>
</tr>
</tbody>
</table>

A summary of the Company’s outstanding stock options as of December 31, 2010, and changes during the year then ended is presented below:

<table>
<thead>
<tr>
<th></th>
<th>Number of Options</th>
<th>Weighted Average Exercise Price per Share</th>
<th>Weighted Average Remaining Contractual Term (years)</th>
<th>Aggregate Intrinsic Value (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at December 31, 2009</td>
<td>7,799,904</td>
<td>$2.62</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>1,961,210</td>
<td>0.94</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(539,386)</td>
<td>0.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited or expired</td>
<td>(2,377,771)</td>
<td>4.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at December 31, 2010</td>
<td>6,843,957</td>
<td>$1.76</td>
<td>6.9</td>
<td>$1,022</td>
</tr>
<tr>
<td>Vested and expected to vest at December 31, 2010</td>
<td>6,449,496</td>
<td>$1.81</td>
<td>6.8</td>
<td>$997</td>
</tr>
<tr>
<td>Exercisable at December 31, 2010</td>
<td>4,473,870</td>
<td>$2.24</td>
<td>6.3</td>
<td>$806</td>
</tr>
</tbody>
</table>

**Service-Based Options**

During the years ended December 31, 2010 and 2009, the Company granted 1,961,210 and 1,970,159 service-based stock options, with weighted average grant date fair values of $0.58 and $0.25, respectively.

The Company’s President and Chief Executive Officer was granted 1,000,000 of the total service based options during the year ended December 31, 2009 (“CEO Awards”). The CEO Awards vest on the first anniversary of the grant date and have an exercise price of $0.35, which was higher than the closing price of the Company’s common stock on the grant date. The shares that are issuable upon exercise of the CEO Award options are subject to restrictions on resale that lapse over time (as to one-third on the first anniversary of the grant date and thereafter will lapse as to the remaining two-thirds of the shares in equal one-twelfth (1/12) installments of the original number of shares subject to the options each quarter until all resale restrictions have lapsed). The vesting of these options and lapse of the resale restrictions will accelerate upon involuntary termination of employment by the Company without cause or for voluntary termination by the CEO for good reason.

**Market Condition Options**

In 2009 the Company granted 1,068,250 stock options to substantially all employees at exercise prices equal to the price of the stock on the grant date of $0.35, with a fair market value per option granted of $0.19, using Black-Scholes option pricing model. One-third of these options cliff vest on the first anniversary following the grant date and the remaining two-thirds vest ratably over twenty-four months thereafter. In addition, the remaining two-thirds of the awards must meet additional conditions in order to be exercisable. One-third of the remaining options must also satisfy the condition that the closing price of Autobytel’s common stock over any 30 consecutive trading days is at least two times the option exercise price to be exercisable (“Market Condition A”). The final one-third of the remaining options must also satisfy the condition that the closing price of Autobytel’s common stock over any 30 consecutive trading days is at least three times the option exercise price to be exercisable (“Market Condition B”). Certain of these options will accelerate vesting upon a change in control of the Company. Market Condition A was achieved during 2009 and Market Condition B was achieved in July 2010. During 2010, 163,882 stock options were exercised related to these market condition options.
During 2010, 539,386 options were exercised, with an aggregate weighted average exercise price of $0.49. No options were exercised during 2009. The total intrinsic value of options exercised during 2010 was $222,000.

Restricted Stock Awards (“RSAs”)

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

A summary of the changes in the Company’s RSAs during the year ended December 31, 2010 are presented below:

<table>
<thead>
<tr>
<th>RSA Units</th>
<th>Weighted Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested at December 31, 2009</td>
<td>385,023</td>
</tr>
<tr>
<td>Vested/or forfeiture restriction lapse</td>
<td>(242,217)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(19,030)</td>
</tr>
<tr>
<td>Unvested at December 31, 2010</td>
<td>123,776</td>
</tr>
</tbody>
</table>

Employee Stock Purchase Plan

The Company’s Employee Stock Purchase Plan (“ESPP”) was adopted in 1996, amended in 2003 and 2007, and terminates in 2017. The ESPP permits eligible employees to purchase shares of the Company’s common stock at 85% of the lower of the fair market value of the common stock on the first or last day of each six month purchase period. The ESPP authorized the purchase of up to 650,000 shares of common stock. The ESPP was suspended by the Company’s Board of Directors during 2008 and continued to be suspended in 2010.

Tax Benefit Preservation Plan

On May 26, 2010, the Board of Directors of the Company approved, and the Company entered into, a Tax Benefit Preservation Plan, between the Company and Computershare Trust Company, N.A., as rights agent (the “Tax Benefit Preservation Plan”). The Board of the Directors of the Company adopted the Tax Benefit Preservation Plan to protect stockholder value by preserving important tax assets. Under the Tax Benefit Preservation Plan, rights to purchase capital stock of the Company (“Rights”) have been distributed as a dividend at the rate of one Right for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $8.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company’s outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company’s outstanding common stock or future acquisitions by any

Preferred Shares Rights Plan

In July 2004, the Board of Directors approved the adoption of a stockholder rights plan under which all stockholders of record as of August 10, 2004 received rights to purchase shares of Series A Junior Participating Preferred Stock. The rights were distributed as a non-taxable dividend and will expire July 30, 2014.
The rights will be exercisable only if a person or group acquires 15% or more of the common stock of the Company or announces a tender offer for 15% or more of the common stock. If a person or group acquires 15% or more of the common stock, all rightholders, except the acquirer, will be entitled to acquire at the then exercise price of a right that number of shares of the Company’s common stock which at the time will have a market value of two times the exercise price of the right. Under certain circumstances, all rightholders, other than the acquirer, will be entitled to receive at the then exercise price of a right that number of shares of common stock of the acquiring company which at the time will have a market value of two times the exercise price of the right. The initial exercise price of a right was $65.00.

The Board of Directors may terminate the rights plan at any time or redeem the rights prior to the time a person or group acquires more than 15% of the Company’s common stock.

On April 23, 2009, the Board of Directors of the Company approved, and the Company entered into, an Amended and Restated Rights Agreement ("Amended Rights Agreement") dated as of April 24, 2009. The Amended Rights Agreement incorporates the following material changes to the original rights agreement: (i) the purchase price was decreased to $1.40 per right; (ii) the Board of Directors may effect an exchange of the rights at an exchange ratio of one share of the Company’s common stock per right (an "Exchange") at any time after a person becomes an acquiring person (as defined in the Amended Rights Agreement) in accordance with the Amended Rights Agreement; and (iii) in effecting an Exchange, the Company may enter into a trust agreement by which it transfers to the trust created by such trust agreement (the "Trust"), all shares of the Company’s common stock issued pursuant to the Exchange. The Trust would hold the shares of the Company’s common stock for the benefit of stockholders entitled to receive them pursuant to the Exchange. Stockholders would receive shares from the Trust after complying with the relevant terms of the trust agreement.

At the time the Company adopted the Tax Benefit Preservation Plan described above, it terminated this Preferred Shares Rights Plan.

Warrant

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

**Shares Reserved for Future Issuance**

The Company had the following shares of common stock reserved for future issuance upon the exercise or issuance of equity instruments as of December 31, 2010:

<table>
<thead>
<tr>
<th>Number of Shares</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock options outstanding</td>
<td>6,843,957</td>
</tr>
<tr>
<td>Authorized for future grants under stock-based incentive plans</td>
<td>5,409,689</td>
</tr>
<tr>
<td>Authorized for future issuance under employee stock purchase plan</td>
<td>650,000</td>
</tr>
<tr>
<td>Restricted stock units outstanding</td>
<td>123,776</td>
</tr>
<tr>
<td>Reserved for exercise of Warrant</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Reserved for conversion of promissory note</td>
<td>5,376,344</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,403,766</strong></td>
</tr>
</tbody>
</table>

10. **Severance Costs**

The Company’s Board of Directors, at the recommendation of management, approved a reduction in the number of its employee workforce by approximately 20 employees (the “**Reductions**”) during the fourth quarter of 2010. The Reductions reinforced management’s commitment to improve cash flow and reduce further losses. As a result of the Reductions, the Company recorded a $0.9 million charge, consisting of severance and other related termination expenses, during the year ended December 31, 2010. The Company paid approximately $0.4 million of the severance and other related termination costs related to the Reduction during 2010 and will pay substantially all remaining cost amounts during the first quarter of 2011.

In addition to severance related to the Reduction, the Company also incurred $0.4 million in additional severance costs during the year ended December 31, 2010. Total severance costs and other related termination expenses incurred by the Company during the year ended December 31, 2010 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and marketing</td>
<td>$—</td>
<td>$—</td>
<td>$57</td>
<td>$244</td>
<td>$301</td>
</tr>
<tr>
<td>Technology support</td>
<td>$—</td>
<td>$—</td>
<td>$362</td>
<td>$362</td>
<td>$362</td>
</tr>
<tr>
<td>General and administrative</td>
<td>$—</td>
<td>$298</td>
<td>$—</td>
<td>$301</td>
<td>$599</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$—</td>
<td>$298</td>
<td>$57</td>
<td>$907</td>
<td>$1,262</td>
</tr>
</tbody>
</table>

11. **Income Taxes**

Income tax expense (benefit) from continuing operations consists of the following for the years ended December 31:
<table>
<thead>
<tr>
<th></th>
<th>2010 (in thousands)</th>
<th>2009 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$ —</td>
<td>$(635)</td>
</tr>
<tr>
<td>State</td>
<td>86</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>81</td>
<td>—</td>
</tr>
<tr>
<td>State</td>
<td>15</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>96</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total income tax expense (benefit)</strong></td>
<td>$ 182</td>
<td>$(606)</td>
</tr>
</tbody>
</table>

For 2009, the Company has allocated a tax benefit to its continuing operations, offset by a tax provision charge to discontinued operations. The income from discontinued operations is considered when determining the amount of tax benefit that results from, and is allocated to, a loss from continuing operations. The income from discontinued operations represents a source of income that enables the Company to realize a tax benefit on the loss from continuing operations.

The reconciliations of the U.S. federal statutory rate to the effective income tax rate for the years ended December 31, 2010 and 2009 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax provision at U.S. federal statutory rates</td>
<td>(35.0)%</td>
<td>(35.0)%</td>
</tr>
<tr>
<td>State taxes</td>
<td>(4.3)</td>
<td>(4.1)</td>
</tr>
<tr>
<td>Non-deductible permanent items</td>
<td>(10.8)</td>
<td>(41.1)</td>
</tr>
<tr>
<td>Incentive stock options</td>
<td>0.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Return to provision items</td>
<td>15.7</td>
<td>—</td>
</tr>
<tr>
<td>Change in federal valuation allowance</td>
<td>36.3</td>
<td>51.0</td>
</tr>
<tr>
<td><strong>Effective income tax rate</strong></td>
<td><strong>2.2%</strong></td>
<td><strong>(27.2)%</strong></td>
</tr>
</tbody>
</table>

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred taxes as of December 31, 2010 and 2009 are as follows:
Deferred tax assets:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts</td>
<td>$ 241</td>
<td>$ 430</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>238</td>
<td>228</td>
</tr>
<tr>
<td>Net operating loss carry-forwards</td>
<td>39,993</td>
<td>35,869</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>167</td>
<td>593</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>2,488</td>
<td>3,327</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>4,787</td>
<td>4,473</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Other</td>
<td>84</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total gross deferred tax assets</strong></td>
<td><strong>48,003</strong></td>
<td><strong>44,953</strong></td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(48,003)</td>
<td>(44,953)</td>
</tr>
</tbody>
</table>

Deferred tax liabilities:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax deductible goodwill</td>
<td>(96)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total gross deferred tax liabilities</strong></td>
<td><strong>(96)</strong></td>
<td><strong>—</strong></td>
</tr>
</tbody>
</table>

Net deferred income taxes $ (96) $ —

At December 31, 2010, the Company had recorded a valuation allowance of $48.0 million on its net deferred tax assets. Based on the weight of available evidence, the Company believes that it is more likely than not that these deferred tax assets will not be realized.

At December 31, 2010, the Company had federal and state net operating loss carry-forwards of approximately $108.0 million and $72.1 million, respectively (“NOL’s”). The federal net operating loss carry-forwards expire through 2030 as follows (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$ 25.4</td>
</tr>
<tr>
<td>2022</td>
<td>1.7</td>
</tr>
<tr>
<td>2023</td>
<td>—</td>
</tr>
<tr>
<td>2024</td>
<td>4.1</td>
</tr>
<tr>
<td>2025</td>
<td>7.7</td>
</tr>
<tr>
<td>2026</td>
<td>26.4</td>
</tr>
<tr>
<td>2027</td>
<td>15.5</td>
</tr>
<tr>
<td>2028</td>
<td>5.1</td>
</tr>
<tr>
<td>2029</td>
<td>8.6</td>
</tr>
<tr>
<td>2030</td>
<td>13.5</td>
</tr>
</tbody>
</table>

$108.0
The state net operating loss carry-forwards expire through 2031 as follows (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>15.9</td>
</tr>
<tr>
<td>2018</td>
<td>3.8</td>
</tr>
<tr>
<td>2019</td>
<td>5.9</td>
</tr>
<tr>
<td>2020</td>
<td>21.4</td>
</tr>
<tr>
<td>2021</td>
<td>3.2</td>
</tr>
<tr>
<td>2031</td>
<td>21.9</td>
</tr>
</tbody>
</table>

Utilization of the net operating loss and tax credit carry-forwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state provisions. These ownership changes may limit the amount of NOL carry-forwards that can be utilized annually to offset future taxable income and tax, respectively. A Section 382 ownership change occurred in 2006; however, based on management’s current estimate, this change does not limit the utilization of the NOL’s presented above as of December 31, 2010. As a result of an acquisition in 2001, approximately $9.9 million of the NOL’s are subject to an annual limitation of approximately $0.5 million per year.

The federal and state net operating losses begin to expire in 2021 and 2017, respectively. Approximately $10.8 million and $5.0 million, respectively, of the federal and state net operating loss carry-forwards were incurred by subsidiaries prior to the date of the Company’s acquisition of such subsidiaries. The Company established a valuation allowance of $4.1 million at the date of acquisitions related to these subsidiaries. The tax benefits associated with the realization of such net operating losses will be credited to the provision for income taxes. In addition, federal and state net operating losses of approximately $13.5 million and $8.5 million, respectively, relate to stock option deductions. Therefore, to the extent that the valuation allowance is reduced in the future and such options are realized, approximately $4.7 million and $0.5 million, respectively, will be credited to stockholders’ equity rather than to income tax benefit.

At December 31, 2010, deferred tax assets exclude approximately $0.6 million and $0.5 million of tax-effected federal and state net operating losses pertaining to tax deductions from stock-based compensation. Upon future realization of these benefits, the Company expects to increase additional paid-in capital and reduce income taxes payable. The benefit of excess stock option deductions is not recorded until such time that the deductions reduce income taxes payable. For purposes of determining when the stock options reduce income taxes payable, the Company has adopted the “with and without” approach whereby the Company considers net operating losses arising from continuing operations prior to net operating losses attributable to excess stock option deductions.

At December 31, 2010, the Company has federal and state research and development tax credit carry-forwards of $0.3 million and $0.2 million, respectively. The federal credits begin to expire in 2021. The state credits do not expire.

As of December 31, 2010 and 2009, the Company had unrecognized tax benefits of approximately $0.5 million, all of which, if subsequently recognized, would have affected the Company’s tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1,</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>Additions based on tax positions related to the current year</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reductions based on tax positions related to prior years and settlements</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reductions based on the lapse of the statutes of limitations</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31,</td>
<td>$500</td>
<td>$500</td>
</tr>
</tbody>
</table>

The company files income tax returns in the United States and various state jurisdictions. In general, the Company is no longer subject to U.S. federal and state income tax examinations for years prior to 2004 (except for the use of tax losses generated prior to 2004 that may be used to offset taxable income in subsequent years). The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.
The Company’s policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company did not have any accrued interest or penalties associated with any unrecognized tax benefits in the years ended December 31, 2010 and 2009.

The Company was contacted by the New York State Department of Taxation and Finance to schedule an audit for December 1, 2003 through February 28, 2011. As of December 31, 2010, the audit has not commenced. The Company believes it has made adequate reserves for state tax items through December 31, 2010.

12. Related Party Transactions

The Company utilized the services of The Search Agency, a provider of search engine marketing and search engine optimization services. Jeffrey M. Stibel, a director of the Company, is an equity owner of The Search Agency. The Company incurred costs of approximately $3,333 and $50,000 for services provided by The Search Agency for the years ended December 31, 2010 and 2009, respectively. The accounts payable related to The Search Agency in the Company’s Consolidated Balance Sheet as of December 31, 2010 and 2009 were zero. All such services were provided in the ordinary course of business at prices and on terms and conditions that the Company believes are the same as those that would result from arm’s-length negotiations between unrelated parties.

On April 3, 2009 the Compensation Committee approved the payment of $70,000 to Maverick Associates LLC for consulting services rendered to the Company by Mr. Jeffrey H. Coats during 2008 (prior to his appointment as the Company’s President and Chief Executive Officer) in connection with the Company’s evaluation of strategic alternatives and development and implementation of cost reduction initiatives. Mr. Coats is the sole member of Maverick Associates.

13. Quarterly Financial Data (Unaudited)

Below is a summary table of the Company’s quarterly data for the years ended December 31, 2010 and December 31, 2009.

<table>
<thead>
<tr>
<th>Quarter Ended</th>
<th>Dec 31, 2010 (a)</th>
<th>Sep 30, 2010 (b)</th>
<th>Jun 30, 2010 (c)</th>
<th>Mar 31, 2010 (d)</th>
<th>Dec 31, 2009 (e)</th>
<th>Sep 30, 2009 (f)</th>
<th>Jun 30, 2009 (g)</th>
<th>Mar 31, 2009 (h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net revenues</td>
<td>$14,659</td>
<td>$12,931</td>
<td>$12,131</td>
<td>$11,813</td>
<td>$12,250</td>
<td>$13,354</td>
<td>$13,444</td>
<td>$13,870</td>
</tr>
<tr>
<td>Gross profit</td>
<td>5,754</td>
<td>4,757</td>
<td>4,242</td>
<td>4,748</td>
<td>4,787</td>
<td>4,740</td>
<td>4,422</td>
<td>4,983</td>
</tr>
<tr>
<td>Income (loss) from continuing operations</td>
<td>(3,299)</td>
<td>(3,061)</td>
<td>(3,001)</td>
<td>797</td>
<td>(985)</td>
<td>(1,185)</td>
<td>(1,029)</td>
<td>(357)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ (3,299)</td>
<td>$ (3,061)</td>
<td>$ (3,001)</td>
<td>$ 797</td>
<td>$ (970)</td>
<td>$ (799)</td>
<td>$ (251)</td>
<td>$ (357)</td>
</tr>
<tr>
<td>Basic and diluted loss per share from continuing operations</td>
<td>(0.07)</td>
<td>(0.07)</td>
<td>(0.07)</td>
<td>0.02</td>
<td>(0.02)</td>
<td>(0.03)</td>
<td>(0.02)</td>
<td>(0.01)</td>
</tr>
</tbody>
</table>

(a) Total net revenues, gross profit and net loss include Auto/Cyber revenues, gross profit and net income of $4.2 million, $1.4 million and $0.8 million, respectively. Loss from continuing operations includes $0.9 million of severance and other employee termination expenses.
(b) Total net revenues, gross profit and net loss include Auto/Cyber revenues, gross profit and net income of $0.5 million, $0.2 million and $0.2 million, respectively. Loss from continuing operations includes $0.1 million of severance and other employee termination expenses.
(c) Loss from continuing operations includes $0.3 million of severance and other employee termination expenses.
(d) Income from continuing operations and net income includes a $2.7 million litigation settlement gain.
(e) Includes $13,000 in severance expense.
(f) Net loss includes a net $0.6 million gain related to the sale of certain assets and liabilities of AVV and $17,000 of severance expense.
(g) Net loss includes a net $1.3 million gain related to the sale of certain assets and liabilities of AVV.
(h) Loss from continuing operations and net loss includes a $2.7 million litigation settlement gain and $0.5 million of severance and other employee termination expenses.

F-28
<table>
<thead>
<tr>
<th>Allowance for bad debts:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$ 822</td>
<td>$ 966</td>
</tr>
<tr>
<td>Additions</td>
<td>105</td>
<td>1,051</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(572)</td>
<td>(1,195)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$ 355</td>
<td>$ 822</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Allowance for customer credits:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$ 285</td>
<td>$ 311</td>
</tr>
<tr>
<td>Additions</td>
<td>714</td>
<td>982</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(733)</td>
<td>(1,008)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$ 266</td>
<td>$ 285</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax valuation allowance:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$44,953</td>
<td>$43,640</td>
</tr>
<tr>
<td>Charged to tax expense</td>
<td>4,273</td>
<td>1,890</td>
</tr>
<tr>
<td>Credited to other</td>
<td>(1,223)</td>
<td>(577)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$48,003</td>
<td>$44,953</td>
</tr>
</tbody>
</table>
EXHIBIT INDEX

2.1  Asset Purchase Agreement dated as of January 23, 2008 between the Company, AVV, Inc. and Dominion Enterprises is incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission (“SEC”) on January 29, 2008 (SEC File No. 000-22239)


3.2  Second Amended and Restated Bylaws of Autobytel dated August 1, 2009, which is incorporated herein by reference to Exhibit 3.2 of the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 filed with the SEC on October 23, 2009 (SEC File No. 000-22239)

4.1  Form of Common Stock Certificate of Autobytel is incorporated herein by reference to Exhibit 4.1 of the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 filed with the SEC on November 14, 2001 (SEC File No. 000-22239)

4.2  Tax Benefit Preservation Plan dated as of May 26, 2010 between Autobytel and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Autobytel Inc., incorporated hereby by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239)

10.1**  Form of Amended and Restated Indemnification Agreement between Autobytel and its directors and officers is incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on July 22, 2010 (SEC File No. 001-34761)

10.2**  Form of Outside Director Stock Option Agreement under the 2004 Restricted Stock and Option Plan is incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on September 14, 2005 (SEC File No. 000-22239) (“September 2005 Form 8-K”)

10.3**  Form of Letter Agreement (amending certain stock option agreements with Outside Directors) is incorporated herein by reference to Exhibit 10.2 of the September 2005 Form 8-K

10.4**  Autobytel.com Inc. 1998 Stock Option Plan is incorporated herein by reference to Exhibit 10.8 of Amendment No. 1 to the S-1 Registration Statement filed with the SEC on February 9, 1999 (SEC File No. 333-70621) (“Amendment No. 1 to S-1 Registration Statement”)

10.5**  Autobytel.com Inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit 10.30 of Amendment No. 1 to S-1 Registration Statement

10.6**  Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan is incorporated herein by reference to Exhibit 10.1 of the Registration Statement on Form S-8 filed with the SEC on November 1, 1999 (SEC File No. 333-90045)

10.7**  Amendment No. 1 to the Autobytel.com Inc. 1998 Stock Option Plan dated September 22, 1999 is incorporated herein by reference to Exhibit 10.2 of Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239)

10.8**  Amendment No. 1 to the Autobytel.com Inc. 1999 Stock Option Plan dated September 22, 1999 is incorporated herein by reference to Exhibit 10.1 of Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239)

10.9**  1996 Stock Incentive Plan and related agreements are incorporated herein by reference to Exhibit 10.6 of Amendment No. 1 to S-1 Registration Statement

10.10**  Autobytel.com Inc. 2000 Stock Option Plan is incorporated herein by reference to Exhibit 99.1 of the Registration Statement on Form S-8 filed with the SEC on June 15, 2000 (SEC File No. 333-39396)

10.11**  Autobytel.com Inc. 2001 Restricted Stock Plan is incorporated herein by reference to Annex D to the Registration Statement on Form S-4 originally filed with the SEC on May 11, 2001 (SEC File No. 333-60798) and amended on July 17, 2001

10.12**  Amendment No. 1 to the Auto-by-Tel Corporation 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit (d)(2) of Schedule TO filed with the SEC on December 14, 2001 (SEC File No. 005-58067) (“Schedule TO”)

10.13**  Amendment No. 2 to the Autobytel.com Inc. 1998 Stock Option Plan is incorporated herein by reference to Exhibit (d)(5) of the Schedule TO

10.14**  Amendment No. 2 to the Autobytel.com Inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit (d)(8) of the Schedule TO
Amendment No. 1 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan is incorporated herein by reference to Exhibit (d)(10) of the Schedule TO

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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


Letter Agreement dated July 12, 2004 between Autobytel and Mark Garms is incorporated herein by reference to Exhibit 10.80 of the 2006 Form 10-K

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

Employment Agreement dated February 8, 2002 between the Company and Mark A. Garms, as amended by Memorandum dated as of December 8, 2008 and Memorandum dated as of March 1, 2009 is incorporated herein by reference to Exhibit 10.75 of the Annual Report on Form 10-K for the Year Ended December 31, 2008 filed with the SEC on March 13, 2009 (SEC File No. 000-22239) ("2008 Form 10-K")

Amended and Restated Severance Agreement dated as of September 29, 2008 between the Company and Mark A. Garms is incorporated herein by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Employment Agreement dated February 1, 2010 between Autobytel and Stephen Lind is incorporated herein by reference to Exhibit 10.95 of the Current Report on Form 8-K filed with the SEC on June 25, 2010 (SEC File No. 001-34761) (“June 2010 Form 8-K”)**

**Severance Benefits Agreement dated February 1, 2010 between Autobytel and Stephen Lind is incorporated herein by reference to Exhibit 10.96 of the 2009 Form 10-K**

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

**Form of Employee Stock Option Award Agreement under the Autobytel Inc. 2010 Equity Incentive Plan**

**Form of Performance-Based Option Award Agreement under the Autobytel Inc. 2010 Equity Incentive Plan**

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

Severance Benefits Agreement between Autobytel and James Helberg dated May 25, 2010

Letter Agreement between Autobytel and James Helberg dated June 2, 2010

Severance Benefits Agreement between Autobytel and John Petrone dated February 25, 2010

Letter Agreement between Autobytel and John Petrone dated December 10, 2010

Consulting Services Agreement between Autobytel and Mark A. Garms effective as of June 21, 2010 is incorporated herein by reference to Exhibit 10.1 of the June 2010 Form 8-K

Standstill Agreement between Autobytel, CCM Master Qualified Fund, Ltd., a Cayman Islands exempted company, Coghill Capital Management LLC and Clint Coghill dated January 13, 2000 is incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on January 15, 2009 (SEC File No. 000-22239)

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

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

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

Shareholders Agreement dated as of September 17, 2010 by and among Autobytel, Autotropolis, Inc., a Florida corporation, Cyber Ventures, Inc., a Florida corporation, William Ferriolo, Ian Bentley and the Ian Bentley Revocable Trust created U/A/D 3/1/2005 is incorporated herein by reference to Exhibit 4.7 of the 3rd Quarter 2010 Form 10-Q

Amended and Restated Rights Agreement dated as of April 24, 2009 between Autobytel and Computershare Trust Company, N.A., successor-in-interest to U.S. Stock Transfer Corporation (which includes the form of Amended Certificate of Designation of the Series A Junior Participating Preferred Stock of Autobytel as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C, is incorporated herein by reference to Exhibit 4.2 of the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 filed with the SEC on April 24, 2009 (SEC File No. 000-22239)

First Amendment to Amended and Restated Rights Agreement dated May 26, 2010 is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239)

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

Power of Attorney (included in the signature page hereto)

Chief Executive Officer Section 302 Certification of Periodic Report dated March 10, 2011

Chief Financial Officer Section 302 Certification of Periodic Report dated March 10, 2011

Chair Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated March 10, 2011

Filed herewith.

Management Contract or Compensatory Plan or Arrangement.

Confidential treatment has been requested with regard to certain portions of this document. Such portions were filed separately with the Securities and Exchange Commission.

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

(Non-Qualified Stock Option)

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

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

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

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

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

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

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

5. Termination of Option.

(a) Termination Upon Expiration of Option Term. The Option shall terminate and expire in its entirety on the Option Expiration Date. In no case may Participant exercise this Option after the Option Expiration Date.

(b) Termination of Employment

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

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

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

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

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

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

(e) **Other Agreement or Plan.** The provisions of this Section 5 (including the definitions of Cause), shall be superseded by the specific provisions, if any, of a written employment or severance agreement between Participant and Company or a severance plan of Company covering Participant, including a change in control severance agreement or plan, to the extent such a provision provides a greater benefit to Participant.

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

4
to Participant’s employment with the Company; (ii) knowingly engaged or aided in any act or transaction by the Company or a Subsidiary that results in the imposition of criminal, civil or administrative penalties against the Company or any Subsidiary; or (iii) misconduct during the course of Participant’s employment by the Company or any Subsidiary that results in an accounting restatement by the Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Participant’s employment by the Company or any Subsidiary.

6. Miscellaneous.

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

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

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

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

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

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

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

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

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

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

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

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

Remainder of Page Intentionally Left Blank; Signature Page Follows

6
IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Grant Date.

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

"Company"
AUTOBYTEL INC., a Delaware corporation
By:
Glenn E. Fuller
Its:
Executive Vice President, Chief Legal and Administrative Officer and Secretary

"Participant"
[Printed Name of Participant]
7
This Non-Employee Director Stock Option Award Agreement ("Agreement"), is entered into effective as of the Grant Date set forth on the signature page to this Agreement ("Grant Date"), by and between Autobytel Inc., a Delaware corporation ("Company"), and the person set forth as the Participant on the signature page hereto ("Participant"). This Agreement and the option granted hereby are subject to the provisions of the Autobytel Inc. 2010 Equity Incentive Plan ("Plan"). In the event of a conflict between the provisions of the Plan and this Agreement, the Plan shall control. Capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Plan.

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

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

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

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

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

(a) Termination Upon Expiration of Option Term. The Option shall terminate and expire in its entirety on the Option Expiration Date. In no case may Participant exercise the Option after the Option Expiration Date.

(b) Termination of Service as a Director.

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

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

2  

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

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

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

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

6. Miscellaneous.

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

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

(c) Severability. If any provision of this Agreement shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (i) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (ii) not affect any other provision of this Agreement or part thereof, each of which shall remain in full force and effect.
(d) **Governing Law, Jurisdiction and Venue.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware other than its conflict of laws principles. The parties agree that in the event that any suit or proceeding is brought in connection with this Agreement, such suit or proceeding shall be brought in the state or federal courts located in New Castle County, Delaware, and the parties shall submit to the exclusive jurisdiction of such courts and waive any and all jurisdictional, venue and inconvenient forum objections to such courts.

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

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

Notices to Company should be addressed to:

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

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

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

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

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

(i) **Entire Agreement; Modification.** This Agreement and the Plan contain the entire agreement between the parties with respect to the subject matter contained herein and may not be modified except as provided in the Plan or in a written document signed by each of the parties hereto and may be rescinded only by a written agreement signed by both parties.
Signature page to follow.
IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Grant Date.

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

**Company**

AUTOBYTEL INC., a Delaware corporation

By: 

Glenn E. Fuller

Its: Executive Vice President, Chief Legal and Administrative Officer and Secretary

**Participant**

[Name of Optionee]
INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made and entered into as of _____________, 20__, by and between Autobytel Inc., a Delaware corporation ("Company"), and [___________________] ("Indemnitee").

Background

In order to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, to induce Indemnitee to continue to provide services to the Company, the Company wishes to provide for indemnification and advancement of expenses to Indemnitee to the maximum extent permitted by law.

The Company's Amended and Restated Bylaws ("Bylaws") and the Company's Fifth Amended and Restated Certificate of Incorporation, as amended ("Certificate"), require that the Company indemnify the directors, officers, employees and other agents of the Company, including persons serving at the request of the Company in those capacities with other corporations or enterprises, as authorized by the General Corporation Law of the State of Delaware, as amended ("DGCL"), and the Bylaws and the Certificate each expressly provide that the indemnification provided therein is not exclusive and contemplates that the Company may enter into separate agreements with its directors, officers, employees and other agents of the Company.

Indemnitee does not believe that the protection currently provided by applicable law, the Bylaws, the Certificate and available insurance may be adequate under the circumstances, and the Company has determined that Indemnitee and other directors, officers, employees and agents of the Company may not be willing to serve or continue to serve in such capacities without additional protections. The Company desires and has requested Indemnitee to serve or continue to serve as a director, officer, employee or agent of the Company, as the case may be, and has proffered this Agreement to Indemnitee as an additional inducement to serve in such capacity. Indemnitee is willing to serve, or to continue to serve, as a director, officer, employee or agent of the Company, as the case may be, if Indemnitee is furnished the indemnity provided herein by the Company.

This Agreement is a supplement to, and in furtherance of, the Bylaws, the Certificate and any resolutions adopted pursuant thereto, and must not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

In consideration of Indemnitee's agreement to serve and the mutual agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:
1. **Services to the Company.** Indemnitee will serve, at the will of the Company (or its stockholders, as applicable) or under separate contract if any such contract exists, as [_________] or as a director, officer, agent or other fiduciary of an affiliate of the Company, including any subsidiary or employee benefit plan of the Company (each, an "Affiliate"), to the best of Indemnitee's ability so long as Indemnitee remains in such position(s); provided, however, that (i) Indemnitee may at any time and for any reason resign from such position(s) (subject to any contractual obligation that Indemnitee may have assumed apart from this Agreement or any obligation imposed by operation of law), and (ii) neither the Company nor any Affiliate have any obligation under this Agreement to continue Indemnitee in such position(s). This Agreement is not an employment contract between the Company (or any of its Affiliates) and Indemnitee. Nothing in this Agreement may be construed or interpreted as giving Indemnitee any right to be retained in the employ of the Company (or any of its Affiliates). Indemnitee specifically acknowledges and agrees that except as may be provided in a written employment contract between Indemnitee and the Company or an Affiliate: (i) Indemnitee's employment with the Company or any of its Affiliates is at-will, and (ii) Indemnitee may be discharged at any time for any reason. The foregoing notwithstanding, this Agreement will continue in force after Indemnitee has ceased to serve as [_________] of the Company.

2. **Indemnity of Indemnitee.** The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by the provisions of the Bylaws, the Certificate, the DGCL or other applicable law. The phrase "to the fullest extent authorized or permitted" includes to the fullest extent authorized or permitted by any amendments or replacements of the Bylaws, the Certificate, or the DGCL (or other applicable law) adopted or enacted after the date of this Agreement that increase the extent to which a corporation may indemnify its directors, officers, employees or agents.

3. **Additional Indemnity.** In addition to, and not in limitation of, the indemnification otherwise provided for herein, and subject only to the exclusions set forth in Section 4 hereof, the Company hereby further agrees to hold harmless and indemnify Indemnitee against any and all Expenses (as defined below) that Indemnitee becomes legally obligated to pay because of any claim or claims made against or by Indemnitee in connection with any threatened, pending or completed action, suit or proceeding whether by or in the right of the Company or otherwise and whether civil, criminal, legislative, arbitral, administrative or investigative, and whether formal or informal including any appeal therefrom, to which Indemnitee is, was or at any time becomes a party, potential party, or a participant, including as a non-party witness or otherwise, or is threatened to be made a party, by reason of the fact that Indemnitee is, was or at any time becomes a director, officer, employee or other agent of the Company, or is or was serving, or at any time serves at the request of, the Company or any Affiliate as a director, officer, employee or other agent (including a trustee, partner or manager) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, including an Affiliate (collectively, a "Proceeding"), in each case whether or not Indemnitee was serving in that capacity at the time any liability or Expense is incurred. The definition of "Proceeding" must be considered met if Indemnitee in good faith believes the situation might lead to or culminate in the institution of a Proceeding. "Expenses" mean all expenses, including attorneys' fees, witness fees, fees of experts, forensic consultants and other professionals, retainers, court
costs, travel expenses, photocopying, printing and binding costs, telephone charges, and any other cost, disbursement or expense customarily incurred in connection with defending, prosecuting, preparing to prosecute or defend, investigating, being prepared to be a witness in, responding to a subpoena or other discovery request, or otherwise participating in, a Proceeding, damages, penalties, interest charges thereon, judgments, fines, and amounts paid in settlement, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties imposed on Indemnitee, costs associated with any appeals, including without limitation the premium, security for, and other costs relating to any costs bond, supersedeas bond, or other appeal bond or its equivalent, and any other amounts for time spent by Indemnitee for which Indemnitee is not compensated by the Company or any Affiliate or third party for any period during which Indemnitee is not an agent, in the employment of, or providing services for compensation to, the Company or any Affiliate. Without limiting the generality of the foregoing, references to "serving at the request of the Company as a director, officer, employee or agent" includes: (i) Indemnitee's performance of services for, on behalf of, or for the benefit of the Company or any Affiliate while Indemnitee is serving as a director, officer, employee or other agent of the Company or an Affiliate regardless of whether Indemnitee is at the time a director, officer or employee of the Company or the Affiliate for, on behalf of, or for the benefit of which Indemnitee performed services; or (ii) any service by Indemnitee that imposes duties on, involves services by, Indemnitee with respect to an employment benefit plan, its participants or beneficiaries, including as a deemed fiduciary thereto.

4. Limitations on Additional Indemnity. No indemnity pursuant to Sections 2 or 3 hereof must be paid by the Company:

(a) On account of any claim against Indemnitee solely for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) ("Section 16(b)") of the Exchange Act of 1934, as amended ("Exchange Act"), or similar provisions of any federal, state or local statutory law; provided, that with respect to a claim against Indemnitee solely for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) or similar provisions of any federal, state or local law, Indemnitee is entitled to the advancement of legal expenses unless the Company reasonably determines that Indemnitee clearly violated Section 16(b) and must disgorge profits to the Company pursuant to the terms thereof. Notwithstanding anything to the contrary stated or implied in this Section 4(a), indemnification pursuant to this Agreement relating to any Proceeding against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) or similar provisions of any federal, state or local laws is not prohibited if Indemnitee ultimately establishes in any Proceeding that no recovery of such profits from Indemnitee is permitted under Section 16(b) or similar provisions of any federal, state or local laws;

(b) On account of any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act of 2002")...
(c) Act, or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act, provided, Indemnitee is entitled to advancement of Expenses related to, arising out of, or resulting from a Proceeding to recover such compensation or profits prior to the final adjudication of that Proceeding;

(d) on account of Indemnitee's conduct that is established by a final judgment, not subject to appeal, as knowingly fraudulent or deliberately dishonest or that constituted willful misconduct;

(e) on account of Indemnitee's conduct that is established by a final judgment, not subject to appeal, as constituting a breach of Indemnitee's duty of loyalty to the Company or resulting in any personal profit or advantage to which Indemnitee was not legally entitled;

(f) for which payment is actually made to Indemnitee under a valid and collectible insurance policy or under a valid and enforceable indemnity clause, bylaw or agreement, except in respect of any excess beyond payment under such insurance, clause, bylaw or agreement and such payment fully compensates Indemnitee against all expenses. Notwithstanding anything to the contrary stated or implied in this Section 4(e), (i) Indemnitee has no obligation to reduce, offset, allocate, pursue or apportion any indemnification, hold harmless, exoneration, advancement, contribution or insurance coverage among multiple persons possessing those obligations to Indemnitee prior to the Company's satisfaction and performance of its obligations under this Agreement; and (ii) the Company must perform fully its obligations under this Agreement regardless of whether Indemnitee holds, may pursue or has pursued any indemnification, advancement, hold harmless, exoneration, contribution or insurance coverage rights against any person or entity other than the Company.

(g) if indemnification is not lawful, as established by the Company by a final judgment on such issue not subject to appeal; or

(h) in connection with any Proceeding (or part thereof) initiated by Indemnitee, or any Proceeding by Indemnitee against the Company or an Affiliate or the directors, officers, employees or other agents of the Company or an Affiliate, unless (i) such indemnification is expressly required to be made by law, (ii) the Proceeding was authorized by the Company's Board of Directors ("Board"), (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the DGCL or any other applicable law, (iv) the Proceeding is initiated pursuant to Section 10 hereof, or (v) the Proceeding initiated by Indemnitee is a cross-claim or counter-claim.

5. Continuation of Indemnity. All agreements and obligations of the Company contained herein continue during the period Indemnitee is a director, officer, employee or other agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or other agent (including trustee, partner or manager) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise) and will continue thereafter so long as Indemnitee is subject to any Proceeding by reason of the fact that Indemnitee was serving in the capacity referred to herein.
6. Partial Indemnification. The Company will indemnify Indemnitee for a portion of the Expenses that Indemnitee becomes legally obligated to pay in connection with any Proceeding even if not entitled hereunder to indemnification for the total amount thereof, and the Company must indemnify Indemnitee for the portion thereof to which Indemnitee is entitled and the acceptance of such partial payment will not be an admission by Indemnitee that he or she is not entitled to all of his or her Expenses or a bar against Indemnitee seeking recovery of the full amount of Expenses.

7. Notice and Other Indemnification Procedures.

(a) Notification of Proceeding. Indemnitee agrees to notify the Company in writing promptly upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding. The failure of Indemnitee to so notify the Company does not relieve the Company of any obligation that it may have to Indemnitee under this Agreement or otherwise and any delay in giving notice will not constitute a waiver by Indemnitee of any rights under this Agreement.

(b) Request for Indemnification and Indemnification Payments. Upon written request by Indemnitee for indemnification, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto must be made in the specific case: (i) if a Change in Control (as defined in Section 8(b)) shall have occurred, by Independent Counsel (as defined below) in a written opinion to the Board, a copy of which must be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors (as defined below), even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which must be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee must be made promptly, but in no event more than ten (10) days after such determination. Indemnitee agrees to cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by or on behalf of Indemnitee in so cooperating with the person, persons or entity making such determination must be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company must advise Indemnitee promptly in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. Claims for advancement of Expenses must be made under the provisions of Section 9 of this Agreement.

In the event the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel must be selected as provided in this Section 7(b). If a Change in Control shall not have occurred, the Board must select the
Independent Counsel, and the Company must give prompt, written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, Indemnitee must select the Independent Counsel (unless Indemnitee requests that the selection be made by the Board, in which event the preceding sentence applies), and Indemnitee must give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection has been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to the selection; provided, however, that the objection may be asserted only on the basis that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined below, and the objection must set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected will act as Independent Counsel. If a written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until the objection is withdrawn or the Delaware Court of Chancery has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification and the final disposition of the Proceeding, no Independent Counsel has been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court of Chancery for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by that court or by such other person as that court may designate, and the person with respect to whom all objections are so resolved or the person so appointed will act as Independent Counsel. The Company agrees to pay the reasonable fees and expenses, including any retainer or advance, of the Independent Counsel referred to above and to indemnify such counsel fully against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto. "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company, any Affiliate or Indemnitee in any matter material to any such person (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" does not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. (c) Notice to Insurers. If, at the time of the receipt by the Company of a notice pursuant to Section 7(a) hereof, the Company has liability insurance in effect which may cover that Proceeding, the Company must give prompt notice of the commencement of that Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company must thereafter take all necessary or desirable action to cause those insurers to pay, on behalf of Indemnitee, all Expenses payable to Indemnitee in respect of such Proceeding in accordance with the terms of their policies, but any such action by the Company will not relieve it of its obligations hereunder.

(a) In the event the Company is requested by Indemnitee to pay the Expenses of any Proceeding, the Company, if appropriate, will be entitled to assume the defense of that Proceeding, or to participate to the extent permissible in that Proceeding, with counsel approved by Indemnitee, which approval may not be unreasonably withheld or delayed. Upon assumption of the defense by the Company and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding; provided, that Indemnitee will have the right to employ separate counsel in that Proceeding at Indemnitee's sole cost and expense. After the Company has assumed the defense of a Proceeding, Indemnitee will be entitled to, at Indemnitee's own expense, engage counsel for the purpose of monitoring the defense being provided by counsel retained by the Company, and the Company must direct that counsel to cooperate with and provide requested information to Indemnitee's monitoring counsel. Notwithstanding the foregoing, if (i) Indemnitee's counsel delivers a written notice to the Company stating that such counsel has reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any defense in the Proceeding, (ii) the Company has not, in fact, employed counsel or otherwise actively pursued the defense of the Proceeding within a reasonable time, or thereafter reasonably maintained the defense of the Proceeding, (iii) there has been a Change in Control (as defined below), or (iv) Indemnitee reasonably concludes that counsel engaged by the Company on behalf of Indemnitee may not adequately represent Indemnitee, then in any such event the fees and expenses of Indemnitee's counsel to defend the Proceeding must be at the expense of the Company and subject to the indemnification and advancement of expenses provisions of this Agreement. Provided, however, that in the event there are other defendants in a Proceeding who are entitled to counsel other than counsel engaged by the Company, the Company will only be obligated to pay the fees and expenses of one (1) counsel for all those defendants, including Indemnitee, unless Indemnitee's counsel delivers a written notice to the Company stating that such counsel has reasonably concluded that there may be a conflict of interest that would prevent one (1) counsel from representing all such defendants, including Indemnitee.

(b) For purposes of this Agreement, a "Change in Control" is deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company's then outstanding Voting Securities (as defined below), increases his, her or its beneficial ownership of such securities by five percent (5%) or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than twenty percent (20%) of the
(c) Total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two (2) consecutive years, individuals who at the beginning of that period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or (iii) the Company merges or consolidates with any other corporation other than a merger or consolidation that would result in the Voting Securities of the Company outstanding immediately prior to the merger or consolidation representing (either by remaining outstanding or by being converted into Voting Securities of the surviving entity, or its ultimate parent) at least sixty percent (60%) of the total voting power represented by the Voting Securities, as defined below, of the Company or substantially all of the Company's assets, (iv) the Company commences any case, action or proceeding before any court or governmental body (or a third party commences any such proceeding that remains undismissed or consents to within sixty (60) days) relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (v) the Company commences any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors.

(d) For purposes of this Agreement, "Voting Securities" means any securities of the Company that vote generally in the election of directors.

(e) Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any Proceeding or in the defense of any claim, issue or matter therein, the Company must indemnify Indemnitee against all Expenses incurred by Indemnitee in connection therewith.


(a) The Company will advance to Indemnitee, prior to the final adjudication of any Proceeding of this Agreement, any and all Expenses relating to, arising out of or resulting from any Proceeding (other than a Proceeding for which indemnification is excluded pursuant to Section 4(g)) paid or incurred by Indemnitee or which Indemnitee determines are reasonably likely to be paid or incurred by Indemnitee. The right to advances under this Section 9 in all events continues until final disposition of any Proceeding, including all possible appeals therefrom. Advances must be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances must be unsecured and interest free. Advances include any and all reasonable Expenses incurred in pursuing an action to enforce this right of advancement, including Expenses incurred in preparing and forwarding statements to the Company or its insurance carrier(s) to support the advances claimed.
(b) Indemnitee's right to such advancement is not subject to the satisfaction of any standard of conduct. Without limiting the generality or effect of the foregoing, within fifteen (15) business days after any request by Indemnitee, the Company must, in accordance with such request (but without duplication), (i) pay such Expenses on behalf of Indemnitee, (ii) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (iii) reimburse Indemnitee for such Expenses.

(c) Indemnitee undertakes to the fullest extent permitted by law to repay the amounts advanced pursuant to this Agreement (without interest) if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified therefor by the Company. No other form of undertaking may be required other than the execution of this Agreement.

(d) Indemnitee must use commercially reasonable efforts to provide documentation to the Company relating to Expenses as incurred in order to permit the Company to properly deduct the advancement of Expenses pursuant to this Section 9; provided, however, that Indemnitee will only be required to provide such documentation to the extent that such provision will not constitute a waiver of the attorney-client privilege or the work product doctrine.

10. Enforcement; Presumption of Entitlement.

(a) Any right to indemnification or advances granted by this Agreement to Indemnitee is enforceable by or on behalf of Indemnitee in any court of competent jurisdiction if (i) the claim for indemnification is denied, in whole or in part; (ii) no disposition of such claim is made within seventy (70) days of request therefor; (iii) payment of indemnification is not made to Indemnitee within ten (10) days of a determination that Indemnitee is entitled to indemnification; (iv) advancement of Expenses is not timely made; or (v) the Company or any other person takes or threatens to take action to declare this Agreement unenforceable or institutes litigation or other action or proceeding to deny or recover from Indemnitee the benefits provided by, or intended to be provided by, this Agreement. Indemnitee, in such enforcement action, if successful in whole or in part, must be entitled to be paid also the Expenses of prosecuting Indemnitee's claim. The Company must pay interest at the legal rate under Delaware law on all amounts that the Company is obligated to advance or indemnify pursuant to this Agreement, commencing on the date on which the Company must advance Expenses or the earlier of the date of determination of indemnification or seventy (70) days of a request therefor and ending on the date on which payment is made.

(b) It is a defense to any action for which a claim for indemnification is made under Sections 2 and 3 hereof (other than an action brought to enforce a claim for Expenses pursuant to Section 8 hereof) that Indemnitee is not entitled to indemnification because of the limitations set forth in Section 4 hereof.

(c) In any such Proceeding instituted by Indemnitee pursuant to this Section 10, the Company must be precluded, to the fullest extent permitted by law, from asserting that the procedures and presumptions of this Agreement are not valid, binding and enforceable and must stipulate in any such court that the Company is bound by all the provisions of this Agreement and is precluded from making any assertion to the contrary.
(d) In making any determination concerning Indemnitee's right to indemnification, it must be presumed that Indemnitee has satisfied the applicable standard of conduct, and to the fullest extent not prohibited by law, the Company has the burden of proof to overcome that presumption by its adducing clear and convincing evidence to the contrary. Neither the failure of the Company (including the Disinterested Directors, the Company's stockholders, or Independent Counsel) to have made a determination prior to the commencement of such enforcement action that indemnification of Indemnitee is proper in the circumstances, nor an actual determination by the Company (including the Disinterested Directors, the Company's stockholders, or Independent Counsel) that such indemnification is improper is a defense to the action or creates a presumption that Indemnitee is not entitled to indemnification under this Agreement or otherwise. Any judicial proceeding must be conducted in all respects as a trial de novo on the merits and Indemnitee must not be prejudiced by any actual determination by the Company any assertion to the contrary.

(e) For purposes of any determination of good faith, Indemnitee must be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Company or any Affiliate, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Company or any Affiliate in the course of their duties, or on the advice of legal counsel for the Company or an Affiliate or on information or records given or reports made to the Company or an Affiliate by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 10(e) must not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement. Whether or not the foregoing provisions of this Section 10(e) are satisfied, it must in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company.

(f) Subject to Section 7(d), if a determination of whether Indemnitee is entitled to indemnification is not made within forty (40) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification must, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee must be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 40-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 10(f) do not apply (i) if the determination of entitlement to indemnification is to be made by the and if (A) within ten (10) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within sixty (60) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within ten (10) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii)
(g) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 7(a) of this Agreement.

(h) The remedies provided for in this Section 10 are in addition to any other remedies available to Indemnitee at law or in equity or pursuant to the Certificate, the Bylaws or other written agreement between the Company and Indemnitee.

11. Unauthorized Settlements. Any provision herein to the contrary notwithstanding, the Company is not obligated pursuant to the terms of this Agreement to indemnify Indemnitee under this Agreement for any amounts paid in settlement of a Proceeding effected by Indemnitee without the Company's written consent. Further, the Company must not, without the prior written consent of Indemnitee, effect any settlement of: (a) any Proceeding if Indemnitee is or could have been a party, or (b) any Proceeding in which the Company is, or could be, jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement solely involves the payment of money and includes a complete and unconditional release of Indemnitee from all liability on any claims that are the subject matter of such Proceeding. Neither the Company nor Indemnitee may unreasonably withhold, delay or condition consent to any proposed settlement; provided, however, that: (i) the Company may in any event decline to consent to (or to otherwise admit or agree to any liability for indemnification hereunder in respect of) any proposed settlement if the Company is also a party in such Proceeding and determines in good faith that such settlement is not in the best interests of the Company and its stockholders, and (ii) Indemnitee may withhold consent to any settlement that does not provide a complete and unconditional release of Indemnitee to take any action other than executing a release of parties providing a release of Indemnitee, or imposes any penalty or other limitation or disqualification on Indemnitee. The Company must notify Indemnitee promptly of the receipt of any settlement offer or if it intends to submit a settlement offer and must provide Indemnitee a reasonable time to consider the offer.

12. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances, Federal or state law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

13. Period of Limitations. No legal action may be brought and no cause of action may be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two (2) years from the date of accrual of such cause of action, and any claim or cause of action of the Company will be extinguished and deemed released unless asserted by the timely filing of a legal action within such two (2)-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period must govern.

14. Subrogation. In the event of payment under this Agreement and after Indemnitee has no more Expenses in respect of a Proceeding, the Company will be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who must execute all documents required
and must do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

15. Non-Exclusivity of Rights. The rights conferred on Indemnitee by this Agreement are not exclusive of any other right which Indemnitee may have or hereafter acquire under any statute, provision of the Certificate or the Bylaws, each as may be amended from time to time, agreement, vote of stockholders or directors, or otherwise.

16. Survival of Rights; Change in Control.

(a) The rights conferred on Indemnitee by this Agreement continue after Indemnitee has ceased to be a director, officer, employee or other agent of the Company or to serve at the request of the Company as a director, officer, trustee, fiduciary, partner, manager, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and will inure to the benefit of Indemnitee's heirs, executors and administrators.

(b) The Company must require and cause any successor thereto (whether direct or indirect) in connection with a Change in Control, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such Change in Control occurred.

17. Contribution.

(a) If the indemnification provided for by this Agreement is unavailable in whole or in part and may not be paid to Indemnitee for any reason other than those set forth in Section 4 hereof, then in respect to any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), to the fullest extent permissible under applicable law, the Company, in lieu of indemnifying and holding harmless Indemnitee, must pay, in the first instance, the entire amount of Expenses incurred by Indemnitee in connection with any Proceeding without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee.

(b) The Company hereby agrees to indemnify and hold harmless fully to the extent permissible under applicable law Indemnitee from any claims for contribution that may be brought by officers, directors or employees of the Company (other than Indemnitee) who may be jointly liable with Indemnitee.

18. Liability Insurance.

(a) For the duration of Indemnitee's service as a director and/or officer of the Company, and thereafter for so long as Indemnitee may be subject to any pending or possible indemnifiable claim, the Company must use best efforts (taking into account the scope and amount of coverage available relative to the cost thereof) to cause to be maintained in effect policies of directors' and officers' liability insurance, errors and omissions insurance and employment practices insurance providing coverages for directors and/or officers of the Company that are at least substantially comparable in scope and amount to that provided by the
Company's current policies covering directors and officers. The minimum AM Best rating for the insurance carriers of such insurance must be not less than A-VI.

(b) In the event of a Change in Control, the Company must (i) maintain in force any and all insurance policies then maintained by the Company providing liability insurance in respect of Indemnitee, or (ii) require and cause any successor thereto (whether direct or indirect) to obtain and maintain a directors' and officers' liability insurance policy (and any other liability insurance policies, including errors and omissions and employment practices, to the extent such liability policies were claims-made policies immediately prior to the Change in Control) that provides coverage for Indemnitee that is at least substantially comparable in scope and amount to that provided to Indemnitee by the Company as of immediately prior to the Change in Control, in each case for the six-year period immediately following the Change in Control. This "tail coverage" must be placed by the Company's insurance broker and be placed with a carrier or carriers having an AM Best rating that is not less than A-VI.

(c) In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee is entitled to be paid all Expenses incurred by Indemnitee with respect to that action, regardless of whether Indemnitee is ultimately successful in that action, and is entitled to the advancement of Expenses with respect to that action, unless as a part of that action a court of competent jurisdiction over that action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous.

(d) The Company must make available to Indemnitee a copy of all applications, binders, policies, declarations, endorsements and other related materials in respect of policies required to be obtained or maintained pursuant to this Agreement. The Company must not discontinue or significantly reduce the scope or amount of coverage from one (1) policy period to the next without the prior approval thereof by a majority vote of the incumbent directors of the Company, even if less than a quorum. The Company must provide Indemnitee with at least thirty (30) days notice of the non-renewal of, cancellation of or failure to pay any premium due in respect of such insurance policies.

19. Optional Trust. The Company may, but is not required to, create a trust fund, grant a security interest or use other means, including without limitation a letter of credit, to ensure the payment of such amounts as may be necessary to satisfy its obligations to indemnify and advance Expenses pursuant to this Agreement.

20. No Imputation. The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Company or the Company itself must not be imputed to Indemnitee for purposes of determining any rights under this Agreement.

21. Severability. The provisions of this Agreement are severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions, including without limitation in the same section, paragraph or sentence, must remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent
possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) must be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

22. Coverage. This Agreement applies with respect to Indemnitee's service as [________] of the Company prior to the date of this Agreement.

23. Governing Law. This Agreement and the relationship of the parties hereto with respect to the subject matter hereof are governed by and construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

24. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement is effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement may be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor may such waiver constitute a continuing waiver.

25. Identical Counterparts; Facsimile. This Agreement may be executed in one (1) or more counterparts, including counterparts transmitted by facsimile or other electronic communication, each of which shall for all purposes be deemed to be an original but all of which together constitute but one (1) and the same Agreement. Only one (1) such counterpart need be produced to evidence the existence of this Agreement. Facsimile signatures, or signatures delivered by other electronic transmission, are as effective as original signatures.

26. Headings. The headings of the sections of this Agreement are inserted for convenience only and must not be deemed to constitute part of this Agreement or to affect the construction hereof.


(a) For purposes of this Agreement, references to the "Company" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee will stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprise" includes employee benefit plans; references to "fines" includes any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the
Company" includes any service as a director, officer, employee, agent or fiduciary of the Company that imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee must be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

28. Notices. All notices and other communications required or permitted hereunder must be in writing, shall be effective when given, and must in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand or by electronic transmission, (c) one (1) business day after the business day of deposit with overnight courier, freight prepaid, or (d) one (1) day after the business day of delivery by facsimile transmission with answer-back received, if delivered by facsimile transmission, with copy by first class mail, postage prepaid, and must be addressed as set forth beneath Indemnitee's signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: secretary) or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.

29. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the Courts of Chancery of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement must be commenced, prosecuted and continued only in that Court, which is the exclusive and only proper forum for adjudicating such a claim.

30. Equitable Relief. The Company and Indemnitee agree that a monetary remedy for breach of this Agreement may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the Company and Indemnitee agree that Indemnitee may enforce this Agreement by seeking equitable remedies, including injunctive relief and/or specific performance, without any showing of actual damage or irreparable harm and that by seeking equitable remedies, Indemnitee will not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. The Company and Indemnitee further agree that Indemnitee is entitled to such equitable remedies without the necessity of posting bonds or other undertaking in connection therewith. The Company hereby waives any requirement of a bond or other undertaking.

31. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate, the Bylaws, the DGCL and any other applicable law, and must not be deemed a substitute therefor, and does not diminish or abrogate any rights of Indemnitee thereunder, and this Agreement does not release the Company from its obligations to the extent such obligations have been incurred under the Prior Indemnification Agreement.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

**AUTOBYTEL INC.**

By: 

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

**INDEMNITEE**

Name:  
Print Name:  
Address: Autobytel Inc.  
18872 MacArthur Blvd., Suite 200  
Irvine, CA 92612
This Severance Benefits Agreement ("Agreement") entered into effective as of May 25, 2010 ("Effective Date") between Autobytel Inc., a Delaware corporation ("Autobytel" or "Company") and James Helberg ("Employee").

Background

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

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

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

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

(b) "Arbitration Agreement" means that certain Mutual Agreement to Arbitrate dated as of May 25, 2010 by and between Autobytel and Employee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) “Employee’s Position” means Employee’s position as the Executive Vice President, Product, Marketing & Analytics of the Company.

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

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

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

(n) “Severance Period” shall equal twelve (12) months.

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

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

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

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

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

Employee acknowledges and agrees that the Company shall not be obligated to provide any Benefits covered by this Section 2(b)(ii) for Employee if Employee does not qualify for coverage under the Company’s existing insurance policies for such Benefits, for individual coverage, or for dependent coverage.

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

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

(e) The amounts and benefits required by Section 2(a) shall be provided only if the Employee has executed and delivered to the Company (and not revoked) a release in favor of the Company (which release shall be substantially in the form attached as Exhibit A). Other than the payments and benefits provided for in this Section 2, Employee shall not be entitled to any additional amounts from the Company resulting from a termination of Employee’s employment with the Company.

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

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

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

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

If to the Company:

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

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

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

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

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

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

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

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

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

13. **Rights Cumulative.** The rights under this Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by any party to exercise, and no delay in exercising, any rights shall be construed or deemed to be a waiver thereof, nor shall any single or partial exercise by any party preclude any other or future exercise thereof or the exercise of any other right.
14. **No Right or Obligation of Employment.** Employee acknowledges and agrees that nothing in this letter shall confer upon Employee any right with respect to continuation of employment by the Company, nor shall it interfere in any way with Employee’s right or the Company’s right to terminate Employee’s employment at any time, with or without Cause.

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

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

17. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument. The parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.
IN WITNESS WHEREOF, the Company and Employee have executed and entered into this Agreement effective as of the date first shown above.

AUTOBYTEL INC.

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

EMPLOYEE

  /s/ James Helberg
  James Helberg
EXHIBIT A
SEPARATION AGREEMENT AND RELEASE

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

1. You acknowledge that your employment with the Company ended effective [_______], 201[ ] that you will perform no further duties, functions or services for the Company subsequent to that date, and that you have resigned from all officer and director positions you held with the Company or any of its subsidiaries effective as of such date.

2. You acknowledge and agree that you have received all vacation pay and other compensation due you from the Company as a result of your employment with the Company and your separation from employment, including, but not limited to, all amounts required under your Severance Agreement with the Company dated effective as of [_______], 201[ ] ("Severance Agreement"), other than those amounts payable pursuant to Paragraph 3 below and those amounts or benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if required by the terms thereof. You acknowledge and agree that the Company owes you no additional wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than as provided in this Agreement and those amounts and benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if required by the terms thereof. All benefits for which you are eligible pursuant to the Severance Agreement will remain in effect for the periods set forth therein.

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

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

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

6. (a) You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in confidentiality or non-disclosure agreements between you and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of May 25, 2010, which shall remain binding on you. (b) You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying in a proceeding) in the investigation and handling of any internal investigation, legislative matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by you.

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

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

9. In consideration for the payments provided for in Paragraph 3, you unconditionally release and forever discharge the Company, and the Company’s current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, Employees, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, Employees, employees, agents, and attorneys of such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (referred to collectively as “Releasors”), from any and all known and unknown claims, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature and regardless of whether the knowledge thereof would have materially affected your agreement to release the Company hereunder, that arise out of or are related to (a) the Company’s failure to make any payments required under the Severance Agreement (other than those amounts, if any, payable pursuant to Section 2(a) of the Severance Agreement if required by the terms of such section), and (b) those arising under the Age Discrimination in Employment Act (“ADEA”)

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated:_____________, 201_                                          _____________________________________

[Employee Name]

Dated:_____________, 201_

AUTOBYTEL INC.

By:           __________________________________

[Officer’s Name]
[Title]
June 2, 2010

James Helberg
[Personal Information Deleted]

Re: Confirmation of Employment Terms

Dear James:

This letter confirms the terms and conditions of your employment by Autobytel Inc., a Delaware corporation (“Company”) as the Company’s Executive Vice President, Product Marketing & Analytics. Note that your employment by the Company is contingent upon the satisfaction of various conditions and requirements set forth below.

1. Employment

   (a) Your employment commenced effective as of May 25, 2010 (“Commencement Date”). In your capacity as Executive Vice President, Product, Marketing & Analytics, you will report to the Company’s President and CEO or such other person as may be designated by the Company from time to time.

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

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

(a) As compensation for the services to be rendered by you pursuant to this agreement, the Company hereby agrees to pay you at a Semi-monthly Rate equal to Eleven Thousand Two Hundred Fifty Dollars ($11,250). The Semi-monthly Rate shall be paid in accordance with the normal payroll practices of the Company.

(b) You shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive compensation plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 70% of your annualized rate (i.e., 24 x Semi-monthly rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be set forth in written documents signed by the parties. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves; provided, however, that your annual incentive award, if any, for the calendar year 2010 will not be prorated based on your employment commencement date. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

(c) Upon commencement of your employment you were granted options to acquire 250,000 shares of the Company’s common stock. The exercise price, vesting, exercise, termination and other terms and conditions of these options shall be governed by and subject to the terms and conditions of the applicable stock option plan and stock option award agreement. The granting and exercise of such options are also subject to compliance with applicable federal and state securities laws.

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

(e) You will begin to accrue vacation time at a rate equal to three (3) weeks (120 hours) per year (5 hours per pay period) from the Commencement Date.

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

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

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

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

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

   (iv) Your compliance with all applicable federal and state laws, rules, regulation and orders, including (1) your execution and delivery of an I-9 Employment Eligibility Verification together with complying verification documents; and (2) your execution and delivery of a W-4 Employee’s Withholding Allowance Certificate. Upon your acceptance of this letter, you will be provided instructions how to access online, sign and return these documents.

The documents referenced in Sections 3(ii), (iii) and (iv) above are referred to herein as the “**Standard Employee Documents.**”

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

5. **Amendments and Waivers.** This agreement may be amended, modified, superseded, or cancelled, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties hereto or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power, or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of any party of any right hereunder, nor any single or partial exercise of any rights hereunder, preclude any other or further exercise thereof or the exercise of any other right hereunder.
6. **Notices.** Any notice required or permitted under this agreement will be considered to be effective in the case of (i) certified mail, when sent postage prepaid and addressed to the party for whom it is intended at its address of record, three (3) days after deposit in the mail; (ii) by courier or messenger service, upon receipt by recipient as indicated on the courier's receipt; or (iii) upon receipt of an Electronic Transmission by the party that is the intended recipient of the Electronic Transmission. The record addresses, facsimile numbers of record, and electronic mail addresses of record for you are set forth on the signature page to this agreement and for the Company as set forth in the letterhead above and may be changed from time to time by notice from the changing party to the other party pursuant to the provisions of this Section 6. For purposes of this Section 6, "Electronic Transmission" means a communication (i) delivered by facsimile, telecommunication or electronic mail when directed to the facsimile number of record or electronic mail address of record, respectively, which the intended recipient has provided to the other party for sending notices pursuant to this Agreement and (ii) that creates a record of delivery and receipt that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

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

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

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

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

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

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

Autobytel Inc., a Delaware corporation

By: /s/ Glenn E. Fuller

Glenn E. Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed
as of the date
first written above:

/s/ James Helberg
James Helberg
This Severance Benefits Agreement ("Agreement") entered into effective as of February 25, 2011 ("Effective Date") between Autobytel Inc., a Delaware corporation ("Autobytel" or "Company") and John Petrone ("Employee").

**Background**

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

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

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

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

   (b) “Arbitration Agreement” means that certain Mutual Agreement to Arbitrate dated as of December 20, 2010 by and between Autobytel and Employee.

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

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

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

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

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

      (iv) a material failure to consistently discharge Employee’s employment duties to the Company which failure continues for thirty (30) days following written notice from the Company detailing the area or areas of such failure, other than such failure resulting from Employee’s Disability.
For purposes of this definition of Cause, no act or failure to act, on the part of the Employee, shall be considered "willful" if it is done, or omitted to be done, by the Employee in good faith or with reasonable belief that Employee’s action or omission was in the best interest of the Company. Employee shall have the opportunity to cure any such acts or omissions (other than clauses (i) and (iii) above) within thirty (30) days of the Employee’s receipt of a written notice from the Company finding that, in the good faith opinion of the Company, the Employee is guilty of acts or omissions constituting "Cause."

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

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

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

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

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

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

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

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

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

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

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

(j) “Employee’s Position” means Employee’s position as the Senior Vice President, Chief Technology Officer of the Company.

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

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

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

(n) “Severance Period” shall equal one month per full month Employee is employed by the Company up to six (6) months, at which time the Severance Period shall be twelve (12) months.

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

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

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

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

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

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

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

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

(f) All payments and benefits under this Section 2 are subject to legally required federal, state and local payroll deductions and withholdings.

(g) To receive career transition services, Employee must contact the service provider no later than 30 days after Employee’s delivery of the signed Release to the Company.

(h) Other than the payments and benefits provided for in this Section 2, Employee shall not be entitled to any additional amounts from the Company resulting from a termination of Employee’s employment with the Company.
3. **Taxes.** All payments made pursuant to this Agreement will be subject to withholding of applicable taxes. Notwithstanding the foregoing, and except as otherwise specifically provided elsewhere in this Agreement, Employee is solely responsible and liable for the satisfaction of any federal, state, province or local taxes that may arise with respect to this Agreement (including any taxes arising under Section 409A of the Code). Neither the Company nor any of its employees, Employees, directors, or service providers shall have any obligation whatsoever to pay such taxes, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax liabilities. Notwithstanding anything in this Agreement to the contrary, if any amounts that become due under this Agreement on account of Employee’s termination of employment constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code, payment of such amounts shall not commence until Employee incurs a Separation from Service. If, at the time of Employee’s Separation from Service under this Agreement, Employee is a “specified employee” (within the meaning of Section 409A of the Code), any amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code that become payable to Employee on account of Employee’s Separation from Service (including any amounts payable pursuant to the preceding sentence) will not be paid until after the end of the sixth calendar month beginning after Employee’s Separation from Service (“409A Suspension Period”). Within 14 calendar days after the end of the 409A Suspension Period, Employee shall be paid a lump sum payment in cash equal to any payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining benefits as if there had not been an earlier delay.

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

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

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

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

If to the Employee:

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

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

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

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

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

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

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

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

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

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

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

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

18. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument. The parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.
IN WITNESS WHEREOF, the Company and Employee have executed and entered into this Agreement effective as of the date first shown above.

AUTOBYTEL INC.

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

EMPLOYEE

/s/ John Petrone
John Petrone
EXHIBIT A

SEPARATION AGREEMENT AND RELEASE

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

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

2. You acknowledge and agree that you have received all vacation pay and other compensation due you from the Company as a result of your employment with the Company and your separation from employment, including, but not limited to, all amounts required under your Severance Agreement with the Company dated effective as of December 20, 2010 (“Severance Agreement”), other than those amounts payable pursuant to Paragraph 3 below and those amounts or benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if required by the terms thereof. You acknowledge and agree that the Company owes you no additional wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than as provided in this Separation and Release Agreement (“Release”) and those amounts and benefits, if any, payable or to be provided after the date hereof pursuant to the Severance Agreement if required by the terms thereof. All benefits for which you are eligible pursuant to the Severance Agreement will remain in effect for the periods set forth therein.

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

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

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

6. You shall keep confidential, and shall not hereafter use or disclose to any person, firm, corporation, governmental agency, or other entity, in whole or in part, at any time in the future, any trade secret, proprietary information, or confidential information of the Company, including, but not limited to, information relating to trade secrets, processes, methods, pricing strategies, customer lists, marketing plans, product introductions, advertising or promotional programs, sales, financial results, financial records and reports, regulatory matters and compliance, and other confidential matters, except as required by law and as necessary for compliance purposes. These obligations are in addition to the obligations set forth in confidentiality or non-disclosure agreement between you and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of December 20, 2010, which shall remain binding on you.

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

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

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

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

10. You represent and warrant that you have not filed, and agree that you will not file, or cause to be filed, any complaint, charge, claim or action involving any claims you have released in the foregoing paragraph. This promise not to sue does not apply to claims for breach of this Release. You agree and acknowledge that if you break this promise not to sue, then you will be liable for all consequential damages, including the legal expenses and fees
11. Excluded from this Release are any claims or rights that cannot be waived by law, including the right to file a charge of discrimination with an administrative agency. You agree, however, to waive your right to any monetary recovery in connection with such a charge.

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

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

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

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

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

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

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

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

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

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

Dated:_____________, 201_                                            _____________________________________
                                                          John Petrone

Dated:_____________, 201_                                            AUTOBYTEL INC.

By:           __________________________________
[Officer’s Name]
[Title]
Re: Offer of Employment

Dear John:

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

1. **Employment**

   (a) Effective as of the date you commence employment with the Company ("Commencement Date"), which date is anticipated to be December 20, 2010, the Company will employ you as Senior Vice President, Chief Technology Officer. In such capacity, you will report to the Company’s President and CEO or such other person as may be designated by the Company from time to time.

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

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

   (a) As compensation for the services to be rendered by you pursuant to this agreement, the Company hereby agrees to pay you at a Semi-monthly Rate equal to Ten Thousand Four Hundred Sixteen Dollars and Sixty Seven Cents ($10,416.67). The Semi-monthly Rate shall be paid in accordance with the normal payroll practices of the Company.

   (b) You shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive bonus plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 55% of your annualized rate (i.e., 24 X Semi-monthly rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be set forth in written documents signed by the parties. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual bonus plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof. You understand that you will not be eligible to participate in the Company’s 2010 Annual Incentive Compensation Plan.

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

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

   (e) You are solely responsible for the payment of any tax liability that may result from any compensation, payments or benefits that you receive from the Company. The Company shall have the right to deduct or withhold from the compensation due to you hereunder any and all sums required by applicable federal, state, local or other laws, rules or regulations, including, without limitation federal and state income taxes, social security or FICA taxes, and state unemployment taxes, now applicable or that may be enacted and become applicable during your employment by the Company.
3. **Pre-Hire Conditions and Requirements.** You have previously submitted an Application for Employment and a Consent to Conduct a Background Check. This offer of employment and your employment by the Company is contingent upon various conditions and requirements for new hires that must be completed prior to commencement of employment. These conditions and requirements include, among other things, the following:

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

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

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

(iv) Your compliance with all applicable federal and state laws, rules, regulation and orders, including (1) your execution and delivery of an I-9 Employment Eligibility Verification together with complying verification documents; and (2) your execution and delivery of a W-4 Employee’s Withholding Allowance Certificate. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.

The documents referenced in Sections 3(ii), (iii) and (iv) above are referred to herein as the “Standard Employee Documents.”

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

5. **Amendments and Waivers.** This agreement may be amended, modified, superseded, or cancelled, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties hereto or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power, or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of any party of any right hereunder, nor any single or partial exercise of any rights hereunder, preclude any other or further exercise thereof or the exercise of any other right hereunder.
6. **Notices.** Any notice required or permitted under this agreement will be considered to be effective in the case of (i) certified mail, when sent postage prepaid and addressed to the party for whom it is intended at its address of record, three (3) days after deposit in the mail; (ii) by courier or messenger service, upon receipt by recipient as indicated on the courier's receipt; or (iii) upon receipt of an Electronic Transmission by the party that is the intended recipient of the Electronic Transmission. The record addresses, facsimile numbers of record, and electronic mail addresses of record for you are set forth on the signature page to this agreement and for the Company as set forth in the letterhead above and may be changed from time to time by notice from the changing party to the other party pursuant to the provisions of this Section 6. For purposes of this Section 6, “Electronic Transmission” means a communication (i) delivered by facsimile, telecommunication or electronic mail when directed to the facsimile number of record or electronic mail address of record, respectively, which the intended recipient has provided to the other party for sending notices pursuant to this Agreement and (ii) that creates a record of delivery and receipt that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

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

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

9. **Interpretation.** Every provision of this agreement is the result of full negotiations between the parties, both of whom have either been represented by counsel throughout or otherwise been given an opportunity to seek the aid of counsel. No provision of this agreement shall be construed in favor of or against any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof. Captions and headings of sections contained in this agreement are for convenience only and shall not control the meaning, effect, or construction of this agreement. Time periods used in this Agreement shall mean calendar periods unless otherwise expressly indicated.
10. **Entire Agreement.** This Agreement, together with the Standard Employee Documents, is intended to be the final, complete and exclusive agreement between the parties relating to the employment of you by the Company and all prior or contemporaneous understandings, representations and statements, oral or written, are merged herein. No modification, waiver, amendment, discharge or change of this agreement shall be valid unless the same is in writing and signed by the party against which the enforcement thereof is or may be sought and you hereby agree that effective as of the Commencement Date, your Consulting Agreement dated as of April 9, 2010 is terminated.

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

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

Autobytel Inc., a Delaware corporation

By: /s/ Glenn E. Fuller

Glenn E. Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed
as of the date
first written above:

/s/ John Petrone
John Petrone
Consent of Independent Registered Public Accounting Firm


/s/ Ernst & Young LLP

Orange County, California
March 10, 2011
CERTIFICATION

I, Jeffrey H. Coats, certify that:

1. I have reviewed this annual report on Form 10-K of Autobytel Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 10, 2011

/s/ Jeffrey H. Coats
Jeffrey H. Coats
President and Chief
Executive Officer
CERTIFICATION

I, Curtis E. DeWalt, certify that:

1. I have reviewed this annual report on Form 10-K of Autobytel Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 10, 2011

/s/ Curtis E. DeWalt
Curtis E. DeWalt,
Senior Vice President and
Chief Financial Officer
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Autobytel Inc. (the “Company”) on Form 10-K for the period ended December 31, 2010 (the “Report”), we, Jeffrey H. Coats, President and Chief Executive Officer of the Company, and Curtis E. DeWalt, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Jeffrey H. Coats
Jeffrey H. Coats
President and Chief Executive Officer
March 10, 2011

/s/ Curtis E. DeWalt
Curtis E. DeWalt
Senior Vice President and Chief Financial Officer
March 10, 2011

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