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

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, 2016

☐ 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:

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

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

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes ☒ No ☐

Indicate by check mark 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 $13.87 for our common stock on The Nasdaq Capital Market on June 30, 2016, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately $125 million.

As of March 6, 2017, 11,021,490 shares of our common stock were outstanding.

Documents Incorporated by Reference

Portions of our Definitive Proxy Statement for the 2017 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.
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FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. Business

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

Overview

We are an automotive marketing services company that assists automotive retail dealers (“Dealers”) and automotive manufacturers (“Manufacturers”) market and sell new and used vehicles to consumers through our programs for online lead referrals (“Leads”), Dealer marketing products and services, online advertising, consumer traffic referral programs and mobile products. Our consumer-facing automotive websites (“Company Websites”), including our flagship website Autobytel.com®, provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles. Our AutoWeb pay-per-click advertising marketplace program (“AutoWeb Program”) uses proprietary technology to refer in-market consumer traffic to Dealers and Manufacturer websites. The Company’s mission for consumers is to be “Your Lifetime Automotive Advisor”® by engaging consumers throughout the entire lifecycle of their automotive needs.

Available Information

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

Significant Business Developments

On December 19, 2016, Autobytel and Carcom, Inc., a wholly owned subsidiary of Autobytel (“Car.com”), entered into an Asset Purchase and Sale Agreement, by and among Autobytel, Carcom, and Internet Brands, Inc., a Delaware corporation (“Internet Brands”), pursuant to which Internet Brands acquired substantially all of the assets of Autobytel's automotive specialty finance leads group operated under Carcom. The specialty finance leads program was 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 financial institutions offering vehicle financing to these consumers. The transaction was completed effective as of December 31, 2016. The transaction consideration consisted of $3.2 million in cash paid at closing of the transaction and $1.6 million to be paid over a five year period pursuant to a Transitional License and Linking Agreement. Revenues from the specialty finance leads group accounted for 4%, 5% and 7% of total revenues in 2016, 2015 and 2014, respectively. The Company recorded a gain on sale of approximately $2.2 million in connection with the transaction in 2016. See Note 10 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.
Industry Background

We believe that consumers engaged in the vehicle purchasing process have adopted the internet, primarily because the internet is one of the best methods to easily find the information necessary to make informed buying decisions. Additionally, the internet is a primary tool for consumers to begin communicating with local Dealers regarding vehicle pricing, availability, options and financing. J.D. Power and Associates reported in 2016 that 79% of automotive consumer buyers surveyed use third party websites for vehicle research. In addition, we believe that many Dealers and all major Manufacturers that market their vehicles in the U.S. use the internet as an efficient way to reach consumers through marketing programs.

According to Automotive News, U.S. light vehicle sales were 17.5 million in 2016, flat from 17.5 million vehicles sold in 2015. J.D. Power / LMC Automotive are forecasting 2017 U.S. total light vehicle sales and retail light-vehicle sales at 17.6 million and 14.1 million, respectively. J.D. Power reported continuing trends of elevated inventories and increased incentive levels. We believe an increase in automotive incentives should result in increased use of the internet by consumers engaged in the vehicle purchasing process and increased submission of Leads by consumers in 2017.

Products and Services

Leads are internally-generated from our Company Websites (“Internally-Generated Leads”) or acquired from third parties (“Non-Internally-Generated Leads”) that generate Leads from their websites (“Non-Company Websites”). We sell Internally-Generated Leads and Non-Internally-Generated Leads directly to Dealers and indirectly to Dealers through a wholesale market consisting of Manufacturers and other third parties in the automotive Lead distribution industry. Our AutoWeb Program links consumers to Dealers and Manufacturer websites when the consumers click on advertisements on Company Websites as well as websites operated by third parties that have contracted with the Company as publishers under the AutoWeb Program. In addition to our Lead and AutoWeb programs, we also offer Dealers and Manufacturers other products and services, including our iControl by Autobytel®, WebLeads®, Email Manager, Payment Pro®, TextShield®, SaleMove and Lead Call products and services, to assist them in capturing online, in-market customers and selling more vehicles by improving conversion of Leads to sale transactions.

Lead Programs

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

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

Our Leads are subject to quality verification that is designed to maintain the high quality of our Leads and increase the Lead buy rates for our Lead customers. Quality verification includes the validation of name, phone number, email address and postal address. Our quality verification also involves proprietary systems as well as arrangements with third party vendors specializing in customer validation. After a Lead has been subjected to quality verification, if we have placement coverage for the Lead within our own Dealer network, we send the Lead 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 with a price quote and availability information for the requested vehicle. In addition to sales of Leads directly to Dealers in our network, we also sell Leads 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 Lead program by entering into contracts directly with us or through major Dealer groups. Generally, our Dealer contracts may be terminated by either party on 30 days’ notice and are non-exclusive. The majority of our retail new vehicle Lead revenues consists of either a monthly subscription or a per-Lead fee paid by Dealers in our network; however, under our pay-per-sale program, we offer a limited number of Dealers in states where we are permitted to charge on a per transaction basis the opportunity to pay a flat per transaction fee for a Lead that results in a vehicle sale. We reserve the right to adjust our fees to retail Dealers upon 30 days’ prior notice at any time during the term of the contract. Manufacturers (directly or through their marketing agencies) and other third parties participate in our wholesale new vehicle Lead programs generally by entering into agreements where either party has the right to terminate upon prior notice, with the length of time for the notice varying by contract. Revenues from retail new vehicle Leads accounted for 22%, 27% and 32% of total revenues in 2016, 2015 and 2014, respectively. Revenues from wholesale Leads accounted for 46%, 47% and 44% of total revenues in 2016, 2015 and 2014, respectively.

We measure Lead quality by the conversion of Leads to actual vehicle sales, which we refer to as the “buy rate.” Buy rate is the percentage of the consumers submitting Leads that we delivered to our customers represented by the number of these consumers who purchased vehicles within ninety days of the date of the Lead submission. We rely on detailed feedback from Manufacturers and wholesale customers to confirm the performance of our Leads. Our Manufacturer and wholesale customers each match the Leads we deliver to our customers against vehicle sales to provide us with information about vehicle purchases by the consumers who submitted Leads that we delivered to these customers. Autobytel also obtain vehicle registration data from a third party provider. This information, together with our internal analysis allows us to estimate the buy rates for the consumers who submitted the Internally-Generated Leads and Non-Internally Generated Leads that we delivered to our customers, and based on these estimates, to estimate an industry average buy rate. Based on the most current information and our internal analysis, we have estimated that, on average, consumers who submit Internally-Generated Leads that we deliver to our customers have an estimated buy rate of approximately 17%. Buy rates that individual Dealers may achieve can be impacted by factors such as the strength of processes and procedures within the dealership to manage communications and follow up with consumers.

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

During 2016, we continued to focus our Dealer acquisition and retention strategies on dealerships to which we could deliver a higher percentage of our Internally-Generated Leads. We believe this will result in increased vehicle sales for our Dealers and ultimately stronger relationships with us because, based on our evaluation of the performance data and information discussed above, we believe our Internally-Generated Leads are of high quality.

**Used Vehicle Lead Program.** Our used vehicle Lead program allows consumers to search for used vehicles according to specific search parameters, such as the price, make, model, mileage, year and location of the vehicle. The consumer is able to locate and display the description, price and, if available, digital images of vehicles that satisfy the consumer's search parameters. The consumer can then submit a Lead for additional information regarding a specific vehicle that we then deliver to the dealer offering the vehicle. In addition to sending Leads directly to Dealers through our Lead delivery system, consumers may choose to contact the dealer using a toll free number posted next to the vehicle search results. We charge each Dealer that participates in the used Vehicle Lead program a monthly subscription or per Lead fee. Revenues from used vehicle Leads accounted for 10%, 11% and 12% of total revenues in 2016, 2015 and 2014, respectively.

**Other Dealer Products and Services**

In addition to Lead and AutoWeb programs, we also offer products and services that assist Dealers in connecting with in-market consumers and closing vehicle sales.

*iControl by Autobytel®* iControl by Autobytel® is our proprietary technology that allows Dealers many options to filter and control the volume and source of their Leads. iControl by Autobytel® can be controlled at the dealership (or by a representative of Autobytel on behalf of the dealership), at the Dealer group level from a web-based, easy-to-use console that makes it quick and simple for dealerships to change their Lead acquisition strategy to adjust for inventory conditions at their stores and broader industry patterns (such as changes in gas prices or changes in consumer demand). From the console, dealerships can easily contract or expand territories and increase, restrict or block specific models and Lead web sources, making it much easier to target inventory challenges and focus marketing resources more efficiently.
We currently have over one-half of our new vehicle Dealers participating in our iControl by Autobytel® product.

**WebLeads+.** Designed to work in connection with a Dealer’s participation in our Lead programs, WebLeads+ offers a Dealer multiple coupon options that display relevant marketing messages to consumers visiting the Dealer’s website. When a Dealer uses WebLeads+, consumers visiting the Dealer’s website are encouraged to take action in two ways. First, while interacting with the Dealer website, a consumer is presented with a customized special offer formatted for easy Lead submission. If a vehicle quote is requested, the Lead goes directly into the dealership management tool so a salesperson can promptly address the customer’s questions. Second, if the consumer leaves the Dealer’s website but remains online, the WebLeads+ product keeps the coupon active in a new browser, 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 Lead. The additional Leads 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 Leads on scheduled intervals following a consumer’s Lead submission. After submission of a Lead, Lead Call provides a live phone call to the consumer on behalf of the Dealer and schedules an appointment for the consumer to visit the dealership regarding the specific vehicle the consumer inquired about.

**Payment Pro®,** Payment Pro® is a Dealer website conversion tool based on a third party product that offers consumers real-time online monthly payment information based on an instant qualification process. The payments are based on the consumer’s credit, the actual vehicle being researched and the Dealer finance rates without requiring the consumer to provide personal information, such as date of birth or social security number. The Lead goes directly into the dealership management tool so that a salesperson can promptly address the consumer’s inquiry.

**Mobile Products and Services.** We provide Dealers and Manufacturers mobile technologies that facilitate communication between Dealers and car buyers on smart phones and tablets at the time, place and in a manner preferred by many consumers. At the center of this platform is Autobytel’s unique TextShield® product that offers Dealers the ability to connect with consumers using text communication via a secure platform that protects the consumer’s privacy. In addition, we offer Dealers mobile websites designed to drive consumer engagement with Dealers as well as mobile apps, text message marketing and the ability for consumers to send information to their mobile devices using our “send to phone” product.

**SaleMove.** Our arrangement with SaleMove, Inc. (“SaleMove”) allows Autobytel to provide the automotive industry with innovative technology for enhancing communications with consumers. SaleMove’s technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real time using the method most comfortable to them including live video, audio and text based chat or by phone helping Dealers improve the online car shopping experience for their customers. Autobytel is providing the tools necessary to capture the opportunities being created as online shopping becomes increasingly popular with in-market car buyers.

**Advertising Programs**

Our Company Websites attract an audience of prospective automotive buyers that advertisers can target through display advertising. A primary way advertisers use our Company 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 and offer Manufacturers sponsorship opportunities to assist in their efforts both in terms of customer retention and conquest strategies. Our Company 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. We believe this transfer of consumers from our Company Websites to Manufacturer sites is the most significant action measured by Manufacturers in evaluating our performance and value for the Manufacturer’s marketing programs. Through our agreement with Jumpstart Automotive Group (“Jumpstart”), Jumpstart sells our fixed placement advertising across our Company Websites to automotive advertisers. Jumpstart currently reaches approximately 27 million unique visitors per month and works with every major automotive Manufacturer across its portfolio of digital publishers. We also offer a direct marketing platform that enables Manufacturers to selectively target in-market consumers during the often-extended vehicle shopping process. Designed to keep a specific automotive brand in consideration, our direct marketing programs allow automotive marketers to deliver specific communication through either email or direct mail formats to in-market consumers during their purchase cycle.
Our AutoWeb product is our pay-per-click advertising marketplace program. The AutoWeb Program utilizes proprietary technology to offer consumers who are shopping targeted offers based on make, model and geographic location. As these consumers are conducting research on one of Autobytel's consumer facing websites or on the site of one of our network of automotive publishers, they are presented with relevant offers on a timely basis and, upon the consumer clicking on the displayed advertisement, are sent to the appropriate website location of one of our Dealer, Manufacturer or advertising customers. The AutoWeb network of publisher websites reaches and engages with millions of potential car buyers each month, and we believe it provides high intent, quality traffic that Dealers and other customers cannot typically reach through their own marketing efforts. The AutoWeb solution is flexible and in addition to driving traffic to a vehicle detail page, it can also send website traffic to new vehicle sales, service, used vehicles or to any other department where a customer wants to engage with in-market consumers. In addition, we believe that the AutoWeb solution can be used to conquest competitive shoppers who are researching another brand more effectively than can typically be done using other search engines. Advertisers only pay for the clicks they receive, and are able to structure campaigns with flexible budgets and no long-term commitments in order to manage spend versus key performance indicators. Ongoing feedback from our customers is that this traffic provides excellent time-on-site, below-average bounce rates, higher-than-average page views and is a valuable tool to help Dealers sell more vehicles.

Advertising revenues, including direct marketing, accounted for 16%, 8% and 4% of total revenues in 2016, 2015 and 2014, respectively.

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:

*Increasing The Supply of High-Quality Leads.* High-quality Leads are those Leads that result in high transaction (i.e., purchase) closing rates for our Dealer customers. Internally-Generated Leads are generally higher quality than Non-Internally-Generated Leads and increase the overall quality of our Lead portfolio. Non-Internally-Generated Leads are of varying quality depending on the source of these Leads. We plan to increase the supply of high-quality Leads generated to sell to our customers primarily by:

- *Increasing traffic acquisition activities for our Company Websites.* Traffic to our Company Websites is monetized primarily though the creation of Leads that are delivered to our Dealer and Manufacturer customers to help them market and sell new and used vehicles, and through the sale of advertising space on our Company Websites. We plan to increase the traffic to our Company Websites through effective SEO and SEM traffic acquisition activities and enhancements to our Company Websites.
  - **SEO and SEM traffic acquisition activities.** Traffic to our Company Websites is obtained through a variety of sources and methods, including direct navigation to our Company 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. 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 Lead volumes and gross profit margins.
  - **Continuing to enhance the quality and user experience of our Company Websites.** We continuously make enhancements to our Company Websites, including enhancements of the design and functionality of our Company Websites. These enhancements are intended to position our Company Websites as comprehensive best in class destinations for automotive purchase research by consumers. By doing so, we believe we will increase the volume of our Internally-Generated Leads.

- *Increasing the conversion rate of visitors to Leads on our Company 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 Leads. We believe that an increased conversion rate of page views into Leads could result in higher revenue per visitor.
  - **Relationships with Suppliers of High-Quality Non-Internally-Generated Leads.** We plan to continue to develop and maintain strong relationships only with suppliers of Non-Internally-Generated Leads that consistently provide high quality Leads.
Increasing Leads Sales to our Customers. Our principal source of revenue comes from sales of Leads to our retail and wholesale Lead customers. Our goal is to increase sales of Leads to our customers primarily by:

- **Increasing Lead Sales to Retail Dealers.** Sales of Leads to our Dealer network constitute a significant source of our revenues. Our goal is to continue to increase the number of Leads sold to our retail Dealer customers by:
  - increasing the quality of the Leads sold to our Dealers,
  - increasing the number of Dealers in our Dealer network,
  - reducing Dealer churn in our Dealer network,
  - providing customizable Lead 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,
  - increasing overall Dealer satisfaction by improving all aspects of our services,
  - increasing the size of our retail Dealer footprint,
  - focusing on higher revenue Dealers that are more cost-effective to support, and
  - enhancing our internal Lead generation activities by leveraging our expanded retail lead coverage.

- **Increasing Lead Sales to Wholesale Customers.** We currently have agreements to sell Leads to 31 Manufacturer Lead programs, including all mainstream Manufacturers with the exception of one luxury brand that has yet to launch a Lead program. Demonstrating how important third-party leads are to Manufacturers, over the past three years several major Manufacturers, including two major Japanese manufacturers, launched corporate Lead programs for the first time. Others have completely re-launched their programs and some have changed business rules, pricing or coverage in order to be able to purchase more of Autobytel’s high quality, organic Leads.

**Continuing to develop the AutoWeb targeted pay-per-click marketplace for online automotive advertisers and publishers.** Our merger with AutoWeb allowed us to become the first automotive publisher to benefit from AutoWeb’s pay-per-click platform that uses proprietary technology and a unique pay-per-click business model to analyze web traffic and adjust advertiser costs accordingly based on traffic quality. This traffic network is targeted to attract high-intent, high-volume publishers and is intended to allow them to monetize traffic that has previously been under-monetized. In-market car shoppers are presented with highly relevant display advertisements and benefit from an online experience that delivers information that consumers use in making their car buying decisions. Manufacturers benefit from this high-quality traffic from serious in-market car buyers. Our AutoWeb program enables Manufacturers and Dealers to optimize their advertising by driving traffic to appropriate areas of their Tier 1 (Manufacturer national advertising), Tier 2 (Manufacturer and advertising associations regional advertising) and Tier 3 (Dealer) websites.

Moving forward we believe that Manufacturers and Dealers will continue to see the measureable attribution from this click traffic and will reallocate marketing spend from traditional channels into this emerging medium. We also plan to grow the size of this addressable marketplace by adding high-quality and high volume automotive publishers to our network, by targeting in market consumers on a variety of social media platforms and by continuing to optimize this advertising platform on our consumer facing websites, whose traffic we believe will continue to scale. In addition, we believe that the flexibility of our solution combined with high quality traffic with automotive purchase intent may allow us to increase the amount charged per click as the network grows and as the level of attribution from this marketplace is understood by advertising partners.

**Increasing Display Advertising Revenues.** As traffic to, and time spent on, our Company Websites by consumers increases, we will seek to increase our advertising revenues. Through our agreement with Jumpstart we benefit from Jumpstart's relationships with every major automotive manufacturer and/or its advertising agencies by increasing revenue for our traditional display advertising. It is our belief that if the volume of our traffic continues to increase, advertisers will recognize this increased value by agreeing to purchase additional advertising space available on our Company Websites. Additionally, we believe that our AutoWeb program provides an opportunity to increase Autobytel advertising revenue through additional monetization opportunities for our existing and growing traffic.

**Focusing on Mobile Products.** As consumers increasingly engage with Internet content using mobile devices, Autobytel will continue to focus on advanced mobile technologies that facilitate communication between Dealers and consumers on smart phones and tablets at the time, place, and in a manner preferred by many consumers. This focus on the mobile platform is a core part of our strategy moving forward regarding lead generation, automotive research, website advertising and traffic generation.

In addition, we will continue to focus on making mobile tools available to Dealer and Manufacturer customers. Texting is increasingly becoming the communication method of choice for many consumers and Autobytel’s unique TextShield® platform offers Dealers the ability to connect with consumers using text communication via a secure platform that protects the consumer’s privacy. In addition, this platform offers much of the same oversight and control that is available in traditional email Lead Management Systems and is essentially a Lead Management System for text. We plan to integrate this technology into our consumer facing websites, lead generation and advertising campaigns so that we can continue to facilitate communication between consumers and Dealers utilizing whatever mobile communication platform they choose.
Continuing to 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, that we believe will ultimately help Manufacturers and Dealers market and sell more new and used vehicles. Our objective is to generate revenues from this asset in the most effective and efficient ways possible.

Strategic Acquisitions, Investments and Alliances. Our goal is to grow and advance our business. We may do so, in part, through strategic acquisitions, investments and alliances. We continue to review strategic opportunities that may provide opportunities for growth. We believe that strategic acquisitions, investments and 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” of this Annual Report on Form 10-K.

Seasonality

Our quarterly revenues and operating results have fluctuated in the past and may fluctuate in the future due to various factors, including consumer buying trends, changing economic conditions, Manufacturer incentive programs and actual or threatened severe weather events. Excluding the effect of acquisitions in 2015, Lead volume is typically highest in summer (third quarter) and winter (first quarter) months, followed by spring (second quarter) and fall (fourth quarter) months.

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 trademarks with the United States Patent and Trademark Office, including Autobytel, Autobytel.com, MyGarage, Your Lifetime Automotive Advisor®, iControl by Autobytel®, TextShield®, Payment Pro®, AutoWeb®, AutoWeb.com® and the global highway logo. We have also been issued patents related to methods and systems for managing a Lead in data center systems and a method and system for managing Leads and routing them to one or more destinations. We cannot provide any assurances that any of our patents 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 Lead marketing services and advertising marketplace we compete for Dealer and Manufacturer customers. Competition with respect to our core Lead referral programs continued to be impacted by changing industry conditions in 2016. We continue to compete with several companies that maintain business models similar to ours, some with greater resources. In addition, 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 Lead 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 Leads for delivery direct to the Manufacturers’ Dealers.

We believe that third party Leads have been the standard in our industry for many years. However, we continue to observe new and emerging business models, including pay-per-sale and consumer pay models, relating to the generation and delivery of Leads. From time to time, new products and services are introduced that take the focus away from third party Lead generation, which we believe is a profitable way to sell vehicles to in-market buyers. Dealers and Manufacturers may decide to pull back on their third party Lead programs to test these new approaches.

In the display advertising marketplace, we compete with major internet portals, transaction based websites, automotive related companies, numerous lifestyle websites and emerging entrants in the relatively new automotive click revenue medium. We also compete with traditional marketing channels such as print, radio and television.

In the pay-per-click advertising marketplace, we compete with established search engine providers as well as with a growing number of digital marketing platforms focused on generating dealership website traffic from inventory listings and social media campaigns. In addition, some industry providers who have historically specialized in inventory aggregation or on providing SEM agency services to Dealers are now expanding into the area of website traffic generation.
Customers

We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), General Motors and Ford Direct. During 2016, approximately 28% of our total revenues were derived from these three customers, and approximately 36% or $12.6 million of gross accounts receivable related to these three customers at December 31, 2016. In 2016, Urban Science Applications accounted for 16% and 19% of total revenues and accounts receivable as of December 31, 2016, respectively.

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 Company Websites are hosted at secure third-party data center facilities and public cloud providers. These data centers and public cloud systems include redundant power infrastructure, redundant network connectivity, fire detection and suppression systems and security systems to prevent unauthorized access. Our network and computer systems are built on industry standard technology.

System enhancements are primarily intended to accommodate increased traffic across our Company Websites, improve the speed in which Leads and advertisements 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; voice, email and text messaging communications with consumers; 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 6, 2017, we had 254 employees. None of our employees are represented by labor unions.
The risks described below are not the only risks that we face. The following risks as well as risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially and adversely affect our business, results of operations, financial condition, earnings per share, cash flow or the trading price of our stock, individually and collectively referred to in these Risk Factors as our “financial performance.” See also the discussion of “Forward-Looking Statements” immediately preceding Part I of this Annual Report on Form 10-K.

We may be unable to increase Lead revenues and could suffer a decline in revenues due to dealer attrition.

We derive more than 94% of our Lead revenues from Lead fees paid by Dealers and Manufacturers participating in our Lead programs. Our ability to increase revenues from sales of Leads is dependent on a mix of interrelated factors that include increasing Vehicle Lead revenues by attracting and retaining Dealers and Manufacturers, increasing the number of high quality Leads we sell to Dealers and Manufacturers, and improving margins by increasing the number of Internally-Generated Leads that we sell to our customers. We are also focused on higher revenue Dealers that are more cost-effective to support. Our sales strategy is intended to result in more profitable relationships with our Dealers both in terms of cost to supply Leads and to support the Dealers. Dealer churn impacts our revenues, and if our sales strategy does not mitigate the loss in revenues by maintaining the overall number of Leads sold by increasing sales to other Dealers or Manufacturers while maintaining the overall margins we receive from the Leads sold, our revenues would decrease. We cannot provide any assurances that we will be able to prevent Dealer attrition or to offset the revenues lost due to Dealer attrition by other means, and our failure to do so could materially and adversely affect our financial performance.

We may lose customers or quality Lead supplies to our competitors.

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

Our financial performance could be materially and adversely affected by changes in Internet search engine algorithms and dynamics.

We use Google to generate a significant portion of the traffic to our websites, and, to a lesser extent, we use other search engines and meta-search websites to generate traffic to our websites, principally through pay-per-click advertising campaigns. The pricing and operating dynamics on these search engines can experience rapid change commercially, technically and competitively. For example, Google frequently updates and changes the logic that determines the placement and display of results of a consumer's search, such that the placement of links to our websites can be negatively affected and our costs to improve or maintain our placement in search results can increase.

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

Our financial performance is affected by general economic and market factors, conditions in the automotive industry, and the market for automotive marketing services, including, but not limited to, the following:

- The effect of unemployment on the number of vehicle purchasers;
- Pricing and purchase incentives for vehicles;
- The expectation that consumers will be purchasing fewer vehicles overall during their lifetime as a result of better quality vehicles and longer warranties;
- The impact of fuel prices on demand for the number and types of vehicles;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale customers in our customer base;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations;
- The competitive impact of consolidation in the online automotive referral industry; and
- The effect of changes in transportation policy, including the potential increase of public transportation options.
We may acquire other companies, and there are many risks associated with acquisitions.

As part of our business strategy we evaluate potential acquisitions that we believe will complement or enhance our existing business. 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. Acquisitions involve numerous risks that include the following, any of which could materially and adversely affect our financial performance:

- We may not fully realize all of the anticipated benefits of an acquisition or may not realize them in the timeframe expected, including due to acquisitions where we expand into product and service offerings or enter or expand into markets in which we are not experienced.
- In order to complete acquisitions, we may issue common stock or securities convertible into or exercisable for common stock, potentially creating dilution for existing stockholders. Issuance of equity securities may also restrict utilization of net operating loss carryforwards because of an annual limitation due to ownership change limitations under the Internal Revenue Code.
- We may borrow to finance acquisitions, and the amount and terms of any potential future acquisition-related or other borrowings may not be favorable to the Company and could affect our liquidity and financial condition.
- Acquisitions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans.
- Our due diligence process may fail to identify significant issues with an acquired company that may result in unexpected or increased costs, expenses or liabilities that could make an acquisition less profitable or unprofitable.
- The failure to further our strategic objectives that may require us to expend additional resources to develop products, services and technology internally.
- An announced business combination and investment transaction may not close timely or at all, which may cause our financial results to differ from expectations in a given quarter.
- Business combination and investment transactions may lead to litigation that can be costly to defend or settle, even if no actual liability exists.
- Integration of acquisitions are often complex, time-consuming and expensive and if not successfully integrated could materially and adversely affect our financial performance. The challenges involved with integration of acquisitions include:
  - Diversion of management attention to assimilating the acquired business from other business operations and concerns.
  - Integration of management information and accounting systems of the acquired business into our systems, and the failure to fully realize all of the anticipated benefits of an acquisition.
  - Difficulties in assimilating the operations and personnel of an acquired business into our own business.
  - Difficulties in integrating management information and accounting systems of an acquired business into our current systems.
  - Convincing our customers and suppliers and the customers and suppliers of the acquired business that the transaction will not diminish client service standards or business focus and that they should not defer purchasing decisions or switch to other suppliers.
  - Consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes.
  - Persuading employees that business cultures are compatible, maintaining employee morale, retaining key employees and integrating employees into the Company.
  - Coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures.
  - Managing integration issues shortly after or pending the completion of other independent transactions.

Concentration of credit risk and risks due to significant customers could materially and adversely affect our financial performance.

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are primarily maintained with two financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. Generally these deposits may be redeemed upon demand. Accounts receivable are primarily derived from fees billed to Dealers and Manufacturers. We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), General Motors and Ford Direct. During 2016 approximately 28% of the Company’s total revenues were derived from these customers, and approximately 36% or $12.6 million of gross accounts receivable are receivable from them at December 31, 2016. In 2016, Urban Science Applications accounted for 16% and 19% of total revenues and accounts receivable as of December 31, 2016, respectively. No collateral is required to support our accounts receivables, and we maintain an allowance for bad debts for potential credit losses. If there is a decline in the general economic environment that negatively affects the financial condition of our customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required, and the adverse impact on our financial performance could be material.
We depend on Manufacturers through our third party sales channel for a significant amount of our advertising revenues, and we may not be able to maintain or grow these relationships.

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

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

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

We operate in a regulatory climate in which there is uncertainty as to the application of various laws and regulations to our business. Our business could be significantly affected by different interpretations or applications of existing laws or regulations, future laws or regulations, or actions or rulings by judicial or regulatory authorities. Our operations may be subject to adoption, expansion or interpretation of various laws and regulations, and compliance with these laws and regulations may require us to obtain licenses at an undeterminable and possibly significant initial and annual expense. These additional expenditures may increase future overhead, thereby potentially reducing our future results of operations. There can be no assurances 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 financial performance. The adoption of additional laws or regulations may decrease the popularity or impede the expansion of e-commerce and internet marketing, restrict our present business practices, require us to implement costly compliance procedures or expose us and/or our customers to potential liability.

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

Automotive Dealer/ Broker and Vehicle Advertising Laws. All states comprehensively regulate vehicle sales and lease transactions, including strict licensure requirements for Dealers (and, in some states, brokers) and vehicle advertising. Most of these laws and regulations, we believe, specifically address only traditional vehicle purchase and lease transactions, not internet-based Lead referral programs such as our programs. If we determine that the licensing or other regulatory requirements in a given state are applicable to us or to a particular marketing services program, we may elect to obtain required licenses and comply with applicable regulatory requirements. However, if licensing or other regulatory requirements are overly burdensome, we may elect to terminate operations or particular marketing services programs in that state or elect to not operate or introduce particular marketing services programs in that state. In some states we have modified our marketing programs or pricing models to reduce uncertainty regarding our compliance with local laws. As we introduce new services, we may need to incur additional costs associated with additional licensing regulations and regulatory requirements.

Financial Broker and Consumer Credit Laws. We provide a connection through our websites that allows consumers to obtain finance information and, through our display and pay-per-click advertising programs, to be referred to Dealer, Manufacturer and potential lender websites. All online applications for quotes are completed on the respective third party’s websites. 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 these services. In the event states require us to be licensed as a financial broker or finder, 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 addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act established a new consumer financial protection bureau with broad regulatory powers, which could lead to regulation of our advertising business directly or indirectly through regulation of automotive finance companies and other financial institutions.
**Insurance Broker Laws.** We provide links on our websites and referrals from call centers enabling consumers to be referred to third parties to receive quotes for insurance from such third parties. All online 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.

**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 financial performance could be materially and adversely affected. Tax authorities in a number of states are currently reviewing and re-evaluating the tax treatment of companies engaged in internet commerce, including the application of sales taxes to internet marketing businesses similar to ours. We accrue for tax contingencies based upon our estimate of the taxes ultimately expected to be paid, which we update over time as more information becomes available, new legislation or rules are adopted or taxing authorities interpret their existing statutes and rules to apply to internet commerce, including internet marketing businesses similar to ours. The amounts ultimately paid in resolution of reviews or audits by taxing authorities could differ materially from the amounts we have accrued and result in additional tax expense, and our financial performance 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 online services that could limit our business flexibility or cause us to incur higher compliance costs. In each case, our financial performance could be materially and adversely affected. We have identified below some of these risks that we believe could materially and adversely affect our financial performance.

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

**Data privacy laws, rules and regulations.** Various laws, rules and regulations govern the collection, use, retention, sharing and security of data that we receive from our users, advertisers and affiliates. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use and disclosure of user data and personal information. Any failure, or perceived failure, by us to comply with our posted privacy policies, Federal Trade Commission requirements or orders or other federal or state privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others. 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 Lead referral and advertising affiliates. We cannot predict whether new legislation or regulations concerning data privacy and retention issues related to our business will be adopted, or if adopted, whether they could impose requirements that may result in a decrease in our user registrations and materially and adversely affect our financial performance. Proposals that have or are currently being considered include restrictions relating to the collection and use of data and information obtained through the tracking of internet use, including the possible implementation of a “Do Not Track” list, that would allow internet users to opt-out of such tracking.
Security risks associated with online Leads collection and referral, advertising and e-commerce risks associated with other online fraud and scams. A significant issue for online 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, online advertising and e-commerce. Despite our implementation of security measures, our computer systems or those of our vendors may be susceptible to electronic or physical computer break-ins, viruses and other disruptive harms and security breaches. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may specifically compromise our security measures. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures on a timely basis. Any perceived or actual unauthorized disclosure of personally identifiable information regarding website visitors, whether through breach of our network by an unauthorized party, employee theft or misuse, or otherwise, could harm our reputation and brands, substantially impair our ability to attract and retain our audiences, or subject us to claims or litigation arising from damages suffered by consumers. If consumers experience identity theft after using any of our websites, we may be exposed to liability, adverse publicity and damage to our reputation. To the extent that identity theft gives rise to reluctance to use our websites or a decline in consumer confidence in financial transactions over the internet, our business could be adversely affected. Alleged or actual breaches of the network of one of our business partners or competitors whom consumers associate with us could also harm our reputation and brands. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. For example, California law requires companies to inform individuals of any security breaches that result in their personal information being stolen. Because our success depends on the acceptance of online 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 the Company has experienced fraudulent use of our name and trademarks on websites in connection with the purported sale of vehicles offered on third party websites, with payments to be handled through an online escrow service purported to be owned and operated by the Company. These fraudulent online transactions and scams, should they continue to increase in prevalence, could affect our reputation with consumers and give rise to claims by consumers for funds transferred to the fraudulent accounts, which could materially and adversely affect our financial performance.

We are insured for some, but not all, of the foregoing risks. Even for those risks for which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all costs, liabilities or losses we might incur or experience.

Telemarketing Risks. We are subject to various federal and state laws, rules, regulations and orders regarding telemarketing and privacy, including restrictions on the use of unsolicited emails and restrictions on marketing activities conducted through the use of telephonic communications (including text messaging to mobile telephones). Our financial performance could be adversely affected by newly-adopted or amended laws, rules, regulations and orders relating to telemarketing and increased enforcement of such laws, rules, regulations or orders by governmental agencies or by private litigants. One example of regulatory changes that may affect our financial performance are the regulations under the Telephone Consumer Protection Act (“TCPA”). Regulations adopted by the Federal Communications Commission under the TCPA require the prior express written consent of the called party before a caller can initiate telemarketing calls (i) to wireless numbers (including text messaging) using an automatic telephone dialing system or an artificial or prerecorded voice; or (ii) to residential lines using an artificial or prerecorded voice. Failure to comply with the TCPA can result in significant penalties, including statutory damages. Our efforts to comply with these regulations may negatively affect conversion rates of leads, and thus, our revenue or profitability.

Technology Risks

Our business is dependent on keeping pace with advances in technology. If we are unable to keep pace with advances in technology, consumers may stop using our services and our revenues will decrease. If we are required to invest substantial amounts in technology, our financial performance will be adversely impacted. The internet and electronic commerce markets are characterized by rapid technological change, changes in user and customer requirements, frequent new service and product introductions embodying new technologies, including mobile internet applications, and the emergence of new industry standards and practices that could render our existing websites and technology obsolete. These market characteristics are intensified by the emerging nature of the market and the fact that many companies are expected to introduce new internet products and services in the near future. If we are unable to adapt to changing technologies, our financial performance could be materially and adversely affected. Our performance will depend, in part, on our ability to continue to enhance our existing services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our websites, mobile applications and other proprietary technology entails significant technical and business risks. We may not be successful in using new technologies effectively or adapting our websites or other proprietary technology to customer requirements or to emerging industry standards. In addition, if we are required to invest substantial amounts in technology in order to keep pace with technological advances, our financial performance could be materially and adversely affected.
Interruptions or failures in our information technology platforms, communication systems or security systems could materially and adversely affect our financial performance. Our information technology and communications systems are susceptible to outages and interruptions due to fire, flood, earthquake, power loss, telecommunications failures, cyber attacks, terrorist attacks, failure of redundant systems and disaster recovery plans and similar events. Such outages and interruptions could damage our reputation and harm our operating results. Despite our network security measures, our information technology platforms are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage and similar disruptions from unauthorized tampering, as well as coordinated denial-of-service attacks. We do not have multiple site capacity for all of our services. In the event of delays or disruptions to services we rely on third party providers to perform disaster recovery planning and services on our behalf. We are vulnerable to extended failures to the extent that planning and services are not adequate to meet our continued technology platform, communication or security systems’ needs. We rely on third party providers for our primary and secondary internet connections. Our co-location service and public cloud services that provide infrastructure and platform services, environmental and power support for our technology platforms, communication systems and security systems are received from third party providers. 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 design and implement sufficient security systems or plan for increases in capacity could, in turn, cause delays or disruptions in our services. We are insured for some, but not all, of these events. Even for those events for which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all losses we might incur or experience.

We are exposed to risks associated with overseas operations and outsourcing. We currently maintain website, software development and operations in Guatemala and receive software development and maintenance services for some of our systems from contractors located in Pakistan. These overseas operations and contractor arrangements are subject to many inherent risks, including but not limited to:

- These risks can significantly impact our overseas operations and outsourcing. Increases in the cost, or disruptions, of such operations and outsourcing, could materially and adversely affect our financial performance. In addition, we are subject to certain anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, in addition to the laws of the foreign countries in which we operate. If we or any of our employees or agents violates these laws, we could become subject to sanctions or significant penalties that could negatively affect our reputation and financial performance.

Securities Market Risks

The public market for our common stock may be volatile, especially because market prices for internet-related and technology stocks have often been unrelated to operating performance. Our common stock is currently listed on The Nasdaq Capital Market under the symbol “ABTL,” 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 periodically experiences 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 Lead deliveries to Dealers, the number of visitors to Company Websites and the frequency with which they interact with Company Websites;
- Announcements of new product or service offerings;
- Technological innovations;
- Low trading volumes;
- Concentration of holdings in our common stock resulting in low public float for our shares;
- Decisions by holders of large blocks of our stock to sell their holdings on accelerated time schedules, including by reason of their decision to liquidate investment funds that hold our stock;
- Limited analyst coverage of the Company;
- Competitive developments, including actions by Manufacturers;
- Changes in financial estimates by securities analysts or our failure to meet such estimates;
- Conditions and trends in the internet, electronic commerce and automotive industries;
- Adoption of new accounting standards affecting the technology or automotive industry;
- Rumors, whether or not accurate, about us, our industry or possible transactions or other events;
- The impact of open market repurchases of our common stock; and
- General market or economic conditions and other factors.

Further, the stock markets, and in particular The Nasdaq Capital 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 financial performance.
Our common stock could be delisted from The Nasdaq Capital Market if we are not able to satisfy continued listing requirements, in which case the price of our common stock and our ability to raise additional capital and issue equity-based compensation may be adversely affected, and the ability to buy and sell our stock may be less orderly and efficient. For our common stock to continue to be listed on The Nasdaq Capital Market, the Company must satisfy various continued listing requirements established by The Nasdaq Stock Market LLC. In the event the Company were not able to satisfy these continued listing requirements, we expect that our common stock would be quoted on an over-the-counter market. These markets are generally considered to be less efficient and less broad than The Nasdaq Capital Market. Investors may be reluctant to invest in the common stock if it is not listed on The Nasdaq Capital Market or another stock exchange. Delisting of our common stock could have a material adverse effect on the price of our common stock and would also eliminate our ability to rely on the preemption of state securities registration and qualification requirements afforded by Section 18 of the Securities Act of 1933 for “covered securities.” The loss of this preemption could result in higher costs for capital raising, could limit resale of our stock in some states, and could adversely impact our ability to issue equity-based compensation to Company employees.

No assurances can be given that the Company will continue to be able to meet the continued listing requirements for listing of our common stock on The Nasdaq Capital Market.

A significant number of additional shares of our common stock may be issued upon the exercise or conversion of existing securities, which issuances may depress the market price of our common stock. In connection with our acquisition of Autoweb, we issued 168,007 shares of Series B Junior Participating Convertible Preferred Stock (“Series B Preferred Stock”) and warrants to purchase up to 148,240 shares of Series B Preferred Stock. The shares of Series B Preferred Stock are convertible, subject to certain limitations, into ten shares of common stock. All shares of Series B Preferred Stock will be automatically converted into common stock upon stockholder approval. In addition, in connection with the acquisition of AutoUSA, we issued warrants to purchase 69,930 shares of common stock and a convertible subordinated promissory note for $1.0 million that may be converted into shares of common stock at a conversion price of $16.34 per share. The issuance of shares of common stock upon conversion of the Series BPreferred Stock, exercise of the AutoUSA Warrants and conversion of the AutoUSA Note will dilute the proportionate ownership and voting power of existing security holders. In addition the market price of our common stock may be depressed by the issuance or resales of the shares of common stock acquired upon exercise or conversion. See Note 3 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.

Risks Associated with Litigation

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

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

We also enter into agreements with other companies under which any revenues that results from the purchase or use of services through direct links to or from our websites or on our websites is shared. In addition, we acquire personal information and data in the form of Leads 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.
Our financial performance 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 financial performance. 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 financial performance.

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 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 allows 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:

- Require that actions to be taken by our stockholders may be taken only at an annual or special meeting of our stockholders and not by written consent;
- Specify that special meetings of our stockholders can be called only by our board of directors, a committee of the board of directors, the Chairman of our board of directors or our President;
- Establish advance notice procedures for stockholders to submit nominations of candidates for election to our board of directors and other proposals to be brought before a stockholders meeting;
- Provide that our bylaws may be amended by our board of directors without stockholder approval;
- Allow our board of directors to establish the size of our board of directors;
- Provide that vacancies on our board of directors or newly created directorships resulting from an increase in the number of our directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- Do not give the holders of our common stock cumulative voting rights with respect to the election of directors.

These provisions 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 five Rights 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 $75.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company’s outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company’s outstanding common stock. If a person or group acquires 4.90% or more of our common stock, all Rights holders, except the acquirer, will be entitled to acquire at the then exercise price of a Right that number of shares of our common stock which, at the time, has a market value of two times the exercise price of the Right. The Tax Benefit Preservation Plan authorizes our board of directors to exercise discretionary authority to deem a person acquiring common stock in excess of 4.90% not to be an “Acquiring Person” under the Tax Benefit Preservation Plan, and thereby not trigger the Rights, if the Board finds that the beneficial ownership of the shares by the person acquiring the shares will not be likely to directly or indirectly limit the availability to the Company of the net operating loss carryovers and other tax attributes that the plan is intended to preserve or is otherwise in the best interests of the Company.

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In making its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016, 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, 2016. 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 Capital Market. If either or both of these events occur, it could have a material adverse effect 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 performance.

If we lose our key personnel or are unable to attract, train and retain additional highly qualified sales, marketing, managerial and technical personnel, our business may suffer.

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

Our business and operations are substantially dependent on the performance of our executive officers and key employees. Each of these executive officers would be difficult to replace. There is no guarantee that these or any of our other executive officers and key employees will remain employed with us. The loss of the services of one or more of our executive officers or key employees could have a material adverse effect on our business, results of operations and financial condition.

Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our headquarters are located in Irvine, California. Our headquarters consist of approximately 40,000 square feet of leased office space under a lease that expires in July 2017, with two extension options of one-year each (subject to the landlord’s right to terminate the second extension option in the event the premises are to be redeveloped). We are in the process of evaluating a move of our headquarters to new office space located near our current headquarters, and we are currently in negotiations for potential new office space. Our SEM operations located in Tampa, Florida are in leased office space that consists of approximately 2,800 square feet under a lease that currently provides for its expiration in April 2017. Our Tampa SEM operations will be moving in or about April 2017 to new leased office space in Tampa, Florida consisting of approximately 13,000 square feet under a lease that expires seven years after we first occupy the space. Our website development operations located in Guatemala City, Guatemala occupy approximately 10,000 square feet of leased office space under leases that expire in March 2020. We also maintain SEM, direct marketing and software development operations in Cambridge, Massachusetts that occupy approximately 5,500 square feet of leased office space under a lease that expires in November 2017. 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

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

Item 4. Mine Safety Disclosures

Not applicable.
PART II

Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock, par value $0.001 per share, is listed on The Nasdaq Capital 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>2015 First Quarter</td>
<td>$14.78</td>
<td>$9.07</td>
</tr>
<tr>
<td>2015 Second Quarter</td>
<td>$17.97</td>
<td>$12.68</td>
</tr>
<tr>
<td>2015 Third Quarter</td>
<td>$19.79</td>
<td>$14.93</td>
</tr>
<tr>
<td>2015 Fourth Quarter</td>
<td>$24.57</td>
<td>$16.30</td>
</tr>
<tr>
<td>2016 First Quarter</td>
<td>$21.01</td>
<td>$14.56</td>
</tr>
<tr>
<td>2016 Second Quarter</td>
<td>$18.74</td>
<td>$12.34</td>
</tr>
<tr>
<td>2016 Third Quarter</td>
<td>$17.80</td>
<td>$13.49</td>
</tr>
<tr>
<td>2016 Fourth Quarter</td>
<td>$18.28</td>
<td>$11.04</td>
</tr>
</tbody>
</table>

As of March 6, 2017, there were 220 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. Payment of any future dividends will depend on our earnings, cash flows and financial condition and will be subject to legal and contractual restrictions. As of March 6, 2017, our common stock closing price was $12.85 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 $3.50 per share of our common stock on December 30, 2011.

<table>
<thead>
<tr>
<th>Cumulative Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/11</td>
</tr>
<tr>
<td>Autobytel</td>
</tr>
<tr>
<td>NASDAQ Composite</td>
</tr>
<tr>
<td>S&amp;P Automobile Manufacturers</td>
</tr>
<tr>
<td>S&amp;P Smallcap 600 Automotive Retail</td>
</tr>
</tbody>
</table>
Selected Financial Data

The tables below set forth our selected consolidated financial data. We prepared this information using the consolidated financial statements of Autobytel for the five years ended December 31, 2016. Certain amounts in the selected consolidated financial data have been reclassified to conform to the current year presentation. You should read these selected consolidated financial data together with the Consolidated Financial Statements and related Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K and also Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

<table>
<thead>
<tr>
<th>Years ended December 31,</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013 (1)</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Amounts in thousands, except per-share data)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESULTS OF OPERATIONS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>$156,684</td>
<td>$133,226</td>
<td>$106,278</td>
<td>$78,361</td>
<td>$66,802</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>$3,871</td>
<td>$4,646</td>
<td>$3,411</td>
<td>$38,144</td>
<td>$1,387</td>
</tr>
<tr>
<td>Net income</td>
<td>$3,871</td>
<td>$4,646</td>
<td>$3,411</td>
<td>$38,144</td>
<td>$1,387</td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$0.36</td>
<td>$0.47</td>
<td>$0.38</td>
<td>$4.29</td>
<td>$0.15</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>$0.29</td>
<td>$0.37</td>
<td>$0.32</td>
<td>$3.61</td>
<td>$0.15</td>
</tr>
<tr>
<td>Weighted average diluted shares</td>
<td>13,303</td>
<td>12,662</td>
<td>11,212</td>
<td>10,616</td>
<td>9,204</td>
</tr>
</tbody>
</table>

(1) Net income in 2013 included a one-time benefit of $35.5 million in connection with the release of a valuation allowance against deferred tax assets.

<table>
<thead>
<tr>
<th>Years ended December 31,</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Amounts in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FINANCIAL POSITION (1):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$38,512</td>
<td>$23,993</td>
<td>$20,747</td>
<td>$18,930</td>
<td>$15,296</td>
</tr>
<tr>
<td>Total assets</td>
<td>$165,281</td>
<td>$153,588</td>
<td>$104,749</td>
<td>$88,193</td>
<td>$40,767</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>$16,500</td>
<td>$21,750</td>
<td>$11,061</td>
<td>$10,450</td>
<td>$5,620</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>$(230,424)</td>
<td>$(234,295)</td>
<td>$(238,941)</td>
<td>$(242,352)</td>
<td>$(280,496)</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>$119,609</td>
<td>$108,201</td>
<td>$69,258</td>
<td>$64,828</td>
<td>$25,765</td>
</tr>
</tbody>
</table>

(1) See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to the Consolidated Financial Statements” in Part II, Item 8, of this Annual Report on Form 10-K for information regarding business combinations and other items that may affect comparability.

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. See also the discussion of “Forward-Looking Statements” immediately preceding Part I of this Annual Report on Form 10-K.

For the year ended December 31, 2016, our business, results of operations and financial condition were affected and may continue to be affected in the future by the events that occurred during or subsequent to year end that are described in Part I, Item 1 “Business – Significant Business Developments” of this Annual report on Form 10-K.
### Results of Operations

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lead fees</td>
<td>83.4%</td>
<td>90.6%</td>
<td>94.8%</td>
</tr>
<tr>
<td>Advertising</td>
<td>15.6</td>
<td>7.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Other revenues</td>
<td>1.0</td>
<td>1.5</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>37.0</td>
<td>38.8</td>
<td>39.3</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>11.6</td>
<td>12.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Technology support</td>
<td>8.9</td>
<td>8.8</td>
<td>7.5</td>
</tr>
<tr>
<td>General and administrative</td>
<td>9.4</td>
<td>9.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3.2</td>
<td>2.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Litigation settlements</td>
<td>—</td>
<td>(0.1)</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>33.1</td>
<td>32.9</td>
<td>33.5</td>
</tr>
<tr>
<td>Operating income</td>
<td>3.9</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>0.4</td>
<td>0.2</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Income tax provision</td>
<td>1.8</td>
<td>2.5</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>2.5%</td>
<td>3.5%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>
Revenues by groups of similar services and gross profits are as follows (dollars in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Change</td>
<td>%</td>
<td>Change</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Lead fees</td>
<td>130,684</td>
<td>120,678</td>
<td>100,744</td>
<td>10,006</td>
<td>19,934</td>
</tr>
<tr>
<td></td>
<td>8%</td>
<td></td>
<td></td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>24,508</td>
<td>10,534</td>
<td>4,171</td>
<td>13,974</td>
<td>6,363</td>
</tr>
<tr>
<td></td>
<td>133%</td>
<td></td>
<td></td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td>1,492</td>
<td>2,014</td>
<td>1,363</td>
<td>(522)</td>
<td>651</td>
</tr>
<tr>
<td></td>
<td>(26%)</td>
<td></td>
<td></td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>156,684</td>
<td>133,226</td>
<td>106,278</td>
<td>23,458</td>
<td>26,948</td>
</tr>
<tr>
<td></td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>98,771</td>
<td>81,586</td>
<td>64,465</td>
<td>17,185</td>
<td>17,121</td>
</tr>
<tr>
<td></td>
<td>21%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>57,913</td>
<td>51,640</td>
<td>41,813</td>
<td>6,273</td>
<td>9,827</td>
</tr>
<tr>
<td></td>
<td>12%</td>
<td></td>
<td></td>
<td>24%</td>
<td></td>
</tr>
</tbody>
</table>

2016 Compared to 2015

**Lead fees.** Lead fees increased $10.0 million or 8% in 2016 compared to 2015. The increase in Lead fees was primarily due to increased lead volume associated with the acquisitions of Dealix Corporation and Autotegrity, Inc. (collectively, “Dealix/Autotegrity”) in May 2015.

**Advertising.** The $14.0 million or 133% increase in advertising revenues in 2016 compared to 2015 was primarily due to an increase in click revenue as a result of both increased click volume and pricing. Increased click volume is a result of increased investments in traffic acquisition activity.

**Other revenues.** Other revenues decreased $0.5 million or 26% in 2016 compared to 2015. The decrease in other revenues was primarily due to the discontinuation of a Manufacturer’s brand using other non-Lead products.

**Cost of Revenues.** Cost of revenues consists of Lead and traffic acquisition costs and other costs. Lead and traffic acquisition costs consist of payments made to our third party Lead providers, including internet portals and online automotive information providers, as well as search engine marketing (“SEM”) costs. Other cost of revenues consists of 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 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 $17.2 million or 21% increase in cost of revenues in 2016 compared to 2015 was primarily due to increased lead volume from the Dealix/Autotegrity acquisition in May 2015 together with increased intangible amortization costs from both the Dealix/Autotegrity and AutoWeb acquisitions, and an increased investment in additional traffic acquisition methodologies.

2015 Compared to 2014

**Lead fees.** Lead fees increased $19.9 million or 20% in 2015 compared to 2014. The increase in Lead fees was primarily due to the higher lead volume associated with the increase in incremental and overlapping Dealers from the Dealix/Autotegrity acquisition in May 2015 paired with increased spend by certain OEM/wholesale partners.

**Advertising.** The $6.4 million or 153% increase in advertising revenues in 2015 compared to 2014 was primarily due to increases in click revenue coupled with increased revenue associated with higher page views as well as increased direct marketing revenue.

**Other revenues.** Other revenues increased $0.7 million or 48% in 2015 compared to 2014. The increase in other revenues was due to an increase in mobile product sales as a result of our acquisition of substantially all of the assets of Advanced Mobile, LLC and Advanced Mobile Solutions Worldwide, Inc. (collectively, “Advanced Mobile”).

**Cost of Revenues.** The $17.1 million or 27% increase in cost of revenues in 2015 compared to 2014 was primarily due to a corresponding increase in revenue as a result of the Dealix/Autotegrity acquisition in May 2015.
Operating expenses were as follows (dollars in thousands):

<table>
<thead>
<tr>
<th>Operating expenses:</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
<th>%</th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and marketing</td>
<td>$18,118</td>
<td>$15,956</td>
<td>$14,404</td>
<td>$2,162</td>
<td>14%</td>
<td>$1,552</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology support</td>
<td>13,986</td>
<td>11,740</td>
<td>8,014</td>
<td>2,246</td>
<td>19%</td>
<td>3,726</td>
<td>46%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>14,663</td>
<td>13,189</td>
<td>11,538</td>
<td>1,474</td>
<td>11%</td>
<td>1,651</td>
<td>14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>5,068</td>
<td>3,106</td>
<td>1,858</td>
<td>1,962</td>
<td>63%</td>
<td>1,248</td>
<td>67%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Litigation settlements</td>
<td>(50)</td>
<td>(108)</td>
<td>(143)</td>
<td>58</td>
<td>54%</td>
<td>35</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$51,785</td>
<td>$43,883</td>
<td>$35,671</td>
<td>$7,902</td>
<td>18%</td>
<td>$8,212</td>
<td>23%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2016 Compared to 2015

_Sales and Marketing._ Sales and marketing expense includes costs for developing our brand, 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, 2016 increased by $2.2 million or 14% compared to the prior year, due to increased headcount related costs associated with the Dealix/Autotegrity and AutoWeb acquisitions coupled with severance expense of $0.6 million and accelerated stock compensation expense of $0.3 million associated with the termination of two executive officers.

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

Technology support expense for the year ended December 31, 2016 increased by $2.2 million or 19% compared to the prior year, primarily due to increased headcount related costs associated with the Dealix/Autotegrity and AutoWeb acquisitions coupled with severance expense of $0.3 million and accelerated stock compensation expense of $0.2 million associated with the termination of an executive officer.

_General and Administrative._ General and administrative expense consists of certain executive, financial, human resources, legal and facilities personnel expenses and costs related to being a publicly-traded company.

General and administrative expense for the year ended December 31, 2016 increased by $1.5 million or 11% compared to the prior year. The increase was due to increased headcount costs and facility fees, offset with a reduction in professional fees all associated with the Dealix/Autotegrity and AutoWeb acquisitions, together with $0.3 million in severance expense and $0.2 million in accelerated stock compensation expense for a terminated executive officer.

_Depreciation and Amortization._ Depreciation and amortization expense for the year ended December 31, 2016 increased $2.0 million or 63% from the year ended December 31, 2015 primarily due to the addition of intangible assets associated with the Dealix/Autotegrity and AutoWeb acquisitions.

_Litigation Settlements._ Payments received primarily from 2010 settlements of patent infringement claims against third parties relating to the third parties' methods of Lead delivery for 2016 were $50,000 compared to $108,000 in 2015. We also paid $41,000 related to settlement of claims alleged under the Controlling the Assault of Non-Solicited Pornography And Marketing Act of 2003 inherited in connection with the acquisition of Dealix/Autotegrity in 2016.

_Interest and Other Income (Expense), net._ Interest and other income was $0.6 million for the year ended December 31, 2016 compared to interest and other income of $0.3 million for the year ended December 31, 2015. Interest expense was $0.9 million and $0.8 million for the years ended December 31, 2016 and 2015, respectively. The year ended December 31, 2016 also included gain on disposal of the finance leads product of $2.2 million offset by a $0.8 million reserve related to our investment in GoMoto, Inc (“GoMoto”).

_Income tax provision._ Income tax expense was $2.8 million for the year ended December 31, 2016 compared to income tax expense of $3.4 million for the year ended December 31, 2015. The Company’s effective tax rate of 42.1% for the year ended December 31, 2016 differed from the federal statutory rate principally as a result of deferred tax asset adjustments and state income taxes and permanent non-deductible tax items. The Company’s effective tax rate of 42.5% for the year ended December 31, 2015 differed from the federal statutory rate principally as a result of deferred tax asset adjustments and state income taxes.
2015 Compared to 2014

Sales and Marketing. Sales and marketing expense for the year ended December 31, 2015 increased by $1.6 million or 11% compared to the prior year, due to increased headcount related costs associated with the Dealix/Autotegrity acquisition in May 2015 coupled with increased marketing costs.

Technology Support. Technology support expense for the year ended December 31, 2015 increased by $3.7 million or 46% compared to the prior year, primarily due to an increase in headcount related costs associated with the Dealix/Autotegrity acquisition in May 2015.

General and Administrative. General and administrative expense for the year ended December 31, 2015 increased by $1.7 million or 14% compared to the prior year. The increase was due to increased professional fees associated with the Dealix/Autotegrity acquisition in May 2015 and AutoWeb acquisition in October 2015.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2015 increased $1.2 million or 67% from the year ended December 31, 2014 primarily due to the addition of intangible assets associated with the Dealix/Autotegrity and AutoWeb acquisitions.

Litigation Settlements. Litigation settlements decreased to $108,000 for the year ended December 31, 2015 compared to $143,000 for the year ended December 31, 2014. These payments primarily relate to a settlement of patent infringement claims against third parties relating to the third party’s method of Lead delivery.

Interest and Other Income (Expense), net. Interest and other income was $0.3 million for the year ended December 31, 2015 compared to interest and other expense of $0.7 million for the years ended December 31, 2014 and 2015, respectively. The year ended December 31, 2015 included $0.6 million related to a gain on investment recognized from the acquisition of AutoWeb and $0.5 million related to the Company’s recovery of short-swing profits from a stockholder pursuant to Section 16(b) of the Securities Exchange Act of 1934.

Income tax provision. Income tax expense was $3.4 million for the year ended December 31, 2015 compared to income tax expense of $2.0 million for the year ended December 31, 2014. The Company’s effective tax rate of 42.5% for the year ended December 31, 2015 differed from the federal statutory rate principally as a result of deferred tax asset adjustments and state income taxes and permanent non-deductible tax items. The Company’s effective tax rate of 37.4% for the year ended December 31, 2014 differed from the federal statutory rate principally as a result of deferred tax asset adjustments and state income taxes.

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, 2016, 2015 and 2014 (dollars in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by</td>
<td>$18,242</td>
<td>$12,200</td>
<td>$7,890</td>
</tr>
<tr>
<td>operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in</td>
<td>(2,774)</td>
<td>(28,105)</td>
<td>(12,548)</td>
</tr>
<tr>
<td>investing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash (used in)</td>
<td>(949)</td>
<td>19,151</td>
<td>6,475</td>
</tr>
<tr>
<td>provided by financing</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

-23-
Our principal sources of liquidity are our cash and cash equivalents and accounts receivable balances. Our cash and cash equivalents totaled $38.5 million as of December 31, 2016 compared to $24.0 million as of December 31, 2015.

On June 7, 2012, the Company announced that its board of directors had authorized the Company to repurchase up to $2.0 million of Company common stock, and on September 17, 2014 the Company announced that the board of directors had approved the repurchase of up to an additional $1.0 million of Company common stock. The authorization may be increased or otherwise modified, renewed, suspended or terminated by the Company at any time, without prior notice. We may repurchase common stock from time to time on the open market or in private transactions. Shares repurchased under this program have been retired and returned to the status of authorized and unissued shares. We funded repurchases and anticipate that we would fund future repurchases through the use of available cash. The repurchase authorization does not obligate the Company to repurchase any particular number of shares. The timing and actual number of repurchases of additional shares, if any, under the Company's stock repurchase program will depend upon a variety of factors, including price, market conditions, release of quarterly and annual earnings and other legal, regulatory and corporate considerations at the Company's sole discretion. The impact of repurchases on the Tax Benefit Preservation Plan and on the Company's use of its net operating loss carryovers and other tax attributes if the Company were to experience an "ownership change," as defined in Section 382 of the Internal Revenue Code is also a factor that the Company considers in connection with share repurchases. No repurchases were made in 2016. As of December 31, 2016, approximately $1.2 million remained available for the repurchase of Company common stock under this program.

On June 1, 2016, the Company entered into a Fourth Amendment to Loan Agreement ("Credit Facility Amendment") with MUFG Union Bank, N.A., formerly Union Bank, N.A. ("Union Bank"), amending the Company’s existing Loan Agreement with Union Bank initially entered into on February 26, 2013, as amended on September 10, 2013, January 13, 2014 and May 20, 2015 (the existing Loan Agreement, as amended to date, is referred to collectively as the "Credit Facility Agreement"). The Credit Facility Agreement provided for a $9.0 million term loan ("Term Loan 1"). The Credit Facility Amendment provides for (i) a $15.0 million term loan ("Term Loan 2"); (ii) the amendment of certain financial covenants in the Credit Facility Agreement; and (iii) amendments to the Company’s existing $8.0 million working capital revolving line of credit ("Revolving Loan").

Term Loan 1 is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under Term Loan 1 bear interest at either (i) the bank’s Reference Rate (prime rate) minus 0.50% or (ii) the London Interbank Offering Rate ("LIBOR") plus 2.50%, at the option of the Company. Interest under Term Loan 1 adjusts (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank’s Reference Rate, if the Reference Rate is selected. Borrowings under Term Loan 1 are secured by a first priority security interest on all of the Company’s personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 1 matures on December 31, 2021. Borrowing under Term Loan 1 was limited to use for the acquisition of AutoUSA, and the Company drew down the entire $9.0 million of Term Loan 1, together with $1.0 million under the Revolving Loan, in financing this acquisition. The outstanding balance of Term Loan 1 as of December 31, 2016 was $2.8 million.

Term Loan 2 is amortized over a period of five years, with fixed quarterly principal payments of $750,000. Borrowings under Term Loan 2 bear interest at either (i) LIBOR plus 3.00% or (ii) the bank’s Reference Rate (prime rate), at the option of the Company. Borrowings under the Revolving Loan bear interest at either (i) LIBOR plus 2.50% or (ii) the bank’s Reference Rate (prime rate) minus 0.50%, at the option of the Company. Interest under both Term Loan 2 and the Revolving Loan adjust (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank’s Reference Rate, if the Reference Rate is selected. The Company paid an upfront fee of 0.10% of the Term Loan 2 principal amount upon drawing upon Term Loan 2 and also pays a commitment fee of 0.10% per year on the unused portion of the Revolving Loan, payable quarterly in arrears. Borrowings under Term Loan 2 and the Revolving Loan are secured by a first priority security interest on all of the Company’s personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 2 matures June 30, 2020, and the maturity date of the Revolving Loan was extended from March 31, 2017 to April 30, 2018. Borrowings under the Revolving Loan may be used as a source to finance working capital, capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under Term Loan 2 was limited to use for the acquisition of Dealix/Autotegrity, and the Company drew down the entire $15.0 million of Term Loan 2, together with $2.75 million under the Revolving Loan and $6.76 million from available cash on hand, in financing this acquisition. The outstanding balances of Term Loan 2 and the Revolving Loan as of December 31, 2016 were $11.3 million and $8.0 million, respectively.

The Credit Facility Agreement contains certain customary affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain specified levels of minimum consolidated liquidity and quarterly and annual earnings before interest, taxes and depreciation and amortization, which the Company was in compliance with as of December 31, 2016.

We believe our current cash and cash equivalent balances together with anticipated cash flows from operations will be sufficient to satisfy our working capital and capital expenditure requirements for at least the next 12 months.
**Net Cash Provided by Operating Activities.** Net cash provided by operating activities in 2016 of $18.2 million resulted primarily from net income of $3.9 million, adjustments for non-cash charges of to earnings of $13.4 million and an increase in working capital.

Net cash provided by operating activities in 2015 of $12.2 million resulted primarily from net income of $4.6 million, as adjusted for non-cash charges to earnings, offset by a decrease in working capital, primarily from a decrease in accrued expenses and other liabilities of $1.4 million.

**Net Cash Used in Investing Activities.** Net cash used in investing activities of $2.8 million in 2016 primarily consisted of a $0.4 million investment in GoMoto, a $0.3 million in a short-term investment and $2.1 million in purchases of property and equipment and expenditures related to capitalized internal use software.

Net cash used in investing activities of $28.1 million in 2015 primarily consisted of $25.0 million used to acquire Dealix/Autotegrity, a $0.4 million investment in GoMoto and $2.7 million in purchases of property and equipment and expenditures related to capitalized internal use software.

**Net Cash (Used in) Provided by Financing Activities.** Net cash used in financing activities of $0.9 million in 2016 consisted of payments on term loan borrowings of $3.9 million. Stock options for 386,001 shares of the Company’s common stock were exercised in the year ended December 31, 2016 resulting in $3.1 million of cash inflow.

Net cash provided by financing activities of $19.2 million in 2015 consisted of borrowings of $15.0 million and $2.8 million against the Term Loan and Revolving Loan, respectively, to fund the purchase of Dealix/Autotegrity in the year ended December 31, 2015. Stock options for 145,979 shares of the Company’s common stock were exercised in the year ended December 31, 2015 resulting in $1.2 million of cash inflow. Payments of $3.8 million were made against the Term Loan borrowings in the year ended December 31, 2015. We also received $1.9 million of proceeds related to the exercise of the Cyber Warrant by Auto Holdings and $2.1 million related to the acquisition of AutoWeb.

**Contractual Obligations**

The following table provides aggregated information about our outstanding contractual obligations as of December 31, 2016 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Debt Obligations (a)</td>
<td>$23,063</td>
<td>$6,563</td>
<td>$15,000</td>
<td>$1,500</td>
<td>$-</td>
</tr>
<tr>
<td>Operating Lease Obligations (b)</td>
<td>5,414</td>
<td>1,767</td>
<td>1,669</td>
<td>961</td>
<td>1,017</td>
</tr>
<tr>
<td>Total</td>
<td>$28,477</td>
<td>$8,330</td>
<td>$16,669</td>
<td>$2,461</td>
<td>$1,017</td>
</tr>
</tbody>
</table>

(a) Long-term debt obligations as defined by FASB Topic, “Debt,” and disclosed in Note 5 and 6 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(b) Operating lease obligations as defined by FASB Topic, “Accounting for Leases,” and disclosed in Note 5 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

**Off-Balance Sheet Arrangements**

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

**Critical Accounting Policies and Estimates**

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We believe the following critical accounting policies, among others, 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.** Leads consist of vehicle buying Leads for new and used vehicles and finance request fees. Fees paid by Dealers and Manufacturers participating in our Lead 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. Leads are generally recognized as revenues in the period the service is provided. Advertising revenues are generally recognized in the period the advertisements are displayed on our websites. Fees billed prior to providing services are deferred, as they do not satisfy all U.S. GAAP revenue recognition criteria. Deferred revenues are recognized as revenue over the periods services are provided.

**Investments.** We make strategic investments because we believe that they may allow us to increase market share, benefit from advancements in technology and strengthen our business operations by enhancing our product and service offerings.

**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.

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

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

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.

Our investments at December 31, 2016 and 2015 consist primarily of investments in SaleMove and GoMoto and are accounted for under the cost method. Although there is no established market for these investments, we evaluated the investments for impairment by comparing them to an estimated fair value and determined that there is no impairment.
The following table presents the Company’s investment activity for 2016 and 2015 (dollars in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Note receivable-long-term</th>
<th>Note receivable-current</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2014</td>
<td>$—</td>
<td>$150</td>
<td>$3,880</td>
</tr>
<tr>
<td>Total gains, realized or unrealized</td>
<td></td>
<td></td>
<td>636</td>
</tr>
<tr>
<td>Purchases, (sales), issuances and (settlements), net</td>
<td>375</td>
<td>(150)</td>
<td>(3,836)</td>
</tr>
<tr>
<td>Balance at December 31, 2015</td>
<td>375</td>
<td>—</td>
<td>680</td>
</tr>
<tr>
<td>Purchases, (sales), issuances and (settlements), net</td>
<td>(375)</td>
<td>750</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31, 2016</td>
<td>—</td>
<td>750</td>
<td>680</td>
</tr>
<tr>
<td>Reserve for notes receivable</td>
<td>—</td>
<td>(750)</td>
<td>—</td>
</tr>
<tr>
<td>Net balance at December 31, 2016</td>
<td>$—</td>
<td>$—</td>
<td>$680</td>
</tr>
</tbody>
</table>

The Company recorded a reserve against the current notes receivable related to GoMoto as of December 31, 2016 because the Company believes the amounts may not be recoverable.

Variable Interest Entities. We have an investment in an entity that is considered a variable interest entity (“VIE”) under U.S. GAAP. We have concluded that our investment in SaleMove qualifies as a variable interest and SaleMove is a VIE. VIEs are legal entities in which the equity investors do not have sufficient equity at risk for the entity to independently finance its activities or the collective holders do not have the power through voting or similar rights to direct the activities of the entity that most significantly impacts its economic performance, the obligation to absorb the expected losses of the entity, or the right to receive expected residual returns of the entity. Consolidation of a VIE is considered appropriate if a reporting entity is the primary beneficiary, the party that has both significant influence and control over the VIE. Management periodically performs a qualitative analysis to determine if the Company is the primary beneficiary of a VIE. This analysis includes review of the VIEs’ capital structures, contractual terms, and primary activities, including the Company’s ability to direct the activities of the VIEs and obligations to absorb losses, or the right to receive benefits, significant to the VIEs. Additionally, changes in our various equity investments have in the past resulted in a reconsideration event.

Based on our analysis, Autobytel is not the primary beneficiary of SaleMove. Accordingly, SaleMove does not meet the criteria for consolidation. The SaleMove Advances are classified as an other long-term asset on the consolidated balance sheet as of December 31, 2016. The carrying value and maximum potential loss exposure from SaleMove totaled $0.6 million and $0.7 million as of December 31, 2016 and 2015, respectively.

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

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

As of December 31, 2016, we had $0.5 million of unrecognized tax benefits. There was a reduction of $0.1 million of uncertain tax positions due to the settlement of a prior period tax position 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, 2016, we did not accrue interest associated with our unrecognized tax benefits, and no interest expense was recognized in 2016.

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 2015 we recognized $22.0 million in goodwill related to the acquisitions of Dealix/Autotegrity and AutoWeb. As of December 31, 2016, we adjusted goodwill by $82,000 as a result of purchase price allocation adjustments and no goodwill impairment was recorded during the year.

Impairment of Long-Lived Assets and 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-downs could have a material adverse effect on our financial condition and results of operations. We did not record any impairment of long-lived assets in 2016, 2015 and 2014.

Indefinite-lived intangible assets. Indefinite-lived intangible assets consist of a domain name, which was acquired as part of the Dealix/Autotegrity acquisition in 2015, which is tested for impairment annually, or more frequently if an event occurs or circumstances changes that would indicate that impairment may exist. When evaluating indefinite-lived intangible assets for impairment, we may first perform a qualitative analysis to determine whether it is more likely than not that the indefinite-lived intangible assets is impaired. If we do not perform the qualitative assessment, or if we determine that it is more likely than not that the fair value of the indefinite-lived intangible asset exceeds its carrying amount, we will calculate the estimated fair value of the indefinite-lived intangible asset. Fair value is the price a willing buyer would pay for the indefinite-lived intangible asset and is typically calculated using an income approach. If the carrying amount of the indefinite-lived intangible asset exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. We did not record any impairment of indefinite-lived intangible assets in 2016 and 2015.
Recent Accounting Pronouncements

Accounting Standards Codification 606 “Revenue from Contracts with Customers.” In May 2014, Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” was issued. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the Financial Accounting Standards Board voted to defer the effective date and it is now effective for public entities for annual periods ending after December 15, 2017. Early adoption of the standard is permitted. This update permits the use of either the retrospective or cumulative effect transition method. In April 2016, ASU No. 2016-10, “Identifying Performance Obligations and Licensing” was issued. This ASU clarifies 1) the identification of performance obligations and, 2) licensing implementation guidance as it relates to Topic 606, Revenue from Contracts with Customers. The amendments in this ASU affect the guidance in ASU 2014-09, which is effective for public entities for annual periods ending after December 15, 2017. In May 2016, ASU No. 2016-12, “Narrow-Scope Improvements and Practical Expedients” was issued. This ASU addresses certain issues as it relates to assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition as it relates to Topic 606, Revenue from Contracts with Customers. The amendments in this ASU affect the guidance in ASU 2014-09, which is effective for public entities for annual periods beginning after December 15, 2017. The Company is continuing to evaluate the effect this guidance will have on the consolidated financial statements and related disclosures.

Accounting Standards Codification 740 “Income Taxes.” In November 2015, ASU No. 2015-17, “Balance Sheet Classification of Deferred Taxes” was issued. This ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this update apply to all entities that present a classified statement of financial position. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Once adopted, the Company will reclassify $4.7 million of current deferred tax assets to long-term deferred tax assets.

Accounting Standards Codification 842 “Leases.” In February 2016, ASU No. 2016-02, “Leases (Topic 842)” was issued. This ASU will require lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases of terms more than 12 months. The ASU will require both capital and operating leases to be recognized on the balance sheet. Qualitative and quantitative disclosures will also be required to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The ASU will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company continues to assess whether this ASU will be material to the consolidated financial statements.

Accounting Standards Codification 323 “Investments-Equity Method and Joint Ventures.” In March 2016, ASU No. 2016-07, “Simplifying the Transition to the Equity Method of Accounting” was issued. This ASU eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment was held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Thus, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company does not believe this ASU will have a material effect on the consolidated financial statements.

Accounting Standards Codification 718 “Compensation-Stock Compensation.” In March 2016, ASU No. 2016-09, “Improvements to Employee Share-Based Payment Accounting” was issued. This ASU provides for areas of simplification for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Once adopted, the Company will recognize $1.9 million of deferred tax assets relating to unrealized stock option benefits, resulting in a cumulative $1.9 million adjustment to retained earnings. The new guidance increases income statement volatility by requiring all excess tax benefits and deficits to be recognized in “Income taxes,” and treated as discrete items in the period in which they occur. The Company believes this ASU may have a material effect on the consolidated financial statements.

Accounting Standards Codification 230 “Statement of Cash Flows.” In August 2016, ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments” was issued. This ASU provides guidance on eight specific cash flow issues with the objective of reducing the existing diversity in practice for those issues. The amendments in this ASU are effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Company does not believe this ASU will have a material effect on the consolidated financial statements.

Accounting Standards Codification 810 “Consolidation.” In October 2016, ASU No. 2016-17, “Interests Held through Related Parties That Are Under Common Control” was issued. This ASU amends the consolidation guidance on how a reporting entity that is the single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company does not believe this ASU will have a material effect on the consolidated financial statements.
In August 2014, ASU No. 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” was issued. This ASU provides guidance in GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The amendments in this ASU are effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter. The Company adopted this ASU for the year ended December 31, 2016. This ASU did not have a material effect on the consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company does not use financial instruments for trading. Our primary exposure to market risk is interest rate sensitivity related to our Credit Facility Agreement. The effect of a hypothetical 10% change in interest rates would have increased our interest expense by $81,000 in the year ended December 31, 2016.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Balance Sheets as of December 31, 2016 and 2015 and our Consolidated Statements of Income and Comprehensive Income, Stockholders’ Equity and Cash Flows for each of the years in the three-year period ended December 31, 2016, together with the report of our independent registered public accounting firm, begin on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2016. Based on this evaluation, the chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2016.

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, 2016. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or fraud. In making this assessment, management used the criteria set forth in the framework issued by the COSO entitled Internal Control—Integrated Framework (2013). Based on this evaluation, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2016. Management reviewed the results of its assessment with the audit committee of the board of directors.

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 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2016 has been audited by Moss Adams LLP, the Company’s independent registered public accounting firm, as stated in their report, which is included below.

Item 9B. Other Information

Not applicable.
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 2017 Annual Meeting of Stockholders that will be filed not later than 120 days after December 31, 2016 (“2017 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 2017 Proxy Statement: “Proposal 1-Nomination and Election of Directors;” “Board of Directors;” “Executive Officers;” “Section 16(a) Beneficial Ownership Reporting Compliance;” and the following paragraphs under the section “Corporate Governance Matters” “-Committees of the Board of Directors—Audit Committee,” and “-Code of Conduct and Ethics.”

**Item 11 Executive Compensation**

The information called for in this Item 11 is incorporated by reference to the following sections of the 2017 Proxy Statement: “Executive Compensation,” “Corporate Governance Matters—Compensation Committee Interlocks and Insider Participation” and “-Board’s Role in Oversight of Risk,” and “Executive Compensation—Compensation Discussion and Analysis” and “-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 2017 Proxy Statement: “Security Ownership of Certain Beneficial Owners and Management” and “Executive Compensation— Equity Compensation Plans.”

**Item 13 Certain Relationships and Related Transactions, and Director Independence**

The information called for in this Item 13 is incorporated by reference to the following sections of the 2017 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 2017 Proxy Statement: “Independent Registered Public Accounting Firm and Audit Committee Report—Principal Accountant Fees and Services,” “-Audit Fees,” “-Audit Related Fees,” “-All Other Fees,” and “-Pre-Approval Policy for Services.”
PART IV

Item 15. **Exhibits and Financial Statement Schedules**

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

1. **Financial Statements:**

<table>
<thead>
<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>F-1</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>F-2</td>
</tr>
<tr>
<td>Consolidated Statements of Income and Comprehensive Income</td>
<td>F-3</td>
</tr>
<tr>
<td>Consolidated Statements of Stockholders’ Equity</td>
<td>F-4</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>F-5</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>F-6</td>
</tr>
<tr>
<td><strong>Schedule II- Valuation Qualifying Accounts</strong></td>
<td>F-28</td>
</tr>
</tbody>
</table>

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

2. **Exhibits:**

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

Item 16. **Form 10-K Summary**

None
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 9th day of March, 2017.

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, Kimberly Boren 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 9, 2017</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 (Principal Executive Officer)</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Jeffrey H. Coats</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ KIMBERLY BOREN</td>
<td>Executive Vice President and Chief Financial Officer (Principal Financial Officer)</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Kimberly Boren</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ WESLEY OZIMA</td>
<td>Senior Vice President and Controller (Principal Accounting Officer)</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Wesley Ozima</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ MICHAEL A. CARPENTER</td>
<td>Director</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Michael A. Carpenter</td>
<td></td>
<td></td>
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<tr>
<td>/s/ MARK N. KAPLAN</td>
<td>Director</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Mark N. Kaplan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ ROBERT J. MYLOD, JR.</td>
<td>Director</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Robert J. Mylod, Jr.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JEFFREY M. STIBEL</td>
<td>Director</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Jeffrey M. Stibel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ MATIAS DE TEZANOS</td>
<td>Director</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Matias de Tezanos</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JANET M. THOMPSON</td>
<td>Director</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Janet M. Thompson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JOSE VARGAS</td>
<td>Director</td>
<td>March 9, 2017</td>
</tr>
<tr>
<td>Jose Vargas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## AUTOBYTEL INC.

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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</tr>
</thead>
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</tr>
</tbody>
</table>

F-1
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. (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. We also have audited the Company’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autobytel Inc. as of December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Autobytel Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ MOSS ADAMS LLP
Los Angeles, CA
March 9, 2017

F-2
### AUTOBYTEL INC.

**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per-share and share data)

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$38,512</td>
<td>$23,993</td>
</tr>
<tr>
<td>Short-term investment</td>
<td>251</td>
<td>—</td>
</tr>
<tr>
<td>Accounts receivable, net of allowances for bad debts and customer credits of $1,015 and $1,045 at December 31, 2016 and 2015, respectively</td>
<td>33,634</td>
<td>28,091</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>4,669</td>
<td>3,642</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>901</td>
<td>1,276</td>
</tr>
<tr>
<td>Total current assets</td>
<td>77,967</td>
<td>57,002</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>4,430</td>
<td>4,296</td>
</tr>
<tr>
<td>Investments</td>
<td>680</td>
<td>680</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>23,783</td>
<td>29,515</td>
</tr>
<tr>
<td>Goodwill</td>
<td>42,821</td>
<td>42,903</td>
</tr>
<tr>
<td>Long-term deferred tax asset</td>
<td>14,799</td>
<td>17,820</td>
</tr>
<tr>
<td>Other assets</td>
<td>801</td>
<td>1,372</td>
</tr>
<tr>
<td>Total assets</td>
<td>$165,281</td>
<td>$153,588</td>
</tr>
<tr>
<td><strong>Liabilities and Stockholders’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$9,764</td>
<td>$7,643</td>
</tr>
<tr>
<td>Accrued employee-related benefits</td>
<td>4,530</td>
<td>3,945</td>
</tr>
<tr>
<td>Other accrued expenses and other current liabilities</td>
<td>8,315</td>
<td>6,799</td>
</tr>
<tr>
<td>Current portion of term loan payable</td>
<td>6,563</td>
<td>5,250</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>29,172</td>
<td>23,637</td>
</tr>
<tr>
<td>Convertible note payable</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Long-term portion of term loan payable</td>
<td>7,500</td>
<td>12,750</td>
</tr>
<tr>
<td>Borrowings under revolving credit facility</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>45,672</td>
<td>45,387</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</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Preferred stock, none issued and outstanding</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Series B Preferred stock, 168,007 shares issued and outstanding</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.001 par value; 55,000,000 shares authorized; 11,012,625 and 10,626,624 shares issued and outstanding at December 31, 2016 and 2015, respectively</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>350,022</td>
<td>342,485</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(230,424)</td>
<td>(234,295)</td>
</tr>
<tr>
<td>Total stockholders’ equity</td>
<td>119,609</td>
<td>108,201</td>
</tr>
<tr>
<td>Total liabilities and stockholders’ equity</td>
<td>$165,281</td>
<td>$153,588</td>
</tr>
</tbody>
</table>

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

### CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands, except per-share data)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lead fees</td>
<td>$130,684</td>
<td>$120,678</td>
<td>$100,744</td>
</tr>
<tr>
<td>Advertising</td>
<td>24,508</td>
<td>10,534</td>
<td>4,171</td>
</tr>
<tr>
<td>Other revenues</td>
<td>1,492</td>
<td>2,014</td>
<td>1,363</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>156,684</td>
<td>133,226</td>
<td>106,278</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>98,771</td>
<td>81,586</td>
<td>64,465</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>57,913</td>
<td>51,640</td>
<td>41,813</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>18,118</td>
<td>15,956</td>
<td>14,404</td>
</tr>
<tr>
<td>Technology support</td>
<td>13,986</td>
<td>11,740</td>
<td>8,014</td>
</tr>
<tr>
<td>General and administrative</td>
<td>14,663</td>
<td>13,189</td>
<td>11,538</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>5,068</td>
<td>3,106</td>
<td>1,858</td>
</tr>
<tr>
<td>Litigation settlements</td>
<td>(50)</td>
<td>(108)</td>
<td>(143)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>51,785</td>
<td>43,883</td>
<td>35,671</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>6,128</td>
<td>7,757</td>
<td>6,142</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>558</td>
<td>322</td>
<td>(694)</td>
</tr>
<tr>
<td>Income before income tax provision</td>
<td>6,686</td>
<td>8,079</td>
<td>5,448</td>
</tr>
<tr>
<td>Income tax provision</td>
<td>2,815</td>
<td>3,433</td>
<td>2,037</td>
</tr>
<tr>
<td><strong>Net income and comprehensive income</strong></td>
<td>$3,871</td>
<td>$4,646</td>
<td>$3,411</td>
</tr>
<tr>
<td><strong>Basic earnings per common share</strong></td>
<td>$0.36</td>
<td>$0.47</td>
<td>$0.38</td>
</tr>
<tr>
<td><strong>Diluted earnings per common share</strong></td>
<td>$0.29</td>
<td>$0.37</td>
<td>$0.32</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Preferred Stock</th>
<th>Additional</th>
<th>Accumulated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of</td>
<td>Number of</td>
<td>Paid-In-</td>
<td>Deficit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shares</td>
<td>Shares</td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2013</strong></td>
<td>$9</td>
<td>-</td>
<td>$307,171</td>
<td>$242,352</td>
<td>$64,828</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>-</td>
<td>-</td>
<td>1,426</td>
<td>-</td>
<td>1,426</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>134,668</td>
<td>-</td>
<td>562</td>
<td>-</td>
<td>562</td>
</tr>
<tr>
<td>Issuance of warrants</td>
<td>-</td>
<td>-</td>
<td>510</td>
<td>-</td>
<td>510</td>
</tr>
<tr>
<td>Premium on convertible note</td>
<td>-</td>
<td>-</td>
<td>300</td>
<td>-</td>
<td>300</td>
</tr>
<tr>
<td>Repurchase of common stock (164,028)</td>
<td>-</td>
<td>-</td>
<td>(1,779)</td>
<td>-</td>
<td>(1,779)</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,411</td>
<td>3,411</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2014</strong></td>
<td>$9</td>
<td>-</td>
<td>$308,190</td>
<td>(238,941)</td>
<td>69,258</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>-</td>
<td>-</td>
<td>2,563</td>
<td>-</td>
<td>2,563</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>145,979</td>
<td>-</td>
<td>1,197</td>
<td>-</td>
<td>1,197</td>
</tr>
<tr>
<td>Issuance of AutoWeb warrants</td>
<td>-</td>
<td>-</td>
<td>2,542</td>
<td>-</td>
<td>2,542</td>
</tr>
<tr>
<td>Issuance of AutoWeb preferred shares</td>
<td>-</td>
<td>168,007</td>
<td>21,133</td>
<td>-</td>
<td>21,133</td>
</tr>
<tr>
<td>Issuance of restricted stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,861</td>
<td>-</td>
</tr>
<tr>
<td>Exercise of warrants</td>
<td>-</td>
<td>400,000</td>
<td>1,860</td>
<td>-</td>
<td>1,861</td>
</tr>
<tr>
<td>Conversion of note payable</td>
<td>-</td>
<td>1,075,268</td>
<td>5,000</td>
<td>-</td>
<td>5,001</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>4,646</td>
<td>4,646</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2015</strong></td>
<td>$11</td>
<td>168,007</td>
<td>$342,485</td>
<td>(234,295)</td>
<td>108,201</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>-</td>
<td>-</td>
<td>4,486</td>
<td>-</td>
<td>4,486</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>-</td>
<td>386,001</td>
<td>3,051</td>
<td>-</td>
<td>3,051</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>3,871</td>
<td>-</td>
<td>3,871</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2016</strong></td>
<td>$11</td>
<td>168,007</td>
<td>$350,022</td>
<td>(230,424)</td>
<td>119,609</td>
</tr>
</tbody>
</table>

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

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$3,871</td>
<td>$4,646</td>
<td>$3,411</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>7,303</td>
<td>4,021</td>
<td>2,227</td>
</tr>
<tr>
<td>Provision for bad debt</td>
<td>344</td>
<td>379</td>
<td>354</td>
</tr>
<tr>
<td>Provision for customer credits</td>
<td>592</td>
<td>803</td>
<td>1,037</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>4,412</td>
<td>2,557</td>
<td>1,421</td>
</tr>
<tr>
<td>Write-down of assets</td>
<td>115</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sale of business</td>
<td>(2,183)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(Gain)/loss on long-term strategic investment</td>
<td>777</td>
<td>(636)</td>
<td>—</td>
</tr>
<tr>
<td>Change in deferred tax assets</td>
<td>1,994</td>
<td>2,996</td>
<td>1,758</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$18,242</td>
<td>$12,200</td>
<td>$7,890</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of AutoUSA</td>
<td>—</td>
<td>—</td>
<td>(10,044)</td>
</tr>
<tr>
<td>Purchase of Dealix/Autotegrity</td>
<td>—</td>
<td>(25,011)</td>
<td>—</td>
</tr>
<tr>
<td>Investment in AutoWeb</td>
<td>—</td>
<td>—</td>
<td>(880)</td>
</tr>
<tr>
<td>Investment in SaleMove</td>
<td>—</td>
<td>—</td>
<td>(400)</td>
</tr>
<tr>
<td>Investment in GoMoto</td>
<td>(375)</td>
<td>(375)</td>
<td>(100)</td>
</tr>
<tr>
<td>Investment in short-term investment</td>
<td>(251)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(2,148)</td>
<td>(2,719)</td>
<td>(1,124)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(2,774)</td>
<td>(28,105)</td>
<td>(12,548)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase of common stock</td>
<td>—</td>
<td>—</td>
<td>(1,779)</td>
</tr>
<tr>
<td>Borrowings under credit facility</td>
<td>—</td>
<td>2,750</td>
<td>1,000</td>
</tr>
<tr>
<td>Borrowings under term loan</td>
<td>—</td>
<td>15,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Payments on term loan borrowings</td>
<td>(3,937)</td>
<td>(3,750)</td>
<td>(2,250)</td>
</tr>
<tr>
<td>Net proceeds from stock option exercises</td>
<td>3,051</td>
<td>1,197</td>
<td>567</td>
</tr>
<tr>
<td>Proceeds from exercise of warrants</td>
<td>—</td>
<td>1,860</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from issuance of preferred shares</td>
<td>—</td>
<td>2,132</td>
<td>—</td>
</tr>
<tr>
<td>Payment of contingent fee arrangement</td>
<td>(63)</td>
<td>(38)</td>
<td>(63)</td>
</tr>
<tr>
<td><strong>Net cash (used in) provided by financing activities</strong></td>
<td>(949)</td>
<td>19,151</td>
<td>6,475</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>14,519</td>
<td>3,246</td>
<td>1,817</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of period</td>
<td>23,993</td>
<td>20,747</td>
<td>18,930</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of period</strong></td>
<td>$38,512</td>
<td>$23,993</td>
<td>$20,747</td>
</tr>
<tr>
<td><strong>Supplemental disclosure of cash flow information:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for income taxes</td>
<td>$760</td>
<td>$552</td>
<td>$355</td>
</tr>
<tr>
<td><strong>Cash paid for interest</strong></td>
<td>$717</td>
<td>$884</td>
<td>$697</td>
</tr>
<tr>
<td><strong>Supplemental schedule of non-cash investing and financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of AutoWeb</td>
<td>—</td>
<td>$21,543</td>
<td>—</td>
</tr>
<tr>
<td>Conversion of Cyber Note</td>
<td>—</td>
<td>$5,000</td>
<td>—</td>
</tr>
<tr>
<td>Sale of specialty finance leads product</td>
<td>$3,168</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Operations of Autobytel

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

The Company’s consumer-facing automotive websites ("Company Websites"), including its flagship website Autobytel.com®, provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles ("Leads"). The Company’s mission for consumers is to be "Your Lifetime Automotive Advisor®" by engaging consumers throughout the entire lifecycle of their automotive needs.

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

On December 19, 2016, Autobytel and Carcom, Inc., a wholly owned subsidiary of Autobytel ("Car.com"), entered into an Asset Purchase and Sale Agreement, by and among Autobytel, Carcom, and Internet Brands, Inc., a Delaware corporation ("Internet Brands"), in which Internet Brands acquired substantially all of the assets of the automotive specialty finance leads group of Carcom. The transaction was completed effective as of December 31, 2016. The transaction consideration consisted of $3.2 million in cash and $1.6 million to be paid over a five year period pursuant to a Transitional License and Linking Agreement. The Company recorded a gain on sale of approximately $2.2 million in connection with the transaction in the fourth quarter of 2016. See Note 10.

On October 1, 2015 ("AutoWeb Merger Date"), Autobytel entered into and consummated an Agreement and Plan of Merger by and among Autobytel, New Horizon Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Autobytel ("Merger Sub"), AutoWeb, Inc., a Delaware corporation ("AutoWeb"), and Jose Vargas, in his capacity as Stockholder Representative. On the AutoWeb Merger Date, Merger Sub merged with and into AutoWeb, with AutoWeb continuing as the surviving corporation and as a wholly owned subsidiary of Autobytel. AutoWeb was a privately-owned company providing an automotive search engine that enables Manufacturers and Dealers to optimize advertising campaigns and reach highly-targeted car buyers through an auction-based click marketplace. Prior to the acquisition, the Company previously owned approximately 15% of the outstanding shares of AutoWeb, on a fully converted and diluted basis, and accounted for the investment on the cost basis. See Note 3.

On May 21, 2015 ("Dealix/Autotegrity Acquisition Date"), Autobytel and CDK Global, LLC, a Delaware limited liability company ("CDK"), entered into and consummated a Stock Purchase Agreement in which Autobytel acquired all of the issued and outstanding shares of common stock in Dealix Corporation, a California corporation and subsidiary of CDK, and Autotegrity, Inc., a Delaware corporation and subsidiary of CDK (collectively, "Dealix/Autotegrity"). Dealix Corporation provides new and used car Leads to automotive dealerships, Dealer groups and Manufacturers, and Autotegrity, Inc. is a consumer Leads acquisition and analytics business. See Note 3.

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

On January 13, 2014 ("AutoUSA Acquisition Date"), Autobytel, AutoNation, Inc., a Delaware corporation ("Seller Parent"), and AutoNationDirect.com, Inc., a Delaware corporation and subsidiary of Seller Parent ("Seller"), entered into and consummated a Membership Interest Purchase Agreement in which Autobytel acquired all of the issued and outstanding membership interests in AutoUSA, LLC, a Delaware limited liability company and a subsidiary of Seller ("AutoUSA"). AutoUSA was a competitor to the Company and at the time of the acquisition was a (i) lead aggregator purchasing internet-generated automotive consumer leads from third parties and reselling those consumer leads to automotive dealers; and (ii) reseller of third party products and services to automotive Dealers. See Note 3.

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. Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of 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.

Investments. In September 2013, the Company entered into a Convertible Note Purchase Agreement with SaleMove in which Autobytel invested $150,000 in SaleMove in the form of an interest bearing, convertible promissory note. In November 2014, the Company invested an additional $400,000 in SaleMove in the form of an interest bearing, convertible promissory note. Upon closing of a preferred stock financing by SaleMove in July 2015, these two notes were converted in accordance with their terms into an aggregate of 190,997 Series A Preferred Stock, which shares are classified as a long-term investment on the consolidated balance sheet as of December 31, 2016.

In October 2013, the Company entered into a Reseller Agreement with SaleMove to become a reseller of SaleMove’s technology for enhancing communications with consumers. SaleMove’s technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. The Company and SaleMove will equally share in revenues from automotive-related sales of the SaleMove products and services. In connection with this reseller arrangement, the Company advanced to SaleMove $1.0 million to fund SaleMove’s 50% share of various product development, marketing and sales costs and expenses, with the advanced funds to be recovered by the Company from SaleMove’s share of sales revenue. As of December 31, 2016, the net advances due from SaleMove totaled $552,000 and are classified as an other long-term asset on the consolidated balance sheet.

In December 2014, the Company entered into a Series Seed Preferred Stock Purchase Agreement with GoMoto in which the Company paid $100,000 for 317,460 shares of Series Seed Preferred Stock, $0.001 par value per share. The $100,000 investment in GoMoto was recorded at cost because the Company does not have significant influence over GoMoto. In October 2015 and May 2016, the Company invested an additional $375,000 and $375,000, respectively, in GoMoto in the form of convertible promissory notes (“GoMoto Notes”). As of December 31, 2016, the Company recorded a reserve of $0.8 million related to the GoMoto Notes and related interest receivable because the Company believes the amounts may not be recoverable.

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

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

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

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

Contingencies. From time to time the Company may be subject to proceedings, lawsuits and other claims. The Company assesses the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. The Company records a loss contingency when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. The amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter. 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 measurement 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** – Inputs include management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument’s valuation.

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 Company’s investments at December 31, 2016 and 2015 consist primarily of investments in SaleMove and GoMoto and are accounted for under the cost method. Although there is no established market for these investments, we evaluated the investments for impairment by comparing them to an estimated fair value and determined that there is no impairment.

**Variable Interest Entities.** The Company has an investment in an entity that is considered a variable interest entity ("VIE") under U.S. GAAP. The Company has concluded that their investment in SaleMove qualifies as a variable interest and SaleMove is a VIE. VIEs are legal entities in which the equity investors do not have sufficient equity at risk for the entity to independently finance its activities or the collective holders do not have the power through voting or similar rights to direct the activities of the entity that most significantly impacts its economic performance, the obligation to absorb the expected losses of the entity, or the right to receive expected residual returns of the entity. Consolidation of a VIE is considered appropriate if a reporting entity is the primary beneficiary, the party that has both significant influence and control over the VIE. Management periodically performs a qualitative analysis to determine if the Company is the primary beneficiary of a VIE. This analysis includes review of the VIEs’ capital structures, contractual terms, and primary activities, including the Company’s ability to direct the activities of the VIEs and obligations to absorb losses, or the right to receive benefits, significant to the VIEs. Additionally, changes in our various equity investments have in the past resulted in a reconsideration event.

Based on Autobytel’s analysis for the periods presented in this report, it is not the primary beneficiary of SaleMove. Accordingly, SaleMove does not meet the criteria for consolidation. The SaleMove Advances are classified as an other long-term asset on the consolidated balance sheet as of December 31, 2016 and December 31, 2015. The carrying value and maximum potential loss exposure from SaleMove totaled $0.6 million as of December 31, 2016, and $0.7 million as of December 31, 2015.

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

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), General Motors and Ford Direct. During 2016, approximately 28% of the Company’s total revenues were derived from these three customers, and approximately 36% or $12.6 million of gross accounts receivable related to these three customers at December 31, 2016. In 2016, Urban Science Applications accounted for 16% and 19% of total revenues and total accounts receivable as of December 31, 2016, respectively.

During 2015, approximately 28% of the Company’s total revenues were derived from Urban Science Applications, General Motors and Ford Direct, and approximately 37% or $10.7 million of gross accounts receivable related to these three customers at December 31, 2015. In 2015, Urban Science Applications accounted for 16% of total revenues and accounts receivable as of December 31, 2015, respectively.
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 and certain office equipment under operating lease agreements which expire on various dates through 2024, with options to renew on expiration of the original lease terms.

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

Capitalized Internal Use Software and Website Development Costs. The Company capitalizes costs to develop internal use software in accordance with the Internal-Use Software and the Website Development Costs Topics, which require the capitalization of external and internal computer software costs and website development costs, respectively, incurred during the application development stage. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training and maintenance costs are expensed as incurred while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized internal use software development costs are amortized using the straight-line method over an estimated useful life of three to five years. Capitalized website development costs, once placed in service, are amortized using the straight-line method over the estimated useful life of the related websites. The Company capitalized $1.7 million, $1.5 million and $0.6 million of such costs for the years ended December 31, 2016, 2015 and 2014, respectively.

Impairment of Long-Lived Assets and Intangible 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 would 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. The Company did not record any impairment of long-lived assets in 2016, 2015 and 2014.

Indefinite-lived intangible assets. Indefinite-lived intangible assets consists of a domain name, which was acquired as part of the Dealix/Autotegrity acquisition in 2015, which is tested for impairment annually, or more frequently if an event occurs or circumstances changes that would indicate that impairment may exist. When evaluating indefinite-lived intangible assets for impairment, we may first perform a qualitative analysis to determine whether it is more likely than not that the indefinite-lived intangible assets is impaired. If we do not perform the qualitative assessment, or if we determine that it is more likely than not that the fair value of the indefinite-lived intangible asset exceeds its carrying amount, we will calculate the estimated fair value of the indefinite-lived intangible asset. If the carrying amount of the indefinite-lived intangible asset exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. We did not record any impairment of indefinite-lived intangible assets in 2016 and 2015.

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.

Revenue Recognition. Lead fees consist of fees from the sale of Leads for new and used vehicles and Leads for vehicle financing. Fees paid by customers participating in the Company’s Lead programs are comprised of monthly transaction and/or subscription fees. Advertising revenues represent fees for display advertising on 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. Lead fees are generally recognized as revenues in the period the service is provided. Advertising revenues are generally recognized in the period the advertisements are displayed on Company 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 Lead and traffic acquisition costs and other cost of revenues. Lead and traffic acquisition costs consist of payments made to the Company’s Lead 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 the Company’s properties, connectivity costs and development costs related to the Company Websites, compensation related expense and technology license fees, server equipment depreciation and technology amortization directly related to Company Websites. SEM, sometimes referred to as paid search marketing, is the practice of bidding on keywords on search engines to drive traffic to a website.

Income Taxes. The Company accounts for income taxes under the asset and 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.

Computation of Basic and Diluted Net Earnings per Share. Basic net earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted net earnings per share is computed using the weighted average number of common shares, and if dilutive, potential common shares outstanding, as determined under the treasury stock and if-converted method, during the period. Potential common shares consist of common shares issuable upon the exercise of stock options, common shares issuable upon the exercise of warrants described below and common shares issuable upon conversion of the shares described in Note 3.

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Shares:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average common shares outstanding</td>
<td>10,673,015</td>
<td>9,907,066</td>
<td>8,998,035</td>
</tr>
<tr>
<td>Weighted average common shares repurchased</td>
<td>—</td>
<td>—</td>
<td>(18,138)</td>
</tr>
<tr>
<td>Basic Shares</td>
<td>10,673,015</td>
<td>9,907,066</td>
<td>8,979,897</td>
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<tr>
<td>Diluted Shares:</td>
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<td></td>
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</tr>
<tr>
<td>Weighted average dilutive securities</td>
<td>2,630,194</td>
<td>2,755,258</td>
<td>2,232,011</td>
</tr>
<tr>
<td>Dilutive Shares</td>
<td>13,303,209</td>
<td>12,662,324</td>
<td>11,211,908</td>
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</tbody>
</table>

For the years ended December 31, 2016 and 2015, weighted average dilutive securities included dilutive options, warrants and convertible preferred shares. For the year ended December 31, 2014, weighted average dilutive securities included dilutive options, warrants and convertible debt.

Potentially dilutive securities representing approximately 1.9 million, 1.4 million and 1.1 million shares of common stock for the years ended December 31, 2016, 2015 and 2014, respectively, were excluded from the computation of diluted income per share for these periods because their effect would have been anti-dilutive.
**Share-Based Compensation.** The Company grants restricted stock and stock option awards (the “Awards”) under several of its share-based compensation Plans (the “Plans”), that are more fully described in Note 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. The Company’s operations are aggregated into a single reportable operating segment based upon similar economic and operating characteristics as well as similar markets.

**Advertising Expense.** Advertising costs are expensed in the period incurred and the majority of advertising expense is recorded in sales and marketing expense. Advertising expense in the years ended December 31, 2016, 2015 and 2014 was $1.4 million, $2.0 million and $1.6 million, respectively.

**Recent Accounting Pronouncements**

**Accounting Standards Codification 606 “Revenue from Contracts with Customers.”** In May 2014, Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” was issued. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the Financial Accounting Standards Board voted to defer the effective date and it is now effective for public entities for annual periods ending after December 15, 2017. Early adoption of the standard is permitted. This update permits the use of either the retrospective or cumulative effect transition method. In April 2016, ASU No. 2016-10, “Identifying Performance Obligations and Licensing” was issued. This ASU clarifies 1) the identification of performance obligations and, 2) licensing implementation guidance as it relates to Topic 606, Revenue from Contracts with Customers. The amendments in this ASU affect the guidance in ASU 2014-09, which is effective for public entities for annual periods ending after December 15, 2017. In May 2016, ASU No. 2016-12, “Narrow-Scopes Improvements and Practical Expedients” was issued. This ASU addresses certain issues as it relates to assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition as it relates to Topic 606, Revenue from Contracts with Customers. The amendments in this ASU affect the guidance in ASU 2014-09, which is effective for public entities for annual periods beginning after December 15, 2017. The Company is continuing to evaluate the effect this guidance will have on the consolidated financial statements and related disclosures.

**Accounting Standards Codification 740 “Income Taxes.”** In November 2015, ASU No. 2015-17, “Balance Sheet Classification of Deferred Taxes” was issued. This ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this update apply to all entities that present a classified statement of financial position. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Once adopted, the Company will reclassify $4.7 million of current deferred tax assets to long-term deferred tax assets.

**Accounting Standards Codification 842 “Leases.”** In February 2016, ASU No. 2016-02, “Leases (Topic 842)” was issued. This ASU requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases of terms more than 12 months. The ASU will require both capital and operating leases to be recognized on the balance sheet. Qualitative and quantitative disclosures will also be required to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The ASU will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company continues to assess whether this ASU will be material to the consolidated financial statements.

**Accounting Standards Codification 323 “Investments-Equity Method and Joint Ventures.”** In March 2016, ASU No. 2016-07, “Simplifying the Transition to the Equity Method of Accounting” was issued. This ASU eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment was held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Thus, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company does not believe this ASU will have a material effect on the consolidated financial statements.

**Accounting Standards Codification 718 “Compensation-Stock Compensation.”** In March 2016, ASU No. 2016-09, “Improvements to Employee Share-Based Payment Accounting” was issued. This ASU provides for areas of simplification for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Once adopted, the Company will recognize $1.9 million of deferred tax assets relating to unrealized stock option benefits, resulting in a cumulative $1.9 million adjustment to retained earnings. The new guidance increases income statement volatility by requiring all excess tax benefits and deficits to be recognized in “Income taxes,” and treated as discrete items in the period in which they occur. The Company believes this ASU may have a material effect on the consolidated financial statements.
Accounting Standards Codification 230 “Statement of Cash Flows.” In August 2016, ASU No. 2016-15, “Classification of Certain Cash Receipts and Cash Payments” was issued. This ASU provides guidance on eight specific cash flow issues with the objective of reducing the existing diversity in practice for those issues. The amendments in this ASU are effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period. The Company does not believe this ASU will have a material effect on the consolidated financial statements.

Accounting Standards Codification 810 “Consolidation.” In October 2016, ASU No. 2016-17, “Interests Held through Related Parties That Are Under Common Control” was issued. This ASU amends the consolidation guidance on how a reporting entity that is the single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company does not believe this ASU will have a material effect on the consolidated financial statements.

Accounting Standards Codification 205-40 “Presentation of Financial Statements – Going Concern.” In August 2014, ASU No. 2014-15, “Disclosure of Uncertainties about an Entities Ability to Continue as a Going Concern” was issued. This ASU provides guidance in GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The amendments in this ASU are effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter. The Company adopted this ASU for the year ended December 31, 2016. This ASU did not have a material effect on the consolidated financial statements.

3. Acquisitions

Acquisition of AutoWeb

On the AutoWeb Merger Date, Merger Sub merged with and into AutoWeb, with AutoWeb continuing as the surviving corporation and as a wholly owned subsidiary of Autobytel.

The AutoWeb Merger Date fair value of the consideration transferred totaled $23.8 million consisting of (i) 168,007 newly issued shares of Series B Junior Participating Convertible Preferred Stock, par value $0.001 per share, of Autobytel (“Series B Preferred Stock”); (ii) warrants to purchase up to 148,240 shares of Series B Preferred Stock (“AutoWeb Warrant”), at an exercise price of $184.47 (reflecting 10 times the $16.77 closing price of a share of the Company’s common stock, $0.001 par value per share (“Common Stock”), plus a ten percent (10%) premium); and (iii) $0.3 million in cash to cancel vested, in-the-money options to acquire shares of AutoWeb common stock. As a result of accounting for the transaction as a business combination achieved in stages, the Company also recorded $0.6 million as a gain to the pre-merger investment in AutoWeb. The results of operations of AutoWeb have been included in the Company’s results of operations since the AutoWeb Merger Date.

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Series B Preferred Stock</td>
<td>20,989</td>
</tr>
<tr>
<td>Series B Preferred warrants to purchase 148,240 shares of Series B Preferred Stock</td>
<td>2,542</td>
</tr>
<tr>
<td>Cash</td>
<td>279</td>
</tr>
<tr>
<td>Fair value of prior ownership in AutoWeb</td>
<td>4,016</td>
</tr>
<tr>
<td></td>
<td>27,826</td>
</tr>
</tbody>
</table>

The shares of Series B Preferred Stock are convertible, subject to certain limitations, into ten (10) shares of Common Stock. All shares will be automatically converted upon stockholder approval.

The AutoWeb Warrant was valued at $1.72 per share underlying the warrant for a total value of $2.5 million. The Company used a Monte Carlo simulation model to determine the value of the AutoWeb Warrant. Key assumptions used by the Company’s outside valuation consultants in valuing the AutoWeb Warrant are as follows: risk-free rate of 1.9%, stock price volatility of 74.0% and a term of 7.0 years. The AutoWeb Warrant becomes exercisable on October 1, 2018, subject to the following vesting conditions: (i) with respect to the first one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date of the AutoWeb Warrant the weighted average closing price of the Common Stock for the preceding 30 trading days (adjusted for any stock splits, stock dividends, reverse stock splits or combinations of the Common Stock occurring after the issuance date) (“Weighted Average Closing Price”) is at or above $30.00; (ii) with respect to the second one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date the Weighted Average Closing Price is at or above $37.50; and (iii) with respect to the last one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date the Weighted Average Closing Price is at or above $45.00. The AutoWeb Warrant expires on October 1, 2022.
The following table summarizes the fair values of the assets acquired and liabilities assumed as of the AutoWeb Merger Date.

<table>
<thead>
<tr>
<th>Net identifiable assets acquired:</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tangible assets acquired</td>
<td>$4,456</td>
</tr>
<tr>
<td>Total liabilities assumed</td>
<td>543</td>
</tr>
<tr>
<td>Net identifiable assets acquired</td>
<td>3,913</td>
</tr>
<tr>
<td>Definite-lived intangible assets acquired</td>
<td>17,690</td>
</tr>
<tr>
<td>Goodwill</td>
<td>5,954</td>
</tr>
<tr>
<td></td>
<td>$27,557</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Estimated Fair Value</th>
<th>Estimated Useful Life (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer relationships</td>
<td>Excess of earnings (2)</td>
<td>$7,470</td>
</tr>
<tr>
<td>Trademark/trade names</td>
<td>Relief from Royalty (3)</td>
<td>2,600</td>
</tr>
<tr>
<td>Developed technology</td>
<td>Excess of earnings (4)</td>
<td>7,620</td>
</tr>
<tr>
<td>Total purchased intangible assets</td>
<td></td>
<td>$17,690</td>
</tr>
</tbody>
</table>

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

(2) The 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.

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

(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 method takes into account technological and economic obsolescence of the technology.

Additionally, in connection with the acquisition of AutoWeb, the Company entered into non-compete agreements with key executives of AutoWeb. The fair value of the AutoWeb non-compete agreements was $270,000 and 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. The Company will amortize the value of the AutoWeb non-compete agreement over two years.

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

The goodwill recognized of $6.0 million was attributable primarily to expected synergies and the assembled workforce of AutoWeb. The Company incurred approximately $1.1 million of acquisition-related costs related to the AutoWeb acquisition.
On the Dealix/Autotegrity Acquisition Date, Autobytel acquired all of the issued and outstanding shares of common stock of Dealix and Autotegrity. Dealix provides new and used car leads to automotive dealerships, Dealer groups and Manufacturers, and Autotegrity is a consumer leads acquisition and analytics business. The Company acquired Dealix/Autotegrity to further expand its reach and influence in the industry by increasing its Dealer network.

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

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the Dealix/Autotegrity Acquisition Date. During the year ended December 31, 2016, the Company made adjustments to the purchase price allocation due to changes in accounts receivable and sales tax payable acquired.

<table>
<thead>
<tr>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net identifiable assets acquired:</td>
</tr>
<tr>
<td>Total tangible assets acquired       $ 9,778</td>
</tr>
<tr>
<td>Total liabilities assumed            2,520</td>
</tr>
<tr>
<td>Net identifiable assets acquired     7,258</td>
</tr>
<tr>
<td>Definite-lived intangible assets acquired $ 7,655</td>
</tr>
<tr>
<td>Indefinite-lived intangible assets acquired 2,200</td>
</tr>
<tr>
<td>Goodwill                             7,358</td>
</tr>
<tr>
<td>$ 24,471</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Estimated Fair Value (in thousands)</th>
<th>Estimated Useful Life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer relationships</td>
<td>Excess of earnings (2)              $ 7,020                          10</td>
<td></td>
</tr>
<tr>
<td>Trademark/trade names – Autotegrity</td>
<td>Relief from Royalty (3)             $ 120                            3</td>
<td></td>
</tr>
<tr>
<td>Trademark/trade names – UsedCars.com</td>
<td>Relief from Royalty (3)           $ 2,200                          Indefinite</td>
<td></td>
</tr>
<tr>
<td>Developed technology</td>
<td>Cost Approach (4)                   $ 515                            3</td>
<td></td>
</tr>
<tr>
<td>Total purchased intangible assets</td>
<td>$ 9,855</td>
<td></td>
</tr>
</tbody>
</table>

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

(2) The 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.

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

(4) The cost approach estimates the cost required to repurchase or reproduce the intangible assets. The method takes into account technological and economic obsolescence of the technology.
Additionally, in connection with the acquisition of Dealix/Autotegrity, the Company entered into non-compete agreements with CDK and a key executive of Dealix/Autotegrity. The fair value of the non-compete agreements with CDK and the key executive from Dealix/Autotegrity was $0.5 million and $40,000, respectively, and 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. The Company will amortize the value of the non-compete agreement with CDK and the key executive from Dealix/Autotegrity over two and one year(s), respectively.

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

The goodwill recognized of $7.3 million was attributable primarily to expected synergies and the assembled workforce of Dealix/Autotegrity. The Company incurred approximately $1.7 million of acquisition-related costs related to the Dealix/Autotegrity acquisition.

Acquisition of AutoUSA

On the AutoUSA Acquisition Date, Autobytel acquired all of the issued and outstanding membership interests in AutoUSA. The Company acquired AutoUSA to expand its reach and influence in the industry by increasing its Dealer network.

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount  (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (including a working capital adjustment of $44)</td>
<td>10,044</td>
</tr>
<tr>
<td>Convertible subordinated promissory note</td>
<td>1,300</td>
</tr>
<tr>
<td>Warrant to purchase Company common stock</td>
<td>510</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,854</strong></td>
</tr>
</tbody>
</table>

As part of the consideration paid for the acquisition, the Company issued a convertible subordinated promissory note for $1.0 million ("AutoUSA Note") to the Seller. The fair value of the AutoUSA Note as of the AutoUSA Acquisition Date was $1.3 million. This valuation was estimated using a binomial option pricing method. Key assumptions used by the Company's outside valuation consultants in valuing the AutoUSA Note include a market yield of 1.6% and stock price volatility of 65.0%. As the AutoUSA Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The entire outstanding balance of the AutoUSA Note is to be paid in full on January 31, 2019. At any time after January 31, 2017, the holder of the AutoUSA Note may convert all or any part, but at least 30,600 shares, of the then outstanding and unpaid principal of the AutoUSA Note into fully paid shares of the Company's common stock at a conversion price of $16.34 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The right to convert the AutoUSA Note into common stock of the Company is accelerated in the event of a change in control of the Company. In the event of default, the entire unpaid balance of the AutoUSA Note will become immediately due and payable and will bear interest at the lower of 8% per year and the highest legal rate permissible under applicable law.

The warrant to purchase 69,930 shares of Company common stock issued in connection with the acquisition ("AutoUSA Warrant") was valued as of the AutoUSA Acquisition Date at $7.35 per share for a total value of $0.5 million. The Company used an option pricing model to determine the value of the AutoUSA Warrant. Key assumptions used by the Company's outside valuation consultants in valuing the AutoUSA Warrant are as follows: risk-free rate of 1.6%, stock price volatility of 65.0% and a term of 5.0 years. The AutoUSA Warrant was valued based on long-term stock price volatilities of the Company. The exercise price of the AutoUSA Warrant is $14.30 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The AutoUSA Warrant becomes exercisable on the third anniversary of the issuance date and expires on the fifth anniversary of the issuance date. The right to exercise the AutoUSA Warrant is accelerated in the event of a change in control of the Company.
The following table summarizes the fair values of the assets acquired and liabilities assumed as of December 31, 2015.

<table>
<thead>
<tr>
<th>Net identifiable assets acquired</th>
<th>$ 758</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-lived intangible assets acquired</td>
<td>$ 3,660</td>
</tr>
<tr>
<td>Goodwill</td>
<td>$ 7,346</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 11,764</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:

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Estimated Fair Value (in thousands)</th>
<th>Estimated Useful Life (1) (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer relationships</td>
<td>Excess of earnings(2) $ 2,660</td>
<td>5</td>
</tr>
<tr>
<td>Trademark/trade names</td>
<td>Relief from Royalty(3) $ 1,000</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total purchased intangible assets</strong></td>
<td><strong>$ 3,660</strong></td>
<td></td>
</tr>
</tbody>
</table>

(1) Determination of the estimated useful lives of the individual categories of purchased intangible assets was based on the nature of the applicable intangible asset and the expected future cash flows to be derived from such 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 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.

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

Additionally, in connection with the acquisition of AutoUSA, the Company entered into a non-compete agreement with a key executive of AutoUSA. The fair value of the AutoUSA non-compete agreement was $90,000 and was derived by calculating the difference between the present value of the Company’s forecasted cash flows with the agreement in place and without the agreement in place. The Company will amortize the value of the AutoUSA non-compete agreement over two years.

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

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

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

4. Investments

Investments. The Company’s investments at December 31, 2016 and 2015 consist primarily of investments in SaleMove and GoMoto and are recorded at cost.
The following table presents the Company’s investment activity for 2016 and 2015 (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Note receivable-long-term</th>
<th>Note receivable-current</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2014</td>
<td>$—</td>
<td>$150</td>
<td>$3,880</td>
</tr>
<tr>
<td>Total gains, realized or unrealized</td>
<td>—</td>
<td>—</td>
<td>636</td>
</tr>
<tr>
<td>Purchases, (sales), issuances and (settlements), net</td>
<td>375</td>
<td>(150)</td>
<td>(3,836)</td>
</tr>
<tr>
<td>Balance at December 31, 2015</td>
<td>375</td>
<td>—</td>
<td>680</td>
</tr>
<tr>
<td>Purchases, (sales), issuances and (settlements), net</td>
<td>(375)</td>
<td>750</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31, 2016</td>
<td>—</td>
<td>750</td>
<td>680</td>
</tr>
<tr>
<td>Reserve for notes receivable</td>
<td>—</td>
<td>(750)</td>
<td>—</td>
</tr>
<tr>
<td>Net balance at December 31, 2016</td>
<td>$—</td>
<td>$—</td>
<td>$680</td>
</tr>
</tbody>
</table>

In September 2013, the Company entered into a Convertible Note Purchase Agreement with SaleMove in which Autobytel invested $150,000 in SaleMove in the form of an interest bearing, convertible promissory note. In November 2014, the Company invested an additional $400,000 in SaleMove in the form of an interest bearing, convertible promissory note. Upon closing of a preferred stock financing by SaleMove in July 2015, these two notes were converted in accordance with their terms into an aggregate of 190,997 Series A Preferred Stock, which shares are classified as a long-term investment on the consolidated balance sheet as of December 31, 2016.

In October 2013, the Company entered into a Reseller Agreement with SaleMove to become a reseller of SaleMove’s technology for enhancing communications with consumers. SaleMove’s technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. The Company and SaleMove equally share in revenues from automotive-related sales of the SaleMove products and services. In connection with this reseller arrangement, the Company advanced to SaleMove $1.0 million to fund SaleMove’s 50% share of various product development, marketing and sales costs and expenses, with the advanced funds to be recovered by the Company from SaleMove’s share of sales revenue. SaleMove advances are repaid to the Company from SaleMove’s share of net revenues from the Reseller Agreement. As of December 31, 2016, the net advances due from SaleMove totaled $552,000.

In December 2014, the Company entered into a Series Seed Preferred Stock Purchase Agreement with GoMoto in which the Company paid $100,000 for 317,460 shares of Series Seed Preferred Stock, $0.001 par value per share. The $100,000 investment in GoMoto was recorded at cost because the Company does not have significant influence over GoMoto. In October 2015 and May 2016, the Company invested an additional $375,000 and $375,000 for each period in GoMoto in the form of convertible promissory notes ("GoMoto Notes"). The GoMoto Notes accrued interest at an annual rate of 4.0% and are due and payable in full on or after October 28, 2017 upon demand or at GoMoto’s option ten days’ written notice unless converted prior to the maturity date. As of December 31, 2016, the Company recorded a reserve of $0.8 million related to the GoMoto Notes and related interest receivable because the Company believes the amounts may not be recoverable.

5. Selected Balance Sheet Accounts

Property and Equipment

Property and equipment consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>As of December 31, 2016</th>
<th>As of December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Computer software and hardware</td>
<td>$ 12,027</td>
<td>$ 12,998</td>
</tr>
<tr>
<td>Capitalized internal use software</td>
<td>5,359</td>
<td>2,743</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>1,332</td>
<td>1,419</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,139</td>
<td>1,424</td>
</tr>
<tr>
<td></td>
<td>19,857</td>
<td>18,584</td>
</tr>
<tr>
<td>Less—Accumulated depreciation and amortization</td>
<td>(15,427)</td>
<td>(14,288)</td>
</tr>
<tr>
<td>Property and Equipment, net</td>
<td>$ 4,430</td>
<td>$ 4,296</td>
</tr>
</tbody>
</table>

As of December 31, 2016 and 2015, capitalized internal use software, net of amortization, was $2.7 million and $2.1 million, respectively. Depreciation and amortization expense related to property and equipment was $1.6 million for the year ended December 31, 2016. Of this amount, $0.7 million was recorded in cost of revenues and $0.8 million was recorded in operating expenses for the year ended December 31, 2016. Depreciation and amortization expense related to property and equipment was $1.0 million for the year ended December 31, 2015. Of this amount, $0.4 million was recorded in cost of revenues and $0.6 million was recorded in operating expenses for the year ended December 31, 2015.
**Intangible Assets.** The Company amortizes specifically identified definite-lived intangible assets using the straight-line method over the estimated useful lives of the assets. The Company’s intangible assets will be amortized over the following estimated useful lives (in thousands):

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Estimated Useful Life</th>
<th>Gross</th>
<th>Accumulated Amortization</th>
<th>Net</th>
<th>Gross</th>
<th>Accumulated Amortization</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademarks/trade names/licenses/domains</td>
<td>3 – 6 years</td>
<td>$9,294</td>
<td>$(6,756)</td>
<td>$2,538</td>
<td>$9,294</td>
<td>$(6,071)</td>
<td>$3,223</td>
</tr>
<tr>
<td>Tradename</td>
<td>Indefinite</td>
<td>$2,200</td>
<td>—</td>
<td>$2,200</td>
<td>$2,200</td>
<td>—</td>
<td>$2,200</td>
</tr>
<tr>
<td>Software and publications</td>
<td>3 years</td>
<td>$1,300</td>
<td>$(1,300)</td>
<td>—</td>
<td>$1,300</td>
<td>$(1,300)</td>
<td>—</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>2 - 10 years</td>
<td>$19,563</td>
<td>$(7,454)</td>
<td>$12,109</td>
<td>$19,563</td>
<td>$(4,341)</td>
<td>$15,222</td>
</tr>
<tr>
<td>Employment/non-compete agreements</td>
<td>1-5 years</td>
<td>$1,510</td>
<td>$(1,273)</td>
<td>$237</td>
<td>$1,510</td>
<td>$(849)</td>
<td>$661</td>
</tr>
<tr>
<td>Developed technology</td>
<td>5-7 years</td>
<td>$8,955</td>
<td>$(2,256)</td>
<td>$6,699</td>
<td>$8,955</td>
<td>$(746)</td>
<td>$8,209</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>$42,822</strong></td>
<td><strong>$(19,039)</strong></td>
<td><strong>$23,783</strong></td>
<td><strong>$42,822</strong></td>
<td><strong>$(13,307)</strong></td>
<td><strong>$29,415</strong></td>
</tr>
</tbody>
</table>

Amortization expense is included in “Depreciation and amortization” in the Statements of Income. Amortization expense was $5.7 million, $3.0 million and $1.5 million in 2016, 2015 and 2014, respectively. 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>2017</td>
<td>$5,366</td>
</tr>
<tr>
<td>2018</td>
<td>5,028</td>
</tr>
<tr>
<td>2019</td>
<td>3,655</td>
</tr>
<tr>
<td>2020</td>
<td>2,224</td>
</tr>
<tr>
<td>2021</td>
<td>2,116</td>
</tr>
<tr>
<td></td>
<td><strong>$18,389</strong></td>
</tr>
</tbody>
</table>

**Goodwill.** Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or whenever events or circumstances indicate that the carrying value of such assets may not be recoverable. The Company did not record any impairment related to goodwill as of December 31, 2016 and 2015. As of December 31, 2016 and 2015, goodwill consisted of the following:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill as of December 31, 2014</td>
<td>$20,948</td>
</tr>
<tr>
<td>Acquisition of Dealix/Autotegrity</td>
<td>11,215</td>
</tr>
<tr>
<td>Acquisition of AutoWeb</td>
<td>10,740</td>
</tr>
<tr>
<td>Goodwill as of December 31, 2015</td>
<td>42,903</td>
</tr>
<tr>
<td>Purchase price allocation adjustments from Dealix/Autotegrity acquisition</td>
<td>(82)</td>
</tr>
<tr>
<td>Goodwill as December 31, 2016</td>
<td>$42,821</td>
</tr>
</tbody>
</table>

During the year ended December 31, 2016, the Company made adjustments to the Dealix/Autotegrity purchase price allocation due to changes in accounts receivable and sales tax payable acquired, and adjusted goodwill accordingly.

**Accrued Expenses and Other Current Liabilities**

As of December 31, 2016 and 2015, accrued expenses and other current liabilities consisted of the following:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Accrued employee-related benefits</td>
<td>$4,530</td>
</tr>
<tr>
<td>Other accrued expenses and other current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>7,278</td>
</tr>
<tr>
<td>Amounts due to customers</td>
<td>466</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>571</td>
</tr>
<tr>
<td>Total other accrued expenses and other current liabilities</td>
<td>8,315</td>
</tr>
<tr>
<td>Total accrued expenses and other current liabilities</td>
<td>$12,845</td>
</tr>
</tbody>
</table>
Convertible Notes Payable. In connection with the acquisition of Cyber, the Company issued the Cyber Note to the sellers. The fair value of the Cyber Note as of the Cyber Acquisition Date was $5.9 million. This valuation was estimated using a binomial option pricing method. Key assumptions used by the Company’s outside valuation consultants in valuing the Cyber Note included a market yield of 15.0% and stock price volatility of 77.5%. As the Cyber Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The Cyber Note was acquired by Auto Holdings and was converted into 1,075,268 shares of Company common stock on April 27, 2015, as discussed in Note 1. Upon conversion of the Cyber Note, the Company removed the liability from the Consolidated Balance Sheet.

In connection with the acquisition of AutoUSA, the Company issued the AutoUSA Note to the Seller. For information concerning the fair value of the AutoUSA Note, see Note 3.

6. Credit Facility

On June 1, 2016, the Company entered into a Fourth Amendment to Loan Agreement (“Credit Facility Amendment”) with MUFG Union Bank, N.A., formerly Union Bank, N.A. (“Union Bank”), amending the Company’s existing Loan Agreement with Union Bank initially entered into on February 26, 2013, as amended on September 10, 2013, January 13, 2014 and May 20, 2015 (the existing Loan Agreement, as amended to date, is referred to collectively as the “Credit Facility Agreement”). The Credit Facility Agreement provided for a $9.0 million term loan (“Term Loan 1”). The Credit Facility Amendment provides for (i) a $15.0 million term loan (“Term Loan 2”); (ii) the amendment of certain financial covenants in the Credit Facility Agreement; and (iii) amendments to the Company’s existing $8.0 million working capital revolving line of credit (“Revolving Loan”).

Term Loan 1 is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under Term Loan 1 bear interest at either (i) the bank’s Reference Rate (prime rate) minus 0.50% or (ii) the London Interbank Offering Rate (“LIBOR”) plus 2.50%, at the option of the Company. Interest under Term Loan 1 adjusts (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank’s Reference Rate, if the Reference Rate is selected. Borrowings under Term Loan 1 are secured by a first priority security interest on all of the Company’s personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 1 matures on December 31, 2017. Borrowing under Term Loan 1 was limited to use for the acquisition of AutoUSA, and the Company drew down the entire $9.0 million of Term Loan 1, together with $1.0 million under the Revolving Loan, in financing this acquisition. The outstanding balance of Term Loan 1 as of December 31, 2016 was $2.8 million.

Term Loan 2 is amortized over a period of five years, with fixed quarterly principal payments of $750,000. Borrowings under Term Loan 2 bear interest at either (i) LIBOR plus 3.00% or (ii) the bank’s Reference Rate (prime rate), at the option of the Company. Borrowings under the Revolving Loan bear interest at either (i) the LIBOR plus 2.50% or (ii) the bank’s Reference Rate (prime rate) minus 0.50%, at the option of the Company. Interest under both Term Loan 2 and the Revolving Loan adjust (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank’s Reference Rate, if the Reference Rate is selected. Borrowings under Term Loan 2 and the Revolving Loan are secured by a first priority security interest on all of the Company’s personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 2 matures June 30, 2020, and the maturity date of the Revolving Loan was extended from March 31, 2017 to April 30, 2018. Borrowings under the Revolving Loan may be used as a source to finance working capital, capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under Term Loan 2 was limited to use for the acquisition of Dealix/Autotegrity, and the Company drew down the entire $15.0 million of Term Loan 2, together with $2.75 million under the Revolving Loan and $6.76 million from available cash on hand, in financing this acquisition. The outstanding balances of Term Loan 2 and the Revolving Loan as of December 31, 2016 were $11.3 million and $8.0 million, respectively.

The Credit Facility Agreement contains certain customary affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain specified levels of minimum consolidated liquidity and quarterly and annual earnings before interest, taxes and depreciation and amortization, which the Company was in compliance with as of December 31, 2016.
7. Commitments and Contingencies

Operating Leases

The Company leases its facilities and certain office equipment under operating leases which expire on various dates through 2024. 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>$</td>
</tr>
<tr>
<td>2017</td>
<td>1,767</td>
</tr>
<tr>
<td>2018</td>
<td>1,004</td>
</tr>
<tr>
<td>2019</td>
<td>665</td>
</tr>
<tr>
<td>2020</td>
<td>515</td>
</tr>
<tr>
<td>2021</td>
<td>446</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,017</td>
</tr>
<tr>
<td></td>
<td>$5,414</td>
</tr>
</tbody>
</table>

Rent expense included in operating expenses was $2.0 million, $1.2 million and $0.7 million for the years ended December 31, 2016, 2015 and 2014, 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 in the event of a termination of employment without cause or for good reason.

Litigation

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

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 of 1986, as amended (“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 contribution in the years ended December 31, 2016, 2015 and 2014 was $0.4 million, $0.4 million and $0.2 million, respectively.

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 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, 2010 Equity Incentive Plan and the 2014 Amended and Restated Equity Incentive Plan. As of June 19, 2014, awards may only be granted under the 2014 Equity Incentive Plan. An aggregate of 1.5 million shares of Company common stock are reserved for future issuance under the 2014 Amended and Restated Equity Incentive Plan at December 31, 2016.

In addition to Awards under the foregoing plans, (i) during the year ended December 31, 2015, the Company granted 40,000 inducement stock options (“2015 Inducement Options”) to a new employee; (ii) during the year ended December 31, 2014 in connection with the acquisition of AutoUSA, the Company granted 40,000 performance-based inducement stock options (“2014 AutoUSA Inducement Options”) to a new employee; and (iii) during the year ended December 31, 2013 in connection with the acquisition of Advanced Mobile, the Company granted 88,641 performance-based inducement stock options (“2013 Advanced Mobile Inducement Options”) to a new employee. The 2013 Advanced Mobile Inducement Options were allocated in three equal grants of 29,547 options each, with the actual amount of each grant that may be awarded being determined based upon the revenues and gross profit achievement of the Autobytel Mobile business for the years 2014, 2015 and 2016, respectively.
Share-based compensation expense is included in costs and expenses in the Consolidated Statements of Income and Comprehensive Income as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based compensation expense:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>$67</td>
<td>$150</td>
<td>$69</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>1,777</td>
<td>713</td>
<td>544</td>
</tr>
<tr>
<td>Technology support</td>
<td>601</td>
<td>518</td>
<td>251</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,982</td>
<td>1,185</td>
<td>562</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>4,427</td>
<td>2,566</td>
<td>1,426</td>
</tr>
<tr>
<td>Amount capitalized to internal use software</td>
<td>15</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Total share-based compensation expense</td>
<td>$4,412</td>
<td>$2,557</td>
<td>$1,421</td>
</tr>
</tbody>
</table>

As of December 31, 2016, December 31, 2015 and December 31, 2014, there was approximately $4.9 million, $2.9 million and $2.3 million, respectively, of unrecognized compensation expense related to unvested stock options. This expense is expected to be recognized over a weighted average period of approximately 2.1 years.

**Stock Options**

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

The Company grants its options at exercise prices that are not less than the fair market value of the Company’s common stock on the date of grant. Stock options generally have a seven or ten year maximum contractual term and generally vest one-third on the first anniversary of the grant date and ratably over twenty-four months, thereafter. The vesting of certain stock options is accelerated under certain conditions, including upon a change in control of the Company, termination without cause of an employee and voluntary termination by an employee with good reason.

Awards granted under the Company’s stock option plans, the 2013 Advanced Mobile Inducement Options, 2014 AutoUSA Inducement Options and 2015 Inducement Options were estimated to have a weighted average grant date fair value per share of $7.04, $5.73 and $6.86 for the years ended December 31, 2016, 2015 and 2014, 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>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility</td>
<td>58%</td>
<td>56%</td>
<td>56%</td>
</tr>
<tr>
<td>Expected risk-free interest rate</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Expected life (years)</td>
<td>4.4</td>
<td>4.4</td>
<td>4.3</td>
</tr>
</tbody>
</table>

A summary of the Company’s outstanding stock options as of December 31, 2016, and changes during the year then ended is presented below:

<table>
<thead>
<tr>
<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, 2015</td>
<td>2,351,941</td>
<td>$8.70</td>
<td>4.2</td>
</tr>
<tr>
<td>Granted</td>
<td>933,900</td>
<td>16.29</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(386,001)</td>
<td>7.91</td>
<td></td>
</tr>
<tr>
<td>Forfeited or expired</td>
<td>157,309</td>
<td>12.76</td>
<td></td>
</tr>
<tr>
<td>Outstanding at December 31, 2016</td>
<td>2,742,531</td>
<td>$11.15</td>
<td>4.3</td>
</tr>
<tr>
<td>Vested and expected to vest at December 31, 2016</td>
<td>2,637,620</td>
<td>$10.97</td>
<td>4.2</td>
</tr>
<tr>
<td>Exercisable at December 31, 2016</td>
<td>1,719,255</td>
<td>$8.49</td>
<td>3.2</td>
</tr>
</tbody>
</table>

**Service-Based Options.** During the years ended December 31, 2016, 2015 and 2014, the Company granted 833,900, 606,750 and 473,750 service-based stock options, which had weighted average grant date fair values of $7.71, $5.73 and $6.92, respectively.
**Performance-Based Options.** During the year ended December 31, 2014, the Company granted the 2014 AutoUSA Inducement Options, which had a weighted average grant date fair value of $6.08, using a Black-Scholes option pricing model and weighted average exercise price of $13.62. The 2014 AutoUSA Inducement Options are subject to two vesting requirements and conditions: (i) level of achievement of performance goals based on revenue and gross margin of the Company’s retail dealer services group for 2014 and (ii) service vesting. Based on the performance of the Company’s retail dealer services group for 2014, all 40,000 of the 2014 AutoUSA Inducement Options were awarded under the performance vesting conditions, with one-third of these options vested on January 21, 2015 and the remainder vesting ratably over twenty-four months from that date thereafter.

During the year ended December 31, 2013, the Company also granted the 2013 Advanced Mobile Inducement Options, which had a weighted average grant date fair value of $3.21, using a Black-Scholes option pricing model and weighted average exercise price of $7.17. The 2013 Advanced Mobile Inducement Options are subject to two vesting requirements and conditions: (i) percentage achievement of 2014, 2015 and 2016 revenues and gross profit goals for the Autobytel Mobile business and (ii) time vesting. Of the 29,547 2013 Advanced Mobile Inducement Options originally granted and allocated to the 2014 revenues and gross profit performance of the Autobytel Mobile business, 2,955 of these options were awarded based on the revenues and gross profit achieved by the business for 2014. The remaining 26,592 of the 2013 Advanced Mobile Inducement Options allocated to 2014 performance were canceled. Of the 29,547 2013 Advanced Mobile Inducement Options originally granted and allocated to the 2015 revenues and gross profit performance of the Autobytel Mobile business, 2,955 of these options were awarded based on the revenues and gross profit achieved by the business for 2015. The remaining 26,592 of the 2013 Advanced Mobile Inducement Options allocated to 2015 performance were canceled. Of the 29,547 2013 Advanced Mobile Inducement Options originally granted and allocated to the 2016 revenues and gross profit performance of the Autobytel Mobile business, 2,955 of these options were awarded based on the revenues and gross profit achieved by the business for 2016. The remaining 26,592 of the 2013 Advanced Mobile Inducement Options allocated to 2016 performance were canceled.

**Market Condition Options.** On January 21, 2016, the Company granted 100,000 stock options to its chief executive officer with an exercise price of $17.09 and grant date fair value of $1.47 per option, using a Monte Carlo simulation model ("CEO Market Condition Options"). The CEO Market Condition Options were previously valued at $2.94 per option but were revalued when the requisite stockholder approval for the Company’s Amended and Restated 2014 Equity Incentive Plan was obtained in June 2016. The CEO Market Condition Options are subject to both stock price-based and service-based vesting requirements that must be satisfied for the CEO Market Condition Options to vest and become exercisable. The CEO Market Condition Options provide that the stock price-based vesting condition will be met (i) with respect to the first one-third (1/3) of the CEO Market Condition Options, if at any time after the grant date and prior to the expiration date of the CEO Market Condition Options the weighted average closing price of the Company’s common stock on The Nasdaq Capital Market for the preceding thirty (30) trading days (adjusted for any stock splits, stock dividends, reverse stock splits or combinations occurring after the issuance date) ("Weighted Average Closing Price") is at or above $30.00; (ii) with respect to the second one-third (1/3) of the CEO Market Condition Options, if at any time after the grant date and prior to the expiration date the Weighted Average Closing Price is at or above $37.50; and (iii) with respect to the last one-third (1/3) of the CEO Market Condition Options, if at any time after the grant date and prior to the expiration date the Weighted Average Closing Price is at or above $45.00. With respect to any of the CEO Market Condition Options for which the stock price-based requirements are met, these options are also subject to the following service-based vesting schedule: (i) thirty-three and one-third percent (33 1/3%) of these options will vest and become exercisable on January 21, 2017 and (ii) one thirty-sixth (1/36th) of these options will vest and become exercisable on each successive monthly anniversary thereafter for the following twenty-four months ending on January 21, 2019.

**Restricted Stock Awards.** The Company granted an aggregate of 125,000 restricted stock awards ("RSAs") on April 23, 2015 in connection with the promotion of one of its executive officers. Of the 125,000 RSAs, 25,000 were service-based ("Service-Based RSA Award") and the forfeiture restrictions lapse with respect to one-third of the restricted stock on each of the first, second and third anniversaries of the date of the award. The Service-Based RSA Award had a fair market value of $15.37 per share. This executive officer was also awarded 100,000 shares of the Company’s common stock in the form of performance-based restricted stock ("Performance-Based RSA Award"). The Performance-Based RSA Award had a fair market value of $5.23 per share. The shares are subject to forfeiture upon the earlier of (such earliest date being referred to as the “Termination Date”) (i) a termination of the executive officer’s employment with the Company; (ii) March 31, 2018; and (iii) other events of forfeiture set forth in the award agreement, subject to the following: (i) the forfeiture restrictions with respect to 50,000 of the restricted shares will lapse if any time prior to the Termination Date the weighted average closing price of the Company’s common stock for the preceding 30 trading days is at or above $30.00 per share, and (ii) the forfeiture restrictions with respect to any of the restricted shares that remain subject to forfeiture restrictions will lapse if any time prior to the Termination Date the weighted average closing price of the Company’s common stock for the preceding 30 trading days is at or above $45.00 per share. None of the forfeiture restrictions had lapsed during 2016.

**Stock option exercises.** During 2016, 386,001 options were exercised, with an aggregate weighted average exercise price of $7.91. During 2015, 145,979 options were exercised, with an aggregate weighted average exercise price of $8.19. During 2014, 134,668 options were exercised, with an aggregate weighted average exercise price of $13.62. The total intrinsic value of options exercised during 2016, 2015 and 2014 was $3.2 million, $1.9 million and $1.3 million, respectively.
Tax Benefit Preservation Plan

The Company’s Tax Benefit Preservation Plan dated as of May 26, 2010 between Autobytel and Computershare Trust Company, N.A., as rights agent, as amended by Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014 (collectively, the “Tax Benefit Preservation Plan”) was adopted by the Company’s Board of Directors to protect stockholder value by preserving the Company’s net operating loss carryovers and other tax attributes that the Tax Benefit Preservation Plan is intended to preserve (“Tax Benefits”). 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 five Rights 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 $75.00 (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 4.9% or more of the Company’s outstanding common stock or future acquisitions by any existing holder of 4.9% or more of the Company’s outstanding common stock. If a person or group acquires 4.9% or more of the Company’s common stock, all rights holders, except the acquirer, will be entitled to acquire, at the then exercise price of a Right, that number of shares of the Company common stock which, at the time, has a market value of two times the exercise price of the Right. The Rights will expire upon the earliest of: (i) the close of business on May 26, 2017 unless that date is advanced or extended, (ii) the time at which the Rights are redeemed or exchanged under the Tax Benefit Preservation Plan, (iii) the repeal of Section 382 or any successor statute if the Board determines that the Tax Benefit Preservation Plan is no longer necessary for the preservation of the Company’s Tax Benefits, (iv) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, or (v) such time as the Board determines that a limitation on the use of the Tax Benefits under Section 382 would no longer be material to the Company. The Tax Benefit Preservation Plan was reapproved by the Company’s stockholders at the Company’s 2014 Annual Meeting of Stockholders.

Series B Preferred Stock

On the AutoWeb Merger Date, the Company issued the Series B Preferred Stock. The shares of Series B Preferred Stock are convertible, subject to certain limitations, into 10 shares of Common Stock (with such conversion ratio subject to adjustment as set forth in the certificate of designations for the Series B Preferred Stock). All shares of Series B Preferred Stock will be automatically converted if stockholder approval required by Section 5635 of The Nasdaq Stock Market continued listing rules is obtained. The Series B Preferred Stock was valued at $124.93 per share on the AutoWeb Merger Date, which was based upon ten times the closing price of the Company’s stock on September 30, 2015, discounted using a discount rate of 25.5%.

Warrant

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

The AutoUSA Warrant issued in connection with the acquisition described in Note 3 was valued at $7.35 per share for a total value of $0.5 million. The Company used an option pricing model to determine the value of the AutoUSA Warrant. Key assumptions used in valuing the AutoUSA Warrant are as follows: risk-free rate of 1.9%, stock price volatility of 74.0% and a term of 7.0 years. The AutoUSA Warrant was valued based on long-term stock price volatilities of the Company’s Common Stock. The exercise price of the AutoUSA Warrant is $184.47 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The AutoUSA Warrant becomes exercisable on January 13, 2017 and expires on January 13, 2019. The right to exercise the AutoUSA Warrant is accelerated in the event of a change in control of the Company.

The AutoWeb Warrant issued in connection with the acquisition described in Note 3 was valued at $1.72 per share for a total value of $2.5 million. The Company used an option pricing model to determine the value of the AutoWeb Warrant. Key assumptions used in valuing the AutoWeb Warrant are as follows: risk-free rate of 1.9%, stock price volatility of 74.0% and a term of 7.0 years. The AutoWeb Warrant was valued based on long-term stock price volatilities of the Company’s Common Stock. The exercise price of the AutoWeb Warrant is $184.47 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The AutoWeb Warrant becomes exercisable on October 1, 2018, subject to the following vesting conditions: (i) with respect to the first one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date of the AutoWeb Warrant the weighted average closing price of the Common Stock for the preceding 30 trading days (adjusted for any stock splits, stock dividends, reverse stock splits or combinations of the Common Stock occurring after the issuance date) (“Weighted Average Closing Price”) is at or above $30.00; (ii) with respect to the second one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date the Weighted Average Closing Price is at or above $37.50; and (iii) with respect to the last one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date the Weighted Average Closing Price is at or above $45.00. The AutoWeb Warrant expires on October 1, 2022.
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, 2016:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock options outstanding</td>
<td>2,742,531</td>
</tr>
<tr>
<td>Authorized for future grants under stock-based incentive plans</td>
<td>1,470,155</td>
</tr>
<tr>
<td>Reserved for conversion of preferred shares issued in relation to AutoWeb</td>
<td>1,680,070</td>
</tr>
<tr>
<td>Reserved for exercise of warrants</td>
<td>1,552,330</td>
</tr>
<tr>
<td>Reserved for conversion of promissory notes</td>
<td>61,200</td>
</tr>
<tr>
<td>Total</td>
<td>7,506,286</td>
</tr>
</tbody>
</table>

10. Disposal of Specialty Finance Leads Product

On December 19, 2016, Autobytel and Car.com entered into an Asset Purchase and Sale Agreement, by and among Autobytel, Car.com, and Internet Brands, in which Internet Brands acquired substantially all of the assets of the automotive specialty finance leads group of Car.com (“Acquired Group”), The transaction was completed effective as of December 31, 2016. The transaction consideration consisted of $3.2 million in cash paid at closing and $1.6 million to be paid over a five year period pursuant to a Transitional License and Linking Agreement (“License Agreement”). The Company recorded a gain on sale of approximately $2.2 million in connection with the transaction in 2016.

In connection with the transaction, Internet Brands, Car.com and Autobytel entered into an agreement pursuant to which Car.com and Autobytel will provide to Internet Brands certain transition services and arrangements. Pursuant to the License Agreement, (i) Internet Brands will pay Autobytel $1.6 million in fees over the five-year term of the License Agreement, and (ii) Car.com will (1) grant Internet Brands a limited, non-exclusive, non-transferable license to use the Car.com logo and name solely for sales and marketing purposes in Internet Brand’s automotive specialty finance leads business; and (2) provide certain redirect linking of consumer traffic from the Acquired Group’s current specialty finance leads application forms to a landing page designated by Internet Brands.

The disposal of the automotive specialty finance leads product did not qualify for presentation and disclosure as a discontinued operation because it did not represent a strategic shift that had or will have a major effect on the Company’s operations. The pretax profit of the finance leads product for 2016, 2015 and 2014 was $0.3 million, $0.4 million and $0.7 million, respectively.

11. Income Taxes

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2016 (in thousands)</th>
<th>2015 (in thousands)</th>
<th>2014 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$244</td>
<td>$212</td>
<td>$129</td>
</tr>
<tr>
<td>State</td>
<td>508</td>
<td>226</td>
<td>150</td>
</tr>
<tr>
<td>Foreign</td>
<td>69</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>821</strong></td>
<td><strong>438</strong></td>
<td><strong>279</strong></td>
</tr>
<tr>
<td>Deferred:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>1,726</td>
<td>2,997</td>
<td>1,714</td>
</tr>
<tr>
<td>State</td>
<td>1,040</td>
<td>586</td>
<td>385</td>
</tr>
<tr>
<td>Foreign</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td><strong>2,766</strong></td>
<td><strong>3,583</strong></td>
<td><strong>2,099</strong></td>
</tr>
<tr>
<td>Valuation allowance release</td>
<td>(772)</td>
<td>(588)</td>
<td>(341)</td>
</tr>
<tr>
<td>Total income tax expense (benefit)</td>
<td>$2,815</td>
<td>$3,433</td>
<td>$2,037</td>
</tr>
</tbody>
</table>

The reconciliations of the U.S. federal statutory rate to the effective income tax rate for the years ended December 31, 2016, 2015 and 2014 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax provision at U.S. federal statutory rates</td>
<td>34.0%</td>
<td>34.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>State income taxes net of federal benefit</td>
<td>3.1%</td>
<td>2.3%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Deferred tax asset adjustments – NOL related</td>
<td>16.1%</td>
<td>6.8%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Non-deductible permanent items</td>
<td>—</td>
<td>0.7%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>—</td>
<td>7.0%</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>0.4%</td>
<td>(1.0)%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>(11.5)%</td>
<td>(7.3)%</td>
<td>(6.3)%</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>42.1%</td>
<td>42.5%</td>
<td>37.4%</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, 2016 and 2015 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016 (in thousands)</th>
<th>2015 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>$381</td>
<td>$394</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>1,596</td>
<td>1,266</td>
</tr>
<tr>
<td>Net operating loss carry-forwards</td>
<td>25,563</td>
<td>31,325</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>—</td>
<td>16</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>3,225</td>
<td>2,422</td>
</tr>
<tr>
<td>Other</td>
<td>1,191</td>
<td>613</td>
</tr>
<tr>
<td>Total gross deferred tax assets</td>
<td>31,956</td>
<td>36,036</td>
</tr>
<tr>
<td><strong>Valuation allowance</strong></td>
<td>(4,656)</td>
<td>(5,427)</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td>$19,468</td>
<td>$21,462</td>
</tr>
</tbody>
</table>

| **Deferred tax liabilities:** | | |
| Fixed assets                | (114)                | —                    |
| Intangible assets           | (7,698)              | (9,147)              |
| Unremitted foreign earnings | (20)                 | —                    |
| **Total gross deferred tax liabilities** | (7,832) | (9,147) |
| **Net deferred tax assets** | $19,468              | $21,462              |

During 2016, management assessed the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Significant pieces of objective positive evidence evaluated were the cumulative earnings generated over the three-year period ended December 31, 2016 and the Company’s strong future earnings projections. Based on this evaluation, as of December 31, 2016, the Company reversed $0.8 million of its valuation allowance. We believe, however, that it is more likely than not that $0.1 million in state net operating loss carryforwards will not be realized. Accordingly, a valuation allowance has been maintained on these state net operating losses. In addition, included in the net operating loss carry-forward deferred tax asset above is approximately $13.5 million of federal deferred tax assets attributable to excess stock option deductions. Due to a provision within ASC Topic 718, Compensation – Stock Compensation (“ASC 718”) concerning when tax benefits related to excess stock option deductions can be credited to paid-in-capital, the related valuation allowance of $4.6 million cannot be reversed, even if the facts and circumstances indicate that it is more likely than not that the deferred tax asset can be realized. The valuation allowance will only be reversed as the related deferred tax asset is applied to reduce taxes payable. The Company follows ASC 740 ordering to determine when such NOL has been realized.

At December 31, 2016, the Company had federal and state net operating loss carry-forwards (“NOLs”) of approximately $75.8 million and $30.5 million, respectively. The federal NOLs expire through 2035 as follows (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>NOLs (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2025</td>
<td>$5.9</td>
</tr>
<tr>
<td>2026</td>
<td>25.5</td>
</tr>
<tr>
<td>2027</td>
<td>15.5</td>
</tr>
<tr>
<td>2028</td>
<td>5.2</td>
</tr>
<tr>
<td>2029</td>
<td>7.7</td>
</tr>
<tr>
<td>2030</td>
<td>10.6</td>
</tr>
<tr>
<td>2031</td>
<td>1.3</td>
</tr>
<tr>
<td>2032</td>
<td>0.1</td>
</tr>
<tr>
<td>2033</td>
<td>2.5</td>
</tr>
<tr>
<td>2035</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong> $75.8</td>
</tr>
</tbody>
</table>
The state NOLs expire through 2035 as follows (in millions):

- 2017: $3.1
- 2028: 2.7
- 2029: 5.8
- 2030: 11.0
- 2034: 2.0
- 2035: 0.8
- California NOLs: 25.4
- Other State NOLs: 5.1
- Total State NOLs: $30.5

Utilization of the net operating loss and tax credit carry-forwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the IRC, as well as similar state provisions. These ownership changes may limit the amount of NOLs and research and development credit carry-forwards that can be utilized annually to offset future taxable income and tax, respectively. A Section 382 ownership change occurred in 2006 and any changes have been reflected in the NOLs presented above as of December 31, 2016. As a result of an acquisition in 2001, approximately $9.9 million of the NOLs are subject to an annual limitation of approximately $0.5 million per year.

The federal and state NOLs begin to expire in 2025 and 2017, respectively. Approximately $10.8 million and $5.0 million, respectively, of the federal and state NOLs 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. During 2013, the valuation allowance has been reversed. The tax benefits associated with the realization of such NOLs will be credited to the provision for income taxes. In addition, federal NOLs of approximately $13.5 million relate to stock option deductions. Therefore, once the stock option deductions reduce income taxes payable in the future in accordance with ASC 718, approximately $4.6 million will be credited to stockholders’ equity rather than to income tax benefit.

At December 31, 2016, deferred tax assets exclude approximately $1.7 million and $0.4 million of tax-effected federal and state NOLs 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 NOLs arising from continuing operations prior to NOLs attributable to excess stock option deductions.

At December 31, 2016, 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, 2016 and 2015, the Company had unrecognized tax benefits of approximately $0.5 million and $0.5 million, respectively, 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>2016 (in thousands)</th>
<th>2015 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1,</td>
<td>$527</td>
<td>$636</td>
</tr>
<tr>
<td>Reductions based on tax positions related to prior years and settlements</td>
<td>(63)</td>
<td>—</td>
</tr>
<tr>
<td>Reductions based on the lapse of the statutes of limitations</td>
<td>—</td>
<td>(109)</td>
</tr>
<tr>
<td>Balance at December 31,</td>
<td>$464</td>
<td>$527</td>
</tr>
</tbody>
</table>

The Company is subject to taxation in the United States and various foreign and state jurisdictions. In general, the Company is no longer subject to U.S. federal and state income tax examinations for years prior to 2012 (except for the use of tax losses generated prior to 2012 that may be used to offset taxable income in subsequent years). The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve 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 accrued $0 and $10,000 of interest, respectively, associated with its unrecognized tax benefits in the years ended December 31, 2016 and 2015.

12. Quarterly Financial Data (Unaudited)

Below is a summary table of the Company’s quarterly data for the years ended December 31, 2016 and December 31, 2015.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net revenues</td>
<td>$40,378</td>
<td>$43,911</td>
<td>$36,148</td>
<td>$36,247</td>
<td>$36,421</td>
<td>$40,175</td>
<td>$30,387</td>
<td>$26,243</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$14,601</td>
<td>$15,755</td>
<td>$13,921</td>
<td>$13,635</td>
<td>$14,474</td>
<td>$15,297</td>
<td>$11,770</td>
<td>$10,098</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$1,378</td>
<td>$2,738</td>
<td>$430</td>
<td>($676)</td>
<td>$1,386</td>
<td>$1,615</td>
<td>$871</td>
<td>$773</td>
</tr>
<tr>
<td>Diluted earnings (loss) per share</td>
<td>$0.10</td>
<td>$0.21</td>
<td>$0.03</td>
<td>($0.06)</td>
<td>$0.10</td>
<td>$0.14</td>
<td>$0.08</td>
<td>$0.07</td>
</tr>
</tbody>
</table>
### SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

<table>
<thead>
<tr>
<th>Allowance for bad debts:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning balance</strong></td>
<td>605</td>
<td>490</td>
<td>294</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>344</td>
<td>379</td>
<td>354</td>
</tr>
<tr>
<td><strong>Write-offs</strong></td>
<td>(306)</td>
<td>(264)</td>
<td>(158)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>643</td>
<td>605</td>
<td>490</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Allowance for customer credits:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning balance</strong></td>
<td>439</td>
<td>280</td>
<td>111</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>592</td>
<td>803</td>
<td>1,037</td>
</tr>
<tr>
<td><strong>Write-offs</strong></td>
<td>(660)</td>
<td>(644)</td>
<td>(868)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>371</td>
<td>439</td>
<td>280</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax valuation allowance:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning balance</strong></td>
<td>5,427</td>
<td>6,015</td>
<td>6,356</td>
</tr>
<tr>
<td><strong>Charged (credited) to tax expense</strong></td>
<td>(771)</td>
<td>(588)</td>
<td>(341)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>4,656</td>
<td>5,427</td>
<td>6,015</td>
</tr>
<tr>
<td>Number</td>
<td>Description</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1‡</td>
<td>Membership Interest Purchase Agreement dated as of January 13, 2014 by and among Autobytel, AutoNation, Inc., a Delaware corporation, and AutobytelDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on January 17, 2014 (SEC File No. 001-34761) (“January 2014 Form 8-K”)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2‡</td>
<td>Stock Purchase Agreement dated as of May 21, 2015 by and among Autobytel, CDK Global, LLC, a Delaware limited liability company, Dealix Corporation, a California corporation, and Autotegrity, Inc., a Delaware corporation incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on May 27, 2015 (SEC File No. 001-34761) (“May 2015 Form 8-K”)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3‡</td>
<td>Agreement and Plan of Merger dated as of October 1, 2015 by and among Autobytel, New Horizon Acquisition Corp., a Delaware corporation, AutoWeb, Inc., a Delaware corporation, and José Vargas, which is incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on October 6, 2015 (SEC File No. 001-34761) (“October 2015 Form 8-K”)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4‡</td>
<td>Asset Purchase and Sale Agreement dated as of December 19, 2016 by and among Autobytel, Carcom, Inc., a Delaware corporation, and Internet Brands, Inc., a Delaware corporation, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on December 21, 2016 (SEC File No. 001-34761) (“December 2016 Form 8-K”)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Fifth Amended and Restated Certificate of Incorporation of Autobytel (formerly Autobytel.com Inc.) certified by the Secretary of State of Delaware (filed December 14, 1998), as amended by Certificate of Amendment dated March 1, 1999, Second Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 22, 1999, Third Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel dated August 14, 2001, Certificate of Designation of Series A Junior Participating Preferred Stock dated July 30, 2004, and Amended Certificate of Designation of Series A Junior Participating Preferred Stock dated April 24, 2009, which are incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 filed with the SEC on April 24, 2009 (SEC File No. 000-22239); Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 10, 2012, which is incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on July 12, 2012; and Fifth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 3, 2013, which is incorporated herein by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed with the SEC on August 1, 2013 (SEC File No. 001-34761); and Certificate of Designations of Series B Junior Participating Convertible Preferred Stock of Autobytel dated October 1, 2015, which is incorporated herein by reference to Exhibit 3.1 to the October 2015 Form 8-K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Fifth Amended and Restated Bylaws of Autobytel dated October 1, 2015, which is incorporated herein by reference to Exhibit 3.2 to the October 2015 Form 8-K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Form of Common Stock Certificate of Autobytel, which is incorporated herein by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 filed with the SEC on November 14, 2001 (SEC File No. 000-22239)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Tax Benefit Preservation Plan dated as of May 26, 2010 between Autobytel and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; and Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Autobytel, which is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239), as amended by Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, between Autobytel and Computershare Trust Company, N.A., as rights agent, which is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 16, 2014 (SEC File No. 001-34761)</td>
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<tr>
<td>4.3</td>
<td>Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan, which is incorporated herein by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 filed with the SEC on November 8, 2012 (SEC File No. 001-34761)</td>
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<td>10.1■</td>
<td>Autobytel.com Inc. 1998 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.8 to Amendment No. 1 to S-1 Registration Statement, as amended by Amendment No. 1 dated September 22, 1999, which is incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239) and Amendment No. 2 dated December 5, 2001, which is incorporated herein by reference to Exhibit (d)(5) to Schedule TO filed with the SEC on December 14, 2001 (SEC File No. 005-58067) (“Schedule TO”); and Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1998 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(14) to the Schedule TO</td>
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<td>Exhibit</td>
<td>Description</td>
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<td>10.2</td>
<td>Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.30 to Amendment No. 1 to S-1 Registration Statement, as amended by Amendment No. 1 dated September 22, 1999, which is incorporated herein by reference to Exhibit 10.1 to Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239); and Amendment No. 2 to the Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(8) to the Schedule TO; Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(15) to the Schedule TO; Form of Performance Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on November 3, 2004 (SEC File No. 000-22239) (&quot;November 2004 Form 8-K&quot;)</td>
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<tr>
<td>10.3</td>
<td>Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the Registration Statement on Form S-8 filed with the SEC on November 1, 1999 (SEC File No. 333-90045), as amended by Amendment No. 1 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(10) to the Schedule TO and Amendment No. 2 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.86 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239) (&quot;Second Quarter 2009 Form 10-Q&quot;); and Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(16) to the Schedule TO</td>
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<tr>
<td>10.4</td>
<td>Form of Employee Stock Option Agreement pursuant to the Autobytel.com Inc. 1998 Stock Option Plan, the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan and the Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239) (&quot;October 2008 Form 8-K&quot;)</td>
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<td>10.5</td>
<td>Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed on June 15, 2000 (SEC File No. 333-39396), as amended by Amendment No. 1 to the Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(12) to the Schedule TO, Amendment No. 2 to the Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.46 to 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) and Amendment No. 3 to the Autobytel.com Inc. 2000 Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.87 to the Second Quarter 2009 Form 10-Q; and Form of Stock Option Agreement pursuant to Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(17) to the Schedule TO</td>
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<tr>
<td>10.6</td>
<td>Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.7 to the Post-Effective Amendment to Registration Statement on Form S-8 filed with the SEC on July 31, 2003 (SEC File No. 333-67692), as amended by Amendment No. 1 to the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.88 to the Second Quarter 2009 Form 10-Q; and Form of Restricted Stock Award Agreement under the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the October 2008 Form 8-K (SEC File No. 000-22239)</td>
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<tr>
<td>10.7</td>
<td>Form of Employee Stock Option Agreement under the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.8 to the Annual Report on Form 10-K for the Year Ended December 31, 2014 filed with the SEC on February 26, 2015 (SEC File No. 001-34761)</td>
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<tr>
<td>10.8</td>
<td>Autobytel Inc. 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.8 to the Registration Statement on Form S-8 filed with the SEC on June 30, 2004 (SEC File No. 333-116930) (&quot;2004 Form S-8&quot;), as amended by Amendment No. 1 to the Autobytel Inc. 2004 Restricted Stock and Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.89 to the Second Quarter 2009 Form 10-Q; Form of Employee Stock Option Agreement pursuant to the Autobytel Inc. 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.9 to the 2004 Form S-8; Form of Outside Director Stock Option Agreement pursuant to the Autobytel Inc. 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.2 to the November 2004 Form 8-K; Form of Stock Option Agreement pursuant to the Autobytel Inc. 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.65 to 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); Form of Outside Director Stock Option Agreement pursuant to the 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 14, 2005 (SEC File No. 000-22239) (&quot;September 2005 Form 8-K&quot;); and Form of Letter Agreement (amending certain stock option agreements with Outside Directors), which is incorporated herein by reference to Exhibit 10.2 to the September 2005 Form 8-K</td>
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<td>Exhibit</td>
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<td>10.9</td>
<td>Autobytel Inc. 2006 Inducement Stock Option Plan, which is incorporated herein by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the SEC on June 16, 2006 (SEC File No. 333-135076) (&quot;2006 Form S-8&quot;), as amended by Amendment No. 1 to the Autobytel Inc. 2006 Inducement Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.90 to the Second Quarter 2009 Form 10-Q; and Form of Employee Inducement Stock Option Agreement, which is incorporated herein by reference to Exhibit 4.10 to the 2006 Form S-8</td>
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<td>10.10</td>
<td>Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on June 25, 2010 (SEC File No. 001-34761); Form of Employee Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.58 to the Annual Report on Form 10-K for the Year Ended December 31, 2011 filed with the SEC on March 1, 2012 (SEC File No. 001-34761) (&quot;2011 Form 10-K&quot;); Form of 2012 Performance-Based Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.79 to the Annual Report on Form 10-K for the Year Ended December 31, 2012 filed with the SEC on February 28, 2013 (SEC File No. 001-34761) (&quot;2012 Form 10-K&quot;); Form of 2013 Performance-Based Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.59 to the 2011 Form 10-K; Form of Non-Employee Director Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.60 to the 2011 Form 10-K; and Form of (Management) Employee Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.61 to the 2011 Form 10-K</td>
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<td>10.11</td>
<td>Autobytel Inc. 2014 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 23, 2014 (SEC File No. 001-34761), as amended and restated by the Autobytel Inc. Amended and Restated 2014 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 23, 2016 (SEC File No. 001-34761); and Form of Stock Option Award Agreement pursuant to the Autobytel Inc. Amended and Restated 2014 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 filed with the SEC on August 4, 2016 (SEC File No. 001-34761)</td>
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<td>10.14</td>
<td>Amended and Restated Severance Agreement dated as of September 29, 2008 between Autobytel and Glenn E. Fuller, which is incorporated herein by reference to Exhibit 10.4 to the October 2008 Form 8-K, as amended by Amendment No. 1 dated December 14, 2012, which is incorporated herein by reference to Exhibit 10.73 to the 2012 Form 10-K</td>
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<td>10.15</td>
<td>Letter Agreement dated August 6, 2004 between Autobytel and Wesley Ozima, as amended by Memorandum dated March 1, 2009, which are incorporated herein by reference to Exhibit 10.6 to the 2008 Form 10-K</td>
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<td>10.17</td>
<td>Amended and Restated Severance Agreement dated as of November 15, 2008 between Autobytel and Wesley Ozima, which is incorporated herein by reference to Exhibit 10.82 to the 2008 Form 10-K, as amended by Amendment No. 1 dated October 16, 2012, which is incorporated herein by reference to Exhibit 10.74 to the 2012 Form 10-K</td>
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<td>10.18</td>
<td>Autobytel Inc. 2000 Stock Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.92 to the Second Quarter 2009 Form 10-Q</td>
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<td>Number</td>
<td>Description</td>
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<td>10.19</td>
<td>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, which is incorporated herein by reference to Exhibit 10.93 to the Second Quarter 2009 Form 10-Q</td>
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<td>10.20</td>
<td>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, which is incorporated herein by reference to Exhibit 10.94 to the Second Quarter 2009 Form 10-Q</td>
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<td>10.21</td>
<td>Second Amended and Restated Employment Agreement dated as of April 3, 2014 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on April 8, 2014 (SEC File No. 001-34761), as amended by Amendment No. 1 dated January 21, 2016, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 27, 2016 (SEC File No. 001-34761) (&quot;January 2016 Form 8-K&quot;); and as amended by Amendment No. 2 dated September 21, 2016, which is incorporated herein by reference to Exhibit 10.3 to the Form 8-K filed with the SEC on September 26, 2016 (SEC File No. 001-34761) (&quot;September 2016 Form 8-K&quot;)</td>
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<tr>
<td>10.22</td>
<td>Autobytel Inc. Amended and Restated 2014 Equity Incentive Plan, Employee Stock Option Award Agreement dated as of January 21, 2016 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.2 to the January 2016 Form 8-K</td>
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<td>10.23</td>
<td>Autobytel Inc. Amended and Restated 2014 Equity Incentive Plan, Employee Stock Option Award Agreement dated as of January 21, 2016 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.3 to the January 2016 Form 8-K</td>
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<td>10.24</td>
<td>Form of Amended and Restated Indemnification Agreement between Autobytel and its directors and officers, which 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)</td>
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<td>10.26</td>
<td>Letter Agreement dated March 9, 2010 between Autobytel and Kimberly Boren, as amended by Memorandum dated December 21, 2010 and Memorandum dated as of December 1, 2011, which is incorporated herein by reference to Exhibit 10.73 to the 2011 Form 10-K, as amended by Amendment No. 1 dated November 14, 2012, which is incorporated herein by reference to Exhibit 10.70 to the 2012 Form 10-K</td>
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<td>10.27</td>
<td>Amended and Restated Severance Benefits Agreement dated as of February 25, 2011 between Autobytel and Kimberly Boren, which is incorporated herein by reference to Exhibit 10.74 to the 2011 Form 10-K, as amended by Amendment No. 1 dated September 21, 2011, which is incorporated herein by reference to Exhibit 10.70 to the 2012 Form 10-K</td>
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<td>10.28</td>
<td>Letter Agreement dated May 21, 2007 between Autobytel and John Steerman, as amended by Memorandum dated March 20, 2009, Memorandum dated September 30, 2009 and Memorandum dated December 1, 2011, which are incorporated herein by reference to Exhibit 10.77 to the 2011 Form 10-K</td>
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<td>10.29</td>
<td>Memorandum dated January 22, 2016, amending Letter Agreement dated May 21, 2007 between Autobytel and John Steerman</td>
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<td>10.30</td>
<td>Severance Agreement dated as of October 1, 2009 between Autobytel and John Steerman, which is incorporated herein by reference to Exhibit 10.78 to the 2011 Form 10-K, as amended by Amendment No. 1 dated September 19, 2012, which is incorporated herein by reference to Exhibit 10.75 to the 2012 Form 10-K, and Amendment No. 2 dated November 7, 2012, which is incorporated herein by reference to Exhibit 10.76 to the 2012 Form 10-K</td>
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<td>10.31</td>
<td>Transitional License and Linking Agreement, made as of January 1, 2017, by and among Internet Brands, Inc., a Delaware corporation, Car.com, Inc., a Delaware corporation, and Autobytel, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 6, 2017 (SEC File No. 001-34761)</td>
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</table>
10.32 Lease Agreement dated April 6, 1997 between The Provider Fund Partners, The Colton Company (n/k/a: GFE MacArthur Investments, LLC, as successor-in-interest to The Provider Fund Partners, The Colton Company) and Autobytel ("Irvine Lease"), as amended by Amendment No. 12 to Irvine Lease dated February 6, 2009, Amendment No. 13 to Irvine Lease dated March 5, 2009, and Amendment No. 14 to Irvine Lease dated November 29, 2010, which are incorporated herein by reference to Exhibit 10.79 to the 2011 Form 10-K, Amendment No. 15 to Irvine Lease dated October 31, 2012, which is incorporated herein by reference to Exhibit 10.69 to the 2012 Form 10-K, and as amended by Amendment No. 16 dated August 7, 2015, which is incorporated herein by reference to Exhibit 10.32 to the 2015 Form 10-K.

10.33 Contract for Lease and Deposit dated June 1, 2016 between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1101.

10.34 Contract for Lease and Deposit dated June 1, 2016 between AW GUA, Limitada, and Mertech, Sociedad Anonima, for office No. 1102.

10.35 Office Lease dated December 9, 2015 between Rivergate Tower Owner, LLC, a Delaware limited liability company, and Autobytel, as amended by the First Amendment of Lease dated November 21, 2016.

10.36 Convertible Subordinated Promissory Note dated as of January 13, 2014 (Principal Amount $1,000,000.00) issued by Autobytel to AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.1 to the January 2014 Form 8-K.

10.37 Warrant to Purchase 69,930 Shares of Autobytel Common Stock dated as of January 13, 2014 issued by Autobytel to AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.2 to the January 2014 Form 8-K.

10.38 Shareholder Registration Rights Agreement dated as of January 13, 2014 by and between Autobytel and AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.3 to the January 2014 Form 8-K.

10.39 Form of Warrant to Purchase Series B Junior Participating Convertible Preferred Stock dated as of October 1, 2015 issued by Autobytel to the persons listed on Schedule A thereto, which is incorporated herein by reference to Exhibit 10.1 to the October 2015 Form 8-K.

10.40 Amended and Restated Stockholder Agreement dated as of October 1, 2015 by and among Autobytel, Auto Holdings Ltd., a British Virgin Islands business company, Manatee Ventures Inc., a British Virgin Islands business company, Galeb3 Inc., a Florida corporation, Matías de Tezanos, and José Vargas, and the other parties set forth on the signature pages thereto, which is incorporated herein by reference to Exhibit 10.2 to the October 2015 Form 8-K, as amended by Second Amended and Restated Stockholder Agreement dated as of October 19, 2016, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 21, 2016 (SEC File No. 001-34761) ("October 2016 Form 8-K").

10.41 Autobytel Inc. Amended and Restated 2014 Equity Incentive Plan, Stock Option Award Agreement dated as of September 21, 2016 between Autobytel and José Vargas, which is incorporated herein by reference to Exhibit 10.2 to the October 2016 Form 8-K.

10.42 Employment Offer Letter dated February 23, 2016 between Autobytel and José Vargas, incorporated by reference to Exhibit 10.54 to the 2015 Form 10-K.

10.43 Restricted Stock Award Agreement dated as of April 23, 2015 between Autobytel and William Ferriolo pursuant to Autobytel Inc. 2014 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on April 29, 2015 (SEC File No. 001-34761) ("April 2015 Form 8-K").

10.44 Restricted Stock Award Agreement dated as of April 23, 2015 between Autobytel and William Ferriolo pursuant to Autobytel Inc. 2014 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.4 to the April 2015 Form 8-K.
<table>
<thead>
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<th>Reference</th>
<th>Description</th>
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<tr>
<td>10.45■</td>
<td>Amended and Restated Letter Agreement dated as of April 23, 2015 between Autobytel and William Ferriolo, incorporated by reference to Exhibit 10.5 to the April 2015 Form 8-K, as amended by Amendment No. 1 dated January 22, 2016, incorporated by reference to Exhibit 10.4 to the January 2016 Form 8-K and, as amended by Amendment No. 2 dated December 15, 2016, which is incorporated herein by reference to Exhibit 10.1 to the December 2016 Form 8-K</td>
</tr>
<tr>
<td>10.46■</td>
<td>Severance Benefits Agreement dated as of September 17, 2010 between Autobytel and William Ferriolo, which is incorporated herein by reference to Exhibit 10.76 to the 2011 Form 10-K, as amended by Amendment No. 1 dated November 30, 2012, which is incorporated herein by reference to Exhibit 10.77 to the 2012 Form 10-K</td>
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<tr>
<td>10.48■*</td>
<td>Amended and Restated Severance Benefits Agreement dated July 1, 2013 between Autobytel and Ralph Smith</td>
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<td>10.50■*</td>
<td>Severance Benefits Agreement dated August 25, 2014 between Autobytel and Taren Peng</td>
</tr>
<tr>
<td>10.51■*</td>
<td>Amended and Restated Letter Agreement dated April 24, 2013 between Autobytel and John Skocilic Jr., as amended by Memorandum dated January 22, 2016 and Memorandum dated January 31, 2017</td>
</tr>
<tr>
<td>10.52■</td>
<td>Amended and Restated Severance Benefits Agreement dated May 1, 2013 between Autobytel and John Skocilic Jr., which is incorporated herein by reference to Exhibit 10.49 to the 2015 Form 10-K</td>
</tr>
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</table>

21.1* Subsidiaries of Autobytel Inc.
23.1* Consent of Independent Registered Public Accounting Firm, Moss Adams LLP
24.1* Power of Attorney (included in the signature page hereto)
31.1* Chief Executive Officer Section 302 Certification of Periodic Report dated March 9, 2017
31.2* Chief Financial Officer Section 302 Certification of Periodic Report dated March 9, 2017
32.1* Chief Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated March 9, 2017
101.INS†† XBRL Instance Document
101.SCH†† XBRL Taxonomy Extension Schema Document
101.CAL†† XBRL Taxonomy Calculation Linkbase Document
101.DEF†† XBRL Taxonomy Extension Definition Document
101.LAB†† XBRL Taxonomy Label Linkbase Document
101.PRE†† XBRL Taxonomy Presentation Linkbase Document

* Filed herewith.
■ Management Contract or Compensatory Plan or Arrangement.
‡ 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.
†† Furnished with this report. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.
January 31, 2017

TO:  Glenn Fuller  
FROM:  Jeff Coats – President and CEO  

RE: Salary Increase

It is a pleasure to inform you of your salary increase. Following is a summary of your salary increase.

Position:  EVP, Chief Legal and Administrative Officer and Secretary  
New Semi-monthly Rate:  $13,343.75 ($320,250 Approximate Annually)  
Effective Date:  January 1, 2017  

Your salary increase is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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

Please feel free to call if you have any questions.

Autobytel Inc.

By:  /s/ Jeff Coats  
      President and CEO

Accepted and Agreed:

/s/ Glenn Fuller  
Glenn Fuller
DATE: January 22, 2016

TO: Wesley Ozima

FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary

CC: Kimberly Boren - SVP, Chief Financial Officer

RE: Compensation Adjustment

It is a pleasure to inform you of your compensation adjustment. Following is a summary of your employment new compensation.

Position: VP, Controller
Semi-monthly Rate: $8,154.17 ($195,700 Approximate Annually)
Effective Date: January 1, 2016

Annual Incentive Opportunity:

You shall be eligible 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 employment level and position, geographic location and applicable department or operations within the Company (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 in its sole discretion for each annual period, which may be up to 35% of your annualized rate (i.e., 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, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company’s evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion 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 time off. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, an payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

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

Please feel free to call if you have any questions.

Autobytel Inc.

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

Accepted and Agreed:

/s/ Wesley Ozima
Wesley Ozima
January 31, 2017

TO: Wesley Ozima
FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary

RE: Promotion

It is a pleasure to inform you of your promotion. Following is a summary of your promotion.

New Position: SVP, Controller
New Semi-monthly Rate: $8,561.88 ($205,485 Approximate Annually)
Effective Date: January 1, 2017

Annual Incentive Compensation:

You shall be eligible 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 employment level and position, geographic location and applicable department or operations within the Company (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 50% of your annualized rate (i.e., 2080 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, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company’s evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion 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 time off. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, an payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

Please feel free to call if you have any questions.
Autobytel Inc.

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

Accepted and Agreed:

/s/ Wesley Ozima
Wesley Ozima
DATE: January 22, 2016
TO: John D. Steerman
FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary
CC: Jose Vargas - EVP, Chief Revenue Officer

RE: Promotion

It is a pleasure to inform you of your promotion to EVP, Mobile, Lead Operations & Product Dev at Autobytel Inc. In this position you will report to Jose Vargas - EVP, Chief Revenue Officer. Following is a summary of your adjustment in your compensation associated with your promotion.

New Position: EVP, Mobile, Lead Operations & Product Development
Semi-monthly Rate: $12,125.00 ($291,000 Approximate Annually)
Effective Date: January 1, 2016

Annual Incentive Opportunity:

You shall be eligible 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 employment level and position, geographic location and applicable department or operations within the Company (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 in its sole discretion for each annual period, which may be up to 60% your annualized rate (i.e., 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, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company’s evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion 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 time off. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, an payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

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

Please feel free to call if you have any questions.

Autobytel Inc.

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

Accepted and Agreed:

/s/ John D. Steerman
John D. Steerman
NUMBER EIGHT (08). LEASE AGREEMENT AND BOND. At the City of Guatemala, this first day of June 2016, before me, Manuel Humberto JUÁREZ OLIVA, notary, personally appeared:

of the first part, MERTECH, SOCIEDAD ANÓNIMA, represented herein by Mr. Alejandro CORONADO CASTRO, [Personal Information Redacted]. Mr. CACERES LÓPEZ acts as CEO and legal representative of the Company, as shown with the notarized certificate authorized herein on October 4, 2011 by Juan Carlos PARADA GARCÍA, Notary. Such appointment is duly registered in the General Corporate Business Register of Guatemala under number 364417, folio 772, volume 291 of Business Assistants; hereinafter referred to as "the Lessor";

and of the second part, AW GUATEMALA, LIMITADA, represented herein by its legal representative, Mr. Julio Domingo GONZÁLEZ ARRIVILLAGA, [Personal Information Redacted]. He acts as CEO AND LEGAL REPRESENTATIVE of such entity, as shown with the notarial certificate of his appointment, authorized herein March 28, 2016 by Andres Diego Gabriel Pokus Alvarez, Notary, registered in the General Corporate Business Register of Guatemala under number 474246, folio 720, and volume 401 of Business Assistants; hereinafter simply referred to as "the Lessee";

and of the third party, Mr. Matías Rodrigo DE TEZANOS POSSE, [Personal Information Redacted], hereinafter referred to as "the Guarantor". All parties hereto as a whole may be hereinafter referred to as "the Parties".

I do hereby CERTIFY:

A) The representations exercised hereunder are adequate in my opinion and under the law for the execution of this lease; and,

B) The parties hereto declare to be of the personal identity data established in the premises, that this is their free act and deed, and hereby enter into the following LEASE AGREEMENT AND BOND:

ONE. Mr. Alejandro CORONADO CASTRO, as CEO and legal representative of MERTECH, SOCIEDAD ANÓNIMA, declares that the Company he represents, is the owner of unit number 1101-T2, 11th floor, Tower 2, Design Center Building, Diagonal 6, 12-42 zona 10, Guatemala City. Moreover, Mr. Alejandro CORONADO CASTRO hereby declares that the company he represents is owner of the following parking spaces: Parking space S2-119; parking space S2-120; parking space S2-121; parking space S2-122; parking space S2-123; parking space S2-124; parking space S2-125; parking space S2-126; parking space S2-127; parking space S2-128; and parking space S2-129; all located in the second structural floor, or basement S2 of such Building. These properties are subject to the Horizontal Property Regime of the Building, which AW GUATEMALA, LIMITADA, through its legal representative, claims to know.
TWO. Mr. Alejandro CORONADO CASTRO states that the company he represents, MERTECH, SOCIEDAD ANÓNIMA hereby leases to AW GUA, LIMITADA, all real property identified in Section 1 above. The lease includes everything that by issue of fact and law is applicable to the real property hereto. These properties are registered in the Real Estate Record Office, Central Zone, under the following numbers:

- Property 6873, folio 373, and volume 174E of Horizontal Property of Guatemala;
- Property 6033, folio 33, and volume 173E of Horizontal Property of Guatemala;
- Property 6034, folio 34, and volume 173E of Horizontal Property of Guatemala;
- Property 6035, folio 35, and volume 173E of Horizontal Property of Guatemala;
- Property 6036, folio 36, and volume 173E of Horizontal Property of Guatemala;
- Property 6037, folio 37, and volume 173E of Horizontal Property of Guatemala;
- Property 6038, folio 38, and volume 173E of Horizontal Property of Guatemala;
- Property 6039, folio 39, and volume 173E of Horizontal Property of Guatemala;
- Property 6040, folio 40, and volume 173E of Horizontal Property of Guatemala;
- Property 6041, folio 41, and volume 173E of Horizontal Property of Guatemala;
- Property 6042, folio 42, and volume 173E of Horizontal Property of Guatemala;
- Property 6043, folio 43, and volume 173E of Horizontal Property of Guatemala;
- Property 6044, folio 44, and volume 173E of Horizontal Property of Guatemala.

After being forewarned by the undersigned notary, Mr. Alejandro CORONADO CASTRO hereby expressly declares that the premises leased hereunder are free and clear of any liens or limitations that may affect the rights of the Lessee, beyond the condominium regime such properties are subject to, and which the Lessee has previously known.

THREE. The lease is subject by the will of the parties, to the provisions provided for in Section 1 hereof, and the following:

A) TERM: The term of the lease shall be three years, nine months, and thirty days, compulsory for both parties, and shall commence June 1, 2016, and shall expire March 31, 2020. Such term may be renewed, provided, however, the parties may decide to renew it ninety days prior to the expiration date, which shall be confirmed by an exchange of letters. If the exchange of letters does not occur, it shall be understood that the term has expired, and no act of the Lessor or the Lessee shall be regarded as a manifestation of the willingness to renew the lease. If the Lessee wishes to accelerate the original term or its renewals, it must give notice to the Lessor at least ninety days in advance. If the notice is not given, the Lessee must pay the equivalent of one month’s rent, as damages. At the end of the term and its renewals, the Lessee must return the property to the Lessor in the same conditions as received, and clean. The parties hereto mutually agree that the Lessor shall be granted the power to dispose of the real property referred to above, and, therefore, may partially or totally assign the rights arising from this lease, without prior approval by the Lessee, and shall inform the new assignee or buyer; the conditions and scope of this lease, to fully comply with the same.
B. RENT: The monthly rent agreed shall be **FOUR THOUSAND NINE HUNDRED SIXTY US DOLLARS AND SIXTY-NINE CENTS (US$ 4,960.69)**, Value Added Tax (VAT) included. Maintenance fee is not included therein, and shall be paid by the Lessee to the Design Center Building Administration, which as of this date is **ONE THOUSAND ONE HUNDRED AND FIFTY US DOLLARS AND EIGHTY-THREE CENTS (US$ 1,150.83)**. The parties further agree that payment of rent shall be as follows:

I) During the first twelve months, payment of rent shall be the amount already established, payable in US Dollars.

II) Effective February 2, 2017, the rent shall be increased five percent (5%) annually, and thereafter, every year.

III) The amount established as rent is exclusively for this concept, and, therefore, the Lessee shall not make any discount to such amount, not to have paid any other expenses. The Lessee shall pay all utilities purchased for use in the leased premises; therefore, the Lessor shall not in any way be held responsible for such payments. On the other hand, the Lessor shall be fully responsible for the payment of any extraordinary fees that may be charged by the Administration of the Design Center Building, so that at no time can the full use of the leased property by the Lessee be at risk.

IV) The rent must be paid promptly within the first five (5) days of each calendar month, or next business day, without collection or request, at the place indicated by the Lessor, unless a different payment procedure is mutually agreed, such as a deposit made to the bank account the Lessor.

V) The delay in the payment of the rent will generate the payment of interest arrears of two percent per month on the amount owed, which must be made together with the payment of the outstanding rent.

C) USE: The unit shall be used as office by the Lessee, and Lessee shall not change its use, nor misrepresent it in such a way as to violate the use of said property according to the regime of condominium to which it is subject.

D) UTILITIES: The Lessee shall be the sole responsible for the utilities purchased for its use in the management of the leased property and shall hold the Lessee harmless of any claim or action that may arise in connection with the collection thereof.

E) CONDITION OF THE PROPERTY: The property is delivered to the Lessee in good working conditions according to its use. The Lessee shall return such property to the Lessor in the same conditions, including inventory of furniture and equipment which is already known by the parties.

F) PROHIBITIONS: The Lessee shall not, besides from changing the use of the premises, as established above, maintain in the leased premises any prohibited, explosive, corrosive or salty materials, or any other that may cause damage to the premises; and, generally, violate the rules of coexistence applicable to such premises under the condominium regime.

G) REPAIRS, CHANGES OR IMPROVEMENTS: The Lessee shall bear the cost of repairs to real property arising from deterioration not caused by wear and tear, provided that such deterioration is produced under its responsibility, which shall be verified.

H) ENTRY TO THE PROPERTY BY THE LESSOR: It is agreed that the Lessee shall allow the entry to the leased premises to the Lessor, when necessary, only if justified.
I. GUARANTOR: Mr. Matías Rodrigo DE TEZANOS POSSE hereby becomes guarantor of the Lessee for each and every one of the obligations included herein, and those established under the law, jointly and severally, during the term of this lease and its renewals, until the actual return of the property.

J. AUTHORIZATION TO SUB-LEASE AND ASSIGN: The Parties agree that the Lessee is expressly authorized to sub-lease partially or totally the leased premises, as well as to assign in any way the rights derived herefrom, provided that the intention of such acts is informed to the Lessor, and Lessor, except legitimate objection for clearly justified reasons, must give its consent and appear stating its approval in any public instruments that are necessary to execute the sublease or assignment of rights and its registration in the Real Estate Record Office, Central Zone.

FOUR. The Lessee has paid Lessor ELEVEN THOUSAND SIX HUNDRED AND FORTY-ONE US DOLLARS (US$ 11,641.00) as security deposit, to be used to pay any outstanding sums for repair of any damage caused to the leased premises, wear and tear excluded. If this amount is not enough to pay the repairs established herein, the balance shall be paid by the Lessee. On the other hand, if there were no outstanding expenses and no damage has been caused, the Lessor will return this amount to the Lessee. The settlement of this security deposit and repayment of the amount shall be made no later than thirty days after the property has been vacated and delivered to the Lessor.

FIVE. DEFAULT: Failure to pay one or more rents as well as breach of the obligations agreed upon and derived from this lease shall entitle the Lessor to terminate this lease and request the immediate vacancy of the real property.

SIX. The Parties hereto declare that they waive their jurisdiction and submit to the courts of competent jurisdiction of the State of Guatemala, and give the following address for services of notices:

I) For Lessee and Guarantor:
   The address of the leased premises

II) For Lessor:
   16 calle 9-23 zona 14
   Guatemala City, Guatemala

And any communication, subpoena or summons served at such addresses shall be regarded as correct, unless they give written notice to the Lessor of any change.

SEVEN. EXPRESS CONCLUSIVE DECISIONS: Lessor shall terminate this lease and require its immediate vacancy upon the breach of any of the obligations by the Lessee, particularly the non-payment of a single rent, as agreed.

EIGHT. DOCUMENT ON WHICH DIRECT ENFORCEMENT CAN BE OBTAINED: The Parties agree that all outstanding debts that are not paid out of court shall be charged by summary proceedings for collection, accepting as good and accurate any accounts submitted, and the respective obligations as due and payable.
NINE. In the above terms, the parties hereto accept the content hereof. I, a Notary, do hereby CERTIFY: a) All the above; b) having seen the personal IDs of the parties hereto; c) that I have seen the appointments exercised by the agents of the parties hereto, which are adequate under the law and in my opinion for the execution hereof; d) that I have seen the instrument establishing the ownership of the leased real property, consisting of a certified copy of public instrument number 81, authorized at the City of Guatemala, the 30th day of October 2015 by Franz CASTELLANOS VÁSQUEZ, Notary; e) I have forewarned the parties hereto of the object, validity and legal effects of this lease agreement; and, f) by appointment and after due reading of the whole to the parties hereto, and duly informed of its content, object, validity and other legal effects and obligation of registration, have hereunto accepted, ratified and set their hands.

By: /s/Alejandro Coronado Castro
Alejandro Coronado Castro

By: /s/Julio Domingo Gonzalez Arrivillaga
Julio Domingo Gonzalez Arrivillaga

By: /s/Matías Rodrigo de Tezanos Posse
Matías Rodrigo de Tezanos Posse

(NOTARY SEAL)

By: /s/Manuel Humberto Juarez Oliva
Manuel Humberto Juarez Oliva
Attorney at Law and Notary

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THIS IS A CERTIFIED COPY of public instrument number EIGHT (8), authorized at the City of Guatemala by the undersigned Notary on June 1, 2016, which is five pages long of a photocopy paper, which are a true copy of the original, which I do hereby certify as were developed today before me; and this last page to which one-Q.50-quetzal revenue stamp has been affixed, bearing number 1264739. This document is not subject to any other tax, as the Value-Added Tax shall be paid by monthly invoices of the lease agreement, which to be delivered to AW GUA, LIMITADA, I have hereunto numbered, issued, and set my hand and seal at the City of Guatemala, this 10th day of June 2016. WITNESS MY HAND.

(NOTARY SEAL)

By: /s/Manuel Humberto Juarez Oliva
Manuel Humberto Juarez Oliva
Attorney at Law and Notary

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The registrations made, word by word, read as follows:

**Registration number 16S100316415**

Real rights. Ownership. Registration number 5. Property 6873, folio 373, and volume 174E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases this property and those indicated at the end of the copy to AW GUA, LIMITADA, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.2,812.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/ Orlando Alya
Assistant Inspector - Real Estate Record Office
Registration number 16S100316419

Real rights. Ownership. Registration number 5. Property 6033, folio 33, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/ Orlando Alva
Assistant Inspector - Real Estate Record Office

Registration number 16S100316421

Real rights. Ownership. Registration number 5. Property 6034, folio 34, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/ Orlando Alva
Assistant Inspector - Real Estate Record Office

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Real rights. Ownership. Registration number 5. Property 6035, folio 35, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office

Registration number 16S100316425

Real rights. Ownership. Registration number 5. Property 6037, folio 37, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office
Registration number 16S100316426

Real rights. Ownership. Registration number 5. Property 6038, folio 38, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office

Registration number 16S100316429

Real rights. Ownership. Registration number 5. Property 6039, folio 39, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office
Registration number 16S100316432
Real rights. Ownership. Registration number 5. Property 6040, folio 40, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.
Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)
By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office

Registration number 16S100316433
Real rights. Ownership. Registration number 5. Property 6041, folio 41, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.
Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)
By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office

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Registration number 16S100316437

Real rights. Ownership. Registration number 5. Property 6042 folio 42, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk I03 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office

Registration number 16S100316438

Real rights. Ownership. Registration number 5. Property 6043, folio 43, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk I03 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office
Real rights. Ownership. Registration number 5. Property 6044, folio 44, and volume 173E of Horizontal Property Guatemala. Mertech, Sociedad Anónima leases to AW GUA LIMITADA this property and those indicated at the end of the copy, for 3 years, 9 months and 30 days for both parties, from 1 June 2016. The rent was negotiated at US $ 4,960.69 per month, value-added tax not included. During the first twelve months, the payment of the rent will be in the amount already established. As of February 2017, the rent will be increased by 5% annually, and thereafter every year. The term will expire on March 31, 2020. Indenture number 8, authorized on June 1, 2016 by Manuel Humberto JUÁREZ OLIVA, Notary.


Fees Q.50.00 – Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office

End of registry entries


This registration does not validate any void acts or agreements according to the laws. Article 1146, decree law 106 Civil Code.

(REAL ESTATE RECORD OFFICE SEAL)

By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office
Exhibit 10.34

NUMBER TEN (10). LEASE AGREEMENT AND BOND. At the City of Guatemala, this first day of June 2016, before me, Manuel Humberto JUÁREZ OLIVA, notary, personally appeared:

of the first part, MERTECH, SOCIEDAD ANÓNIMA, represented herein by Mr. Alejandro CORONADO CASTRO, [Personal Information Redacted]. Mr. CACERES LÓPEZ acts as CEO and legal representative of the Company, as shown with the notarized certificate authorized herein on October 4, 2011 by Juan Carlos PARADA GARCÍA, Notary. Such appointment is duly registered in the General Corporate Business Register of Guatemala under number 364417, folio 772, volume 291 of Business Assistants; hereinafter referred to as "the Lessor";

and of the second part, AW GUA, LIMITADA, represented herein by its legal representative, Mr. Julio Domingo GONZÁLEZ ARRIVILLAGA, [Personal Information Redacted]. He acts as CEO AND LEGAL REPRESENTATIVE of such entity, as shown with the notarial certificate of his appointment, authorized herein March 28, 2016 by Andres Diego Gabriel Pokus Alvarez, Notary, registered in the General Corporate Business Register of Guatemala under number 474246, folio 720, and volume 401 of Business Assistants; hereinafter simply referred to as "the Lessee";

and of the third party, Mr. Matías Rodrigo DE TEZANOS POSSE, [Personal Information Redacted], hereinafter referred to as "the Guarantor". All parties hereto as a whole may be hereinafter referred to as "the Parties".

I do hereby CERTIFY:

A) The representation exercised hereunder is adequate in my opinion and under the law for the execution of this lease; and,

B) The parties hereto declare to be of the personal identity data established in the premises, that this is their free act and deed, and hereby enter into the following LEASE AGREEMENT AND BOND:

ONE. Mr. Alejandro CORONADO CASTRO, as CEO and legal representative of MERTECH, SOCIEDAD ANÓNIMA, declares that the Company he represents, is the owner of unit number 1101-T2, 11th floor, Tower 2, Design Center Building, Diagonal 6, 12-42 zona 10, Guatemala City. Moreover, Mr. Alejandro CORONADO CASTRO hereby declares that the company he represents is also owner of the following parking spaces: Parking space S2-137; parking space S2-138; parking space S2-139; parking space S2-140; parking space S2-141; all located in the second structural floor or basement S2 of such Building. These properties are subject to the Horizontal Property Regime of the Building, which AW GUATEMALA, LIMITADA, through its legal representative, claims to know.

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TWO. Mr. Alejandro CORONADO CASTRO states that the company he represents, MERTECH, SOCIEDAD ANÓNIMA hereby leases to AW GUA, LIMITADA, all real property identified in Section 1 above. The lease includes everything that by issue of fact and law is applicable to the real property hereto. These properties are registered in the Real Estate Record Office, Central Zone, under the following numbers:

a) Property 6874, folio 374, and volume 174E of Horizontal Property of Guatemala;
b) Property 6052, folio 52, and volume 173E of Horizontal Property of Guatemala;
c) Property 6053, folio 53, and volume 173E of Horizontal Property of Guatemala;
d) Property 6054, folio 54, and volume 173E of Horizontal Property of Guatemala;
e) Property 6055, folio 55, and volume 173E of Horizontal Property of Guatemala;
f) Property 6056, folio 56, and volume 173E of Horizontal Property of Guatemala.

After being forewarned by the undersigned notary, Mr. Alejandro CORONADO CASTRO hereby expressly declares that the premises leased hereunder are free and clear of any liens or limitations that may affect the rights of the Lessee, beyond the condominium regime such properties are subject to, and which the Lessee has previously known.

THREE. The lease is subject by the will of the parties, to the provisions provided for in Section 1 hereof, and the following:

A) TERM: The term of the lease shall be three years, nine months, and thirty days, compulsory for both parties, and shall commence June 1, 2016, and shall expire March 31, 2020. Such term may be renewed, provided, however, the parties may decide to renew it ninety days prior to the expiration date, which shall be confirmed by an exchange of letters. If the exchange of letters does not occur, it shall be understood that the term has expired, and no act of the Lessor or the Lessee shall be regarded as a manifestation of the willingness to renew the lease. If the Lessee wishes to accelerate the original term or its renewals, it must give notice to the Lessor at least ninety days in advance. If the notice is not given, the Lessee must pay the equivalent of one month’s rent, as damages. At the end of the term and its renewals, the Lessee must return the property to the Lessor in the same conditions as received, and clean. The parties hereto mutually agree that the Lessor shall be granted the power to dispose of the real property referred to above, and, therefore, may partially or totally assign the rights arising from this lease, without prior approval by the Lessee, and shall inform the new assignee or buyer, the conditions and scope of this lease, to fully comply with the same.

B. RENT: The monthly rent agreed shall be ONE THOUSAND NINE HUNDRED EIGHTY-ONE US DOLLARS AND FIFTY-EIGHT CENTS (US$ 1,981.58), Value Added Tax (VAT) included. Maintenance fee is not included therein, and shall be paid by the Lessee to the Design Center Building Administration, which as of this date is THREE HUNDRED AND EIGHTY US DOLLARS AND EIGHTY-TWO CENTS (US$ 380.82). The parties further agree that payment of rent shall be as follows:

I) During the first twelve months, payment of rent shall be the amount already established, payable in US Dollars.

II) Effective February 2, 2017, the rent shall be increased five percent (5%) annually, and thereafter, every year.

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III) The amount established as rent is exclusively for this concept, and, therefore, the Lessee shall not make any discount to such amount, not to have paid any other expenses. The Lessee shall pay all utilities purchased for use in the leased premises; therefore, the Lessor shall not in any way be held responsible for such payments. On the other hand, the Lessor shall be fully responsible for the payment of any extraordinary fees that may be charged by the Administration of the Design Center Building, so that at no time can the full use of the leased property by the Lessee be at risk.

IV) The rent must be paid promptly within the first five (5) days of each calendar month, or next business day, without collection or request, at the place indicated by the Lessor, unless a different payment procedure is mutually agreed, such as a deposit made to the bank account the Lessor.

V) The delay in the payment of the rent will generate the payment of interest arrears of two percent per month on the amount owed, which must be made together with the payment of the outstanding rent.

C) USE: The unit shall be used as office by the Lessee, and Lessee shall not change its use, nor misrepresent it in such a way as to violate the use of said property according to the regime of condominium to which it is subject.

D) UTILITIES: The Lessee shall be the sole responsible for the utilities purchased for its use in the management of the leased property and shall hold the Lessee harmless of any claim or action that may arise in connection with the collection thereof.

E) CONDITION OF THE PROPERTY: The property is delivered to the Lessee in good working conditions according to its use. The Lessee shall return such property to the Lessor in the same conditions, including inventory of furniture and equipment which is already known by the parties.

F) PROHIBITIONS: The Lessee shall not, besides from changing the use of the premises, as established above, maintain in the leased premises any prohibited, explosive, corrosive or salty materials, or any other that may cause damage to the premises; and, generally, violate the rules of coexistence applicable to such premises under the condominium regime.

G. REPAIRS, CHANGES OR IMPROVEMENTS: The Lessee shall bear the cost of repairs to real property arising from deterioration not caused by wear and tear, provided that such deterioration is produced under its responsibility, which shall be verified.

H. ENTRY TO THE PROPERTY BY THE LESSOR: It is agreed that the Lessee shall allow the entry to the leased premises to the Lessor, when necessary, only if justified.

I. GUARANTOR: Mr. Matías Rodrigo De Tezanos Posse hereby becomes guarantor of the Lessee for each and every one of the obligations included herein, and those established under the law, jointly and severally, during the term of this lease and its renewals, until the actual return of the property.

J. AUTHORIZATION TO SUB-LEASE AND ASSIGN: The Parties agree that the Lessee is expressly authorized to sub-lease partially or totally the leased premises, as well as to assign in any way the rights derived herefrom, provided that the intention of such acts is informed to the Lessor, and Lessor, except legitimate objection for clearly justified reasons, must give its consent and appear stating its approval in any public instruments that are necessary to execute the sublease or assignment of rights and its registration in the Real Estate Record Office, Central Zone.
FOUR. The Lessee has paid Lessor FOUR THOUSAND FIVE HUNDRED US DOLLARS (US$ 4,500.00) as security deposit, to be used to pay any outstanding sums for repair of any damage caused to the leased premises, wear and tear excluded. If this amount is not enough to pay the repairs established herein, the balance shall be paid by the Lessee. On the other hand, if there were no outstanding expenses and no damage has been caused, the Lessor will return this amount to the Lessee. The settlement of this security deposit and repayment of the amount shall be made no later than thirty days after the property has been vacated and delivered to the Lessor.

FIVE. DEFAULT: Failure to pay one or more rents as well as breach of the obligations agreed upon and derived from this lease shall entitle the Lessor to terminate this lease and request the immediate vacancy of the real property.

SIX. The Parties hereto declare that they waive their jurisdiction and submit to the courts of competent jurisdiction of the State of Guatemala, and give the following address for services of notices:

I) For Lessee and Guarantor:
   The address of the leased premises

II) For Lessor:
   16 calle 9-23 zona 14
   Guatemala City, Guatemala

And any communication, subpoena or summons served at such addresses shall be regarded as correct, unless they give written notice to the Lessor of any change.

SEVEN. EXPRESS CONCLUSIVE DECISIONS: Lessor shall terminate this lease and require its immediate vacancy upon the breach of any of the obligations by the Lessee, particularly the non-payment of a single rent, as agreed.

EIGHT. DOCUMENT ON WHICH DIRECT ENFORCEMENT CAN BE OBTAINED: The Parties agree that all outstanding debts that are not paid out of court shall be charged by summary proceedings for collection, accepting as good and accurate any accounts submitted, and the respective obligations as due and payable.

NINE. In the above terms, the parties hereto accept the content hereof, I, a Notary, do hereby CERTIFY: a) All the above; b) having seen the personal ID's of the parties hereto; c) that I have seen the appointments exercised by the agents of the parties hereto, which are adequate under the law and in my opinion for the execution hereof; d) that I have seen the instrument establishing the ownership of the leased real property, consisting of a certified copy of public instrument number 81, authorized at the City of Guatemala, the 30th day of October 2015 by Franz CASTELLANOS VÁSQUEZ, Notary; e) I have forewarned the parties hereto of the object, validity and legal effects of this lease agreement; and, f) by appointment and after due reading of the whole to the parties hereto, and duly informed of its content, object, validity and other legal effects and obligation of registration, have hereunto accepted, ratified and set their hands.
By: /s/Alejandro Coronado Castro
Alejandro Coronado Castro

By: /s/Julio Domingo Gonzalez Arrivillaga
Julio Domingo Gonzalez Arrivillaga

By: /s/Matías Rodrigo de Tezanos Posse
Matías Rodrigo de Tezanos Posse

(NOTARY SEAL)
By: /s/Manuel Humberto Juarez Oliva
Manuel Humberto Juarez Oliva
Attorney at Law and Notary

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THIS IS A CERTIFIED COPY of public instrument number TEN (10), authorized at the City of Guatemala by the undersigned Notary on June 1, 2016, which is four pages long of a photocopy paper, which are a true copy of the original, which I do hereby certify as were developed today before me; and this last page to which one-Q.0.50-quetzal revenue stamp has been affixed, bearing number 1264739. This document is not subject to any other tax, as the Value-Added Tax shall be paid by monthly invoices of the lease agreement, which to be delivered to AW GUA, LIMITADA, I have hereunto numbered, issued, and set my hand and seal at the City of Guatemala, this 10th day of June 2016. WITNESS MY HAND.

(NOTARY SEAL)
By: /s/Manuel Humberto Juarez Oliva
Manuel Humberto Juarez Oliva
Attorney at Law and Notary

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The registrations made, word by word, read as follows:

Registration number 16S100315674
Filed June 22, 2016 at 14:08:32 hours. Document number and electronic copy: 16R108142377. The registration of the properties intended to be leased is hereby suspended, as currently they have a mortgage with a bank; for this reason, the consent of such bank is necessary to register this lease. Article 1128 and 836 of the Civil Code. Fees Q25.00. Done in Guatemala, June 24, 2016.
Clerk 103 Carlos PÉREZ.

(REAL ESTATE RECORD OFFICE SEAL)
By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office

End of registry entries

Total fees: Q25.00. Explanation recorded in one (1) page. Guatemala City, June 27, 2016.

This registration does not validate any void acts or agreements according to the laws. Article 1146, decree law 106 Civil Code.

(REAL ESTATE RECORD OFFICE SEAL)
By: /s/Orlando Alva
Assistant Inspector - Real Estate Record Office
OFFICE LEASE

THIS LEASE (this "Lease"), made this 9th day of December, 2015, by and between Rivergate Tower Owner, LLC, a Delaware limited liability company ("Landlord"), and Autobytel Inc., a Delaware corporation ("Tenant"), provides as follows:

1. BASIC DEFINITIONS AND PROVISIONS. The following basic definitions and provisions apply to this Lease:

   a. Premises.

   Rentable Square Feet: 8,724
   Suite: C400 and C500
   Building: Rivergate Tower
   Street Address: 400 North Ashley Drive
   City/County: Tampa, Hillsborough
   State/Zip Code: Florida 33602

   b. Term.

   Number of Months: Eighty-four (84) months
   Commencement Date: The earlier of (i) the date Tenant commences business operations in the Premises, or (ii) the date the Tenant Improvements (as defined in the Work Letter) are substantially complete, which Commencement Date is anticipated to be January 1, 2016
   Expiration Date: The last day of the eighty-fourth (84th) full calendar month following the Commencement Date

   c. Permitted Use.

   General office purposes

   d. Occupancy Limitation.

   No more than five (5) persons per one thousand (1,000) rentable square feet.

   e. Base Rent. The Base Rent for the Term is payable in monthly installments on the 1st day of each month in accordance with the following Base Rent Schedule:

   
<table>
<thead>
<tr>
<th>FROM MONTH</th>
<th>THROUGH MONTH</th>
<th>RENTABLE SQUARE FEET</th>
<th>ANNUAL BASE RENT PER RENTABLE SQUARE FOOT*</th>
<th>ANNUAL BASE RENT*</th>
<th>MONTHLY BASE RENT*</th>
</tr>
</thead>
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<td>Commencement Date</td>
<td>12</td>
<td>8,724</td>
<td>$28.25</td>
<td>$246,453.00</td>
<td>$20,537.75</td>
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<tr>
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<td>$30.12</td>
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<td>$21,897.24</td>
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<tr>
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<td>8,724</td>
<td>$31.09</td>
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<tr>
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<tr>
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<td>8,724</td>
<td>$34.23</td>
<td>$298,622.52</td>
<td>$24,885.21</td>
</tr>
</tbody>
</table>

   * Plus applicable State of Florida Sales Tax
The above Base Rent schedule does not include operating expense pass through adjustments to be computed annually in accordance with Lease Addendum Number Two attached hereto.

f. Rent Payment Address. Rivergate Tower Owner LLC  
% Banyan Street Capital  
One Independent Drive, Suite 1850  
Jacksonville, Florida 32202  
Tax ID#: 47-4419479

g. Security Deposit.  $53,254.35

h. Business Hours.  8:00 A.M. to 6:00 P.M. Monday through Friday (excluding National and State Holidays).

i. Electrical Service.  No more than three (3) watts for convenience outlets per each rentable square foot contained in the Premises.

j. After Hours HVAC Rate.  Current charge of $45.00 per hour, per zone, with a minimum of two (2) hours per occurrence.

k. Parking.  Unreserved; not to exceed 1.5 spaces per each 1,000 rentable square feet contained in the Premises.

l. Construction Supervision Fee.  The Construction Supervision Fee for alterations made subsequent to the Commencement Date shall be four percent (4%) of the cost of the work to be performed. The Construction Supervision Fee for Tenant Improvements is set forth in the Work Letter attached hereto as Lease Addendum Number One.

m. Notice Addresses.

LANDLORD:  Rivergate Tower Owner, LLC  
c/o Banyan Street Capital  
80 SW 8th Street, Suite 2200  
Miami, Florida 33130  
Attn: Managing Director

with a copy to:  Rivergate Tower Owner, LLC  
c/o Banyan Street Capital  
80 SW 8th Street, Suite 2200  
Miami, Florida 33130  
Attn: Notice Department

TENANT:  Autobytel Inc.  
400 North Ashley Drive, Suite C400  
Tampa, Florida 33602

with a copy to:  Autobytel Inc.  
18872 MacArthur Blvd., Suite 200  
Irvine, California 92612  
Attn: Chief Legal Officer  
Email: glennf@autobytel.com

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2. LEASED PREMISES.

   a. Premises. Landlord leases to Tenant and Tenant leases from Landlord the Premises identified in Section 1a and as more particularly shown on Exhibit A, attached hereto.

   b. Rentable Square Foot Determination. The parties acknowledge that all square foot measurements are approximate and agree that the square footage figures in Section 1a shall be conclusive for all purposes with respect to this Lease.

   c. Common Areas. The common areas of the Building generally include space that is not included in portions of the Building set aside for leasing to tenants or reserved for Landlord's exclusive use, including entrances, hallways, lobbies, elevators, restrooms, parking areas, walkways and plazas (the "Common Areas"). Tenant shall have non-exclusive access to the Common Areas. Landlord has the exclusive right to (i) designate the Common Areas, (ii) change the designation of any Common Area and otherwise modify the Common Areas, and (iii) permit special use of the Common Areas, including temporary exclusive use for special occasions; provided that in exercising the foregoing rights, Tenant's rights under this Lease shall not be materially diminished and Tenant's obligations shall not be materially increased. Tenant shall not interfere with the rights of others to use the Common Areas. All use of the Common Areas shall be subject to the reasonable rules and regulations promulgated by Landlord from time to time.

3. TERM.

   a. Commencement and Expiration Dates. The Lease Term commences on the Commencement Date and expires on the Expiration Date, as set forth in Section 1b.

   b. Adjustments to Commencement Date. The Commencement Date shall be adjusted as follows:

      i. If Tenant requests possession of the Premises prior to the Commencement Date, and Landlord consents, the Commencement Date shall be the date of delivery of possession. Subject to any express abatement or free rent periods set forth in this Lease, all rent and other obligations under this Lease shall begin on the date of delivery of possession, but the Expiration Date shall remain the same.

      ii. If Landlord, for any reason, cannot deliver possession of the Premises to Tenant on the Commencement Date determined in accordance with Section 1b, then the Commencement Date, Expiration Date, and all other dates that may be affected by their change, shall be revised to conform to the date of Landlord's delivery of possession of the Premises to Tenant. Any such delay shall not relieve Tenant of its obligations under this Lease, and neither Landlord nor Landlord's agents shall be liable to Tenant for any loss or damage resulting from the delay in delivery of possession; provided, however, that Tenant shall have no obligation to pay any Rent prior to the date of Landlord's delivery of possession of the Premises to Tenant in accordance with the terms of this Lease. Any delays to the extent resulting from force majeure or caused by Tenant are hereinafter referred to as "Excused Delays".
c. Delivery of Possession. Unless otherwise specified in the Work Letter, if any, attached as Lease Addendum Number One, "delivery of possession" of the Premises shall mean the earlier of: (i) the date Landlord has the Premises ready for occupancy by Tenant as evidenced by a permanent or temporary Certificate of Occupancy issued by proper governmental authority, or (ii) the date Landlord could have had the Premises ready had there been no Excused Delays attributable to Tenant.

d. Adjustment of Expiration Date. If the Expiration Date does not occur on the last day of a calendar month, then Landlord shall extend the Term by the number of days necessary to cause the Expiration Date to occur on the last day of the last calendar month of the Term. Tenant shall pay Base Rent and Additional Rent for such additional days at the same rate payable for the portion of the last calendar month immediately preceding such extension.

e. Right to Occupy. Tenant shall not occupy the Premises until Tenant has complied with all of the following requirements to the extent applicable under the terms of this Lease: (i) delivery of all certificates of insurance, (ii) payment of Security Deposit, and (iii) if Tenant is an entity, receipt of a good standing certificate from the State where it was organized and a certificate of authority to do business in the State in which the Premises are located (if different). Tenant's failure to comply with these (or any other conditions precedent to occupancy under the terms of this Lease) shall not delay the Commencement Date.

f. Commencement Agreement. The Commencement Date, Term, and Expiration Date may be set forth in a Commencement Agreement similar in form to Exhibit C, attached hereto, to be prepared by Landlord and, subject to Tenant’s review and reasonable approval, executed by the parties.

4. USE.

a. Permitted Use. The Premises may be used only for general office purposes in connection with Tenant's Permitted Use as defined in Section 1c and in accordance with the Occupancy Limitation as set forth in Section 1d.

b. Prohibited Uses. Tenant shall not use the Premises:

   i. In any manner that constitutes a nuisance or trespass;

   ii. In any manner which increases any insurance premiums, or makes such insurance unavailable to Landlord on the Building; provided that, in the event of an increase in Landlord's insurance premiums which results from Tenant's use of the Premises, Landlord may elect to permit the use and charge Tenant for the increase in premiums, and Tenant's failure to pay Landlord, within thirty (30) days of demand, the amount of such increase shall be an event of default;

   iii. In any manner that creates unusual demands for electricity, heating or air conditioning; or

   iv. For any purpose except the Permitted Use, unless consented to by Landlord in writing.

c. Prohibited Equipment in Premises. Tenant shall not install any equipment in the Premises that places unusual demands on the electrical, heating or air conditioning systems (collectively, "High Demand Equipment") without Landlord's prior written consent. No such consent will be given if Landlord determines, in its opinion, that such equipment may not be safely used in the Premises or that electrical service is not adequate to support the equipment. Landlord's consent may be conditioned, without limitation, upon separate metering of the High Demand Equipment and Tenant's payment of all engineering, equipment, installation, maintenance, removal and restoration costs and utility charges associated with the High Demand Equipment and the separate meter. If High Demand Equipment used in the Premises by Tenant affect the temperature otherwise maintained by the heating and air conditioning system, Landlord shall have the right to install supplemental air conditioning units in the Premises with the cost of purchase, engineering, installation, operation and maintenance of the units to be paid by Tenant. All costs and expenses relating to High Demand Equipment and Landlord's administrative costs (such as reading meters and calculating invoices) shall be Additional Rent, payable by Tenant upon demand.
5. RENT.

a. Payment Obligations. Tenant shall pay Base Rent and Additional Rent (collectively, "Rent") on or before the first day of each calendar month during the Term, as follows:

i. Rent payments shall be sent to the Rent Payment Address set forth in Section 1f.

ii. Rent shall be paid without previous demand or notice and without set off or deduction. Tenant's obligation to pay Rent under this Lease is completely separate and independent from any of Landlord's obligations under this Lease.

iii. If the Term commences on a day other than the first day of a calendar month, then Rent for such month shall be (i) prorated for the period between the Commencement Date and the last day of the month in which the Commencement Date falls, and (ii) due and payable on the Commencement Date.

iv. Without limiting the default remedies to which Landlord is entitled as provided under the terms of this Lease, for each Base Rent payment Landlord receives after the fifth (5th) day of the month and each Additional Rent payment Landlord receives after its due date, Landlord shall be entitled to a late charge in the amount of five percent (5%) of such Rent due.

v. Without limiting the default remedies to which Landlord is entitled as provided under the terms of this Lease, if Landlord presents Tenant's check to any bank and Tenant has insufficient funds to pay for such check, then Landlord shall be entitled to the maximum lawful bad check fee or five percent (5%) of the amount of such check, whichever amount is less.

b. Base Rent. Tenant shall pay Base Rent as set forth in Section 1e.

c. Additional Rent. In addition to Base Rent, Tenant shall pay as Rent all sums and charges due and payable by Tenant under this Lease (collectively "Additional Rent"), including, but not limited to, the following:

i. Tenant's Proportionate Share of the increase in Landlord's Operating Expenses as set forth in Lease Addendum Number Two; and

ii. Any sales or use tax imposed on rents collected by Landlord or any tax on rents in lieu of ad valorem taxes on the Building, even though laws imposing such taxes attempt to require Landlord to pay the same; provided, however, if any such sales or use tax are imposed on Landlord and Landlord is prohibited by applicable law from collecting the amount of such tax from Tenant as Additional Rent, then Landlord, upon sixty (60) days prior notice to Tenant, may terminate this Lease; provided further, that Tenant may, within ten (10) days after receipt of Landlord's notice of termination, negate such termination by entering into an amendment to this Lease increasing the Base Rent by an amount sufficient to offset the additional tax burden on Landlord such that the net effect of the amendment is to permit Landlord to receive the same amount of Rent that Landlord would have received had there been no sales or use tax imposed on rents collected by Landlord or any tax on rents in lieu of ad valorem taxes on the Building.

6. SECURITY DEPOSIT.

a. Amount of Deposit. Tenant shall deposit with Landlord a Security Deposit within ten (10) days following the date of this Lease in the amount set forth in Section 1g, which sum Landlord shall retain as security for the performance by Tenant of each of its obligations hereunder. The Security Deposit shall not bear interest.
b. **Application of Deposit.** If Tenant at any time fails to perform any of its obligations under this Lease, including its Rent or other payment obligations, its restoration obligations, or its insurance and indemnity obligations, then Landlord may, at its option, apply the Security Deposit (or any portion) to cure Tenant's default or to pay for damages caused by Tenant's default. If the Lease has been terminated, then Landlord may apply the Security Deposit (or any portion) against the damages incurred as a consequence of Tenant's breach. The application of the Security Deposit shall not limit Landlord's remedies for default under the terms of this Lease. If Landlord depletes the Security Deposit, in whole or in part, prior to the Expiration Date or any termination of this Lease, then Tenant shall restore immediately the amount so used by Landlord.

c. **Refund of Deposit.** Unless Landlord uses the Security Deposit to cure a default of Tenant, to pay damages for Tenant's breach of the Lease, or to restore the Premises to the condition to which Tenant is required to leave the Premises upon the expiration or any termination of the Lease, then Landlord shall, within thirty (30) days after the Expiration Date or any termination of this Lease, refund to Tenant any funds remaining in the Security Deposit. Tenant may not credit the Security Deposit against any month's Rent.

7. **SERVICES BY LANDLORD.**

   a. **Base Services.** Landlord shall cause to be furnished to the Building, or as applicable, the Premises, in common with other tenants the following services:

      i. Water (if available from city mains) for drinking, lavatory and toilet purposes.

      ii. Electricity (if available from the utility supplier) for the building standard fluorescent lighting and for the operation of general office machines, such as electric typewriters, desk top computers, dictating equipment, adding machines and calculators, and general service non-production type office copy machines; provided that Landlord shall have no obligation to provide more than the amount of power for convenience outlets and the number of electrical circuits as set forth in Section 1i.

      iii. Building standard fluorescent lighting composed of 2’ x 4’ fixtures; Tenant shall service, replace and maintain at its own expense any incandescent fixtures, table lamps, or lighting other than the Building standard fluorescent light, and any dimmers or lighting controls other than controls for the Building standard fluorescent lighting.

      iv. Heating and air conditioning for the reasonably comfortable use and occupancy of the Premises during Business Hours as set forth in Section 1h, and at no additional cost to Tenant, from 8:00 A.M. to 1:00 P.M. on Saturday so long as Landlord receives written request from Tenant no later than 2:00 P.M. on the immediately prior Friday; provided that, heating and cooling conforming to any governmental regulation prescribing limitations thereon shall be deemed to comply with this service.

      v. Janitorial services five (5) days a week (excluding National and State holidays) after Business Hours.

      vi. A reasonable pro-rata share of the unreserved parking spaces of the Building, not to exceed the Parking specified in Section 1k, for use by Tenant's employees and visitors in common with the other tenants and their employees and visitors.

      vii. After Business Hours, weekend and holiday heating and air conditioning at the After Hours HVAC rate set forth in Section 1j, with such charges subject to commercially reasonable annual increases as determined by Landlord.
b. **Landlord's Maintenance.** Landlord shall make all repairs and replacements to the Building (including Building fixtures and equipment), Common Areas and Building Standard Improvements in the Premises, except for repairs and replacements that Tenant must make under Section 8. Landlord's maintenance shall include the roof, foundation, exterior walls, interior structural walls, all structural components, and all Building systems, such as mechanical, electrical, HVAC, and plumbing. Repairs or replacements shall be made within a reasonable time (depending on the nature of the repair or replacement needed) after receiving notice from Tenant or Landlord having actual knowledge of the need for a repair or replacement.

c. **No Abatement.** Except as expressly set forth in this Section 7c, there shall be no abatement or reduction of Rent by reason of any of the foregoing services not being continuously provided to Tenant. Landlord shall have the right to shut down the Building systems (including electricity and HVAC systems) for required maintenance and safety inspections, and in cases of emergency. Notwithstanding the foregoing sentence, except in the event of a Casualty as provided for in Section 19 of this Lease, in the event of an interruption of any service set forth in Section 7a(i) through 7a(iv) that results directly from the gross negligence or willful misconduct of Landlord, its employees or agents, and continues for more than five (5) consecutive business days after Landlord's receipt of written notice from Tenant of such interruption (the "Initial Interruption Period"), and which results in the Premises, or a portion thereof, becoming untenable, Rent shall be abated in an equitable and just proportion relative to such interruption from the expiration of the Initial Interruption Period until restoration of such service.

d. **Tenant's Obligation to Report Defects.** Tenant shall report to Landlord, as soon as reasonably possible under the circumstances, any defective condition in or about the Premises actually known to Tenant, and if such defect is not so reported and such failure to promptly report results in additional damage to the Premises or the Building that could have been prevented or mitigated but for Tenant’s failure to notify Landlord, Tenant shall be liable for the additional amount of damage to the Premises and/or the Building resulting from Tenant’s failure or delay in notification. For purposes of this Section 7d, "actually known to Tenant" shall mean the actual knowledge, without any duty to inquire or investigate, of any employees of Tenant at the management level or higher; provided, however, that nothing herein shall create any personal liability for any such employees.

e. **Limitation on Landlord's Liability.** Landlord shall not be liable to Tenant for any damage caused to Tenant and its property due to the Building or any part or appurtenance thereof being improperly constructed or being or becoming out of repair, or arising from the leaking of gas, water, sewer or steam pipes, or from problems with electrical service.

8. **TENANT'S ACCEPTANCE AND MAINTENANCE OF PREMISES.**

a. **Acceptance of Premises.** Subject to the terms of the attached Work Letter, if any, Tenant's occupancy of the Premises is Tenant's representation to Landlord that (i) Tenant has examined and inspected the Premises, (ii) finds the Premises to be as represented by Landlord and satisfactory for Tenant's intended use, and (iii) constitutes Tenant's acceptance of the Premises "as is". Landlord makes no representation or warranty as to the condition of the Premises except as may be specifically set forth in the Work Letter.

b. **Move-In Obligations.** Tenant shall schedule its move-in with the Landlord's Property Manager. Unless otherwise approved by Landlord's Property Manager, move-in shall not take place during Business Hours. During Tenant's move-in, a representative of Tenant must be on-site with Tenant's moving company to insure proper treatment of the Building and the Premises. Elevators, entrances, hallways and other Common Areas must remain in use for the general public during Business Hours. Any specialized use of elevators or other Common Areas must be coordinated with Landlord's Property Manager. Tenant must properly dispose of all packing material and refuse in accordance with the Rules and Regulations. Any damage or destruction to the Building or the Premises due to moving will be the sole responsibility of Tenant.

c. **Tenant's Maintenance.** Tenant shall: (i) keep the Premises and fixtures in good order; (ii) make repairs and replacements to the Premises or Building needed because of Tenant's misuse or negligence; (iii) repair and replace Non-Standard Improvements, including any special equipment or decorative treatments, installed by or at Tenant's request that serve the Premises (unless the Lease is ended because of casualty loss or condemnation); and (iv) not commit waste.
d. **Alterations to Premises.** Tenant shall make no alterations to the Premises without obtaining the prior written consent of Landlord to such alterations, which consent shall not be unreasonably withheld or delayed; provided, however, Landlord may withhold its consent in its sole and absolute discretion with respect to any alterations which may affect the structural components of the Building or Building systems or which can be seen from outside the Premises. If Tenant requests such alterations, then Tenant shall provide Landlord's Property Manager with a complete set of construction drawings. Landlord may impose, as a condition of its consent to all alterations to the Premises, such requirements as Landlord in its reasonable discretion may deem desirable, including, but not limited to, the requirement that Tenant utilize only contractors, materials, mechanics and materialmen reasonably approved by Landlord; provided, however, Landlord may impose such requirements as Landlord may determine, in its sole and absolute discretion, with respect to any work affecting the structural components of the Building or Building systems (including designating specific contractors to perform such work). Tenant shall construct such alterations in conformance with any and all applicable laws. All work with respect to any alterations must be done in a good and workmanlike manner and diligently prosecuted to completion. In performing the work of any such alterations, Tenant shall have the work performed in such manner as not to obstruct access to the Building or the Common Areas for any other tenant of the Building, and as not to obstruct the business of Landlord or other tenants of the Building. With respect to all alterations performed after the Commencement Date, Tenant shall pay a Construction Supervision Fee in the amount set forth in Section 11. of this Lease.

c. **Restoration of Premises.** At the expiration or earlier termination of this Lease, Tenant shall (i) deliver each and every part of the Premises in as good repair and condition as existed at the Commencement Date, ordinary wear and tear, repairs which are expressly made the responsibility of Landlord hereunder and damage by casualty excepted, and (ii) restore the Premises at Tenant's sole expense to the same condition as existed at the Commencement Date and as thereafter improved by Landlord and/or Tenant, ordinary wear and tear, repairs which are expressly made the responsibility of Landlord hereunder and damage by casualty excepted. If Tenant has required or installed Non-Standard Improvements, so long as Landlord has notified Tenant in writing that such improvements constitute Non-Standard Improvements at the time Tenant requests Landlord's consent to such improvements, such Non-Standard Improvements shall be removed as part of Tenant's restoration obligation. Tenant shall repair any damage caused by Tenant's removal of any Non-Standard Improvements. The term "Non-Standard Improvements" means such items as (i) High Demand Equipment and separate meters, (ii) all wiring and cabling from the point of origin to the termination point, (iii) raised floors for computer or communications systems, (iv) telephone equipment, security systems, and UPS systems, (v) equipment racks, (vi) alterations installed by or at the request of Tenant after the Commencement Date, and (vi) any other improvements that are not part of the Building Standard Improvements.

d. **Landlord's Performance of Tenant's Obligations.** If Tenant does not perform its maintenance or restoration obligations in a timely manner, commencing the same within five (5) days after receipt of notice from Landlord specifying the work needed, and thereafter diligently and continuously pursuing the work until completion, then Landlord shall have the right, but not the obligation, to perform such work. Any amounts expended by Landlord on such maintenance or restoration shall be Additional Rent to be paid by Tenant to Landlord within thirty (30) days after demand. Notwithstanding the foregoing, Tenant's maintenance and restoration obligations are not contingent upon Landlord first notifying Tenant of the specific work needed to be performed.

e. **Construction Liens.** Tenant shall have no power to cause or permit any lien, mortgage or other encumbrance upon the reversionary or other estate of Landlord, or any interest of Landlord in the Premises. NO CONSTRUCTION LIENS OR OTHER LIENS FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED TO THE PREMISES SHALL ATTACH TO OR AFFECT THE INTEREST OF LANDLORD IN AND TO THE PREMISES OR THE BUILDING. Tenant shall keep the Premises and the Building free from any liens arising out of any work performed, materials furnished, or obligations incurred by or on behalf of Tenant. Should any lien or claim of lien be filed against the Premises or the Building by reason of any act or omission of Tenant or any of Tenant's agents, employees, contractors or representatives, then Tenant shall cause the same to be canceled and discharged of record by bond or otherwise within ten (10) days after the filing thereof. Should Tenant fail to discharge the lien within ten (10) days, then Landlord may discharge the lien. The amount paid by Landlord to discharge the lien (whether directly or by bond), plus all administrative and legal costs incurred by Landlord, shall be Additional Rent payable on demand. The remedies provided herein shall be in addition to all other remedies available to Landlord under this Lease or otherwise.
h. **Tenant shall notify any contractor performing any construction work in the Premises on behalf of Tenant** that this Lease specifically provides that the interest of Landlord in the Premises shall not be subject to liens for improvements made by Tenant, and no Mechanic's Lien or other lien for any such labor, services, materials, supplies, machinery, fixtures or equipment shall attach to or affect the state or interest of Landlord in and to the Premises, the Building, or any portion thereof. In addition, Landlord shall have the right to post and keep posted at all reasonable times on the Premises any notices which Landlord shall be required so to post for the protection of Landlord and the Premises from any such lien. **Tenant agrees to promptly execute such instruments in recordable form in accordance with the terms and provisions of Florida Statute Section 713.10.**

9. **Property of Tenant.**

   a. **Property Taxes.** Tenant shall pay when due all taxes levied or assessed upon Tenant's equipment, fixtures, furniture, leasehold improvements and personal property located in the Premises.

   b. **Removal.** Provided Tenant is not in default, Tenant may remove all fixtures and equipment which it has placed in the Premises; provided, however, Tenant must repair all damages caused by such removal. If Tenant does not remove its property from the Premises upon the expiration or earlier termination (for whatever cause) of this Lease, such property shall be deemed abandoned by Tenant, and Landlord may dispose of the same in whatever manner Landlord may elect without any liability to Tenant.

10. **Signs.** Tenant may not erect, install or display any sign or advertising material upon the exterior of the Building or Premises (including any exterior doors, walls or windows) without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion. Door and directory signage shall be provided and installed by the Landlord in accordance with Building standards at Tenant's expense.

11. **Access to Premises.**

   a. **Tenant's Access.** Tenant, and its agents, employees, invitees, and guests, shall have access to the Premises and reasonable ingress and egress to and from common and public areas of the Building twenty-four (24) hours a day, seven (7) days a week; provided, however, Landlord by reasonable regulation may control such access for the comfort, convenience, safety and protection of all tenants in the Building, or as needed for making repairs and alterations. Tenant shall be responsible for providing access to the Premises to its agents, employees, invitees and guests after Business Hours and on weekends and holidays, but in no event shall Tenant's use of and access to the Premises during non-business hours compromise the security of the Building.

   b. **Landlord's Access.** Landlord shall have the right, at all reasonable times and upon reasonable oral notice, either itself or through its authorized agents, to enter the Premises (i) to make repairs, alterations or changes as Landlord is obligated or permitted to make under the terms of this Lease, (ii) to inspect the Premises, mechanical systems and electrical devices, and (iii) to show the Premises to prospective mortgagees and purchasers. Landlord will attempt to minimize disruption to Tenant's business when accessing the Premises pursuant to this Section 11b. Within one hundred eighty (180) days prior to the Expiration Date, Landlord shall have the right, either itself or through its authorized agents, to enter the Premises at all reasonable times to show prospective tenants.

   c. **Emergency Access.** Landlord shall have the right to enter the Premises at any time without notice in the event of an emergency.

12. **Tenant's Compliance.**

   a. **Laws.** Tenant shall comply with all applicable laws, ordinances and regulations affecting the Premises, whether now existing or hereafter enacted.
b. **Rules and Regulations.** Tenant shall comply with the Rules and Regulations attached hereto as **Exhibit B**. The Rules and Regulations may be modified from time to time by Landlord, effective as of the date delivered to Tenant or posted on the Premises, provided such rules are uniformly applicable to all tenants in the Building. Any conflict between this Lease and the Rules and Regulations shall be governed by the terms of this Lease.

13. **ADA COMPLIANCE.**

   a. **Tenant's Compliance.** Tenant, at Tenant's sole expense, shall comply with all laws, rules, orders, ordinances, directions, regulations and requirements of federal, state, county and municipal authorities now or hereafter in force, which shall impose any duty upon Landlord or Tenant with respect to the use or occupation of the Premises or alteration of the Premises to accommodate persons with special needs, including using all reasonable efforts to comply with The Americans With Disabilities Act (the "ADA”).

   b. **Landlord's Compliance.** Landlord, at Landlord's sole expense, shall use commercially reasonable efforts to comply with the requirements of the ADA as it applies to the Common Areas and restrooms of the Building. Landlord represents and warrants to Tenant that, as of the Commencement Date, the Premises shall comply with the ADA in effect as of the Commencement Date as evidenced by the issuance of a permanent or temporary certificate of occupancy by the applicable governmental body. Except as set forth in the preceding sentence, Landlord shall have no responsibility for ADA compliance with respect to the Premises. Landlord shall not be required to make changes to the Common Areas or restrooms of the Building to comply with ADA standards adopted after construction of the Building unless specifically required to do so by law.

   c. **ADA Notices.** If Tenant receives any notices alleging a violation of ADA relating to any portion of the Building or Premises (including any governmental or regulatory actions or investigations regarding non-compliance with ADA), then Tenant shall notify Landlord in writing within ten (10) days of such notice and provide Landlord with copies of any such notice.

14. **INSURANCE REQUIREMENTS.**

   a. **Tenant's Liability Insurance.** Throughout the Term, Tenant, at its sole cost and expense, shall keep or cause to be kept for the mutual benefit of Landlord, Landlord's Property Manager (presently Banyan Street Realty Services, and its affiliates), and Tenant, Commercial General Liability Insurance (1986 ISO Form or its equivalent) with a combined single limit, each occurrence and general aggregate-per location of at least Two Million and No/100 Dollars ($2,000,000.00), which policy shall insure against liability of Tenant, arising out of and in connection with Tenant's use of the Premises, and which shall insure the indemnity provisions contained in this Lease. Not more frequently than once every three (3) years, Landlord may require the limits to be increased to commercially reasonable levels if in its reasonable judgment (or that of its mortgagee) the coverage is insufficient.

   b. **Tenant's Property Insurance.** Tenant shall also carry the equivalent of ISO Special Form Property Insurance on Tenant's Property for full replacement value and with coinsurance waived. For purposes of this provision, the term "Tenant's Property" shall mean Tenant's personal property and fixtures, and any Non-Standard Improvements to the Premises. Tenant shall neither have, nor make, any claim against Landlord for any loss or damage to the Tenant's Property, regardless of the cause of the loss or damage.

   c. **Certificates of Insurance.** Prior to taking possession of the Premises, and annually thereafter, Tenant shall deliver to Landlord certificates or other evidence of insurance satisfactory to Landlord. If Tenant fails to provide Landlord with such certificates or other evidence of insurance coverage, Landlord may obtain such coverage and the cost of such coverage shall be Additional Rent payable by Tenant upon demand.
d. **Insurance Policy Requirements.** Tenant's insurance policies required by this Lease shall: (i) be issued by insurance companies licensed to do business in the state in which the Premises are located with a general policyholder's ratings of at least A- and a financial rating of at least VI in the most current Best's Insurance Reports available on the Commencement Date, or if the Best's ratings are changed or discontinued, the parties shall agree to a comparable method of rating insurance companies; (ii) include Landlord as an additional insured as its interest may appear [other landlords or tenants may be added as additional insureds in a blanket policy]; (iii) provide that the insurance not be canceled, be non-renewed or have coverage materially reduced unless thirty (30) days advance notice is given to Tenant, and Tenant shall promptly provide a copy of any such advance notice received by Tenant within five (5) business days of Tenant's receipt of same; (iv) be primary policies and non-contributing with any insurance that Landlord may carry; (v) provide that any loss shall be payable notwithstanding any act or gross negligence of Landlord or Tenant which might otherwise result in a forfeiture thereunder of such insurance or the amount of proceeds payable; (vi) have no deductible exceeding Ten Thousand and No/100 Dollars ($10,000.00), unless approved in writing by Landlord; and (vii) be maintained during the entire Term and any extension terms.

e. **Landlord's Property Insurance.** Landlord shall keep the Building, including the improvements (but excluding Tenant's Property), insured against damage and destruction by perils insured by the equivalent of ISO Special Form Property Insurance in the amount of the full replacement value of the Building.

f. **Mutual Waiver of Subrogation.** Anything in this Lease to the contrary notwithstanding, Landlord hereby releases and waives unto Tenant (including all partners, stockholders, officers, directors, employees and agents thereof), its successors and assigns, and Tenant hereby releases and waives unto Landlord (including all partners, stockholders, officers, directors, employees and agents thereof), its successors and assigns, all rights to claim damages for any injury, loss, cost or damage to persons or to the Premises or any other casualty, as long as the amount of such injury, loss, cost or damage has been paid either to Landlord, Tenant, or any other person, firm or corporation, under the terms of any property, general liability, or other policy of insurance, to the extent such releases or waivers are permitted under applicable law. As respects all policies of insurance carried or maintained pursuant to this Lease and to the extent permitted under such policies, Tenant and Landlord each waive the insurance carriers' rights of subrogation.

g. **Worker's Compensation Insurance.** Tenant shall also carry a worker's compensation insurance policy with applicable statutory limits, and employers liability insurance with limits of not less than One Million and No/100 Dollars ($1,000,000.00).

h. **Automobile Liability Insurance.** Tenant shall also carry automobile liability insurance with single limit coverage of at least One Million and No/100 Dollars ($1,000,000.00) for all owned, leased/hired or non-owned vehicles, if any.

15. **INDEMNITY.** Subject to the insurance requirements, releases and mutual waivers of subrogation set forth in this Lease, Tenant and Landlord agree as follows:

a. **Tenant’s Indemnity.** Tenant shall indemnify and hold Landlord harmless from and against any and all claims, damages, losses, liabilities, lawsuits, costs and expenses (including reasonable attorneys' fees at all tribunal levels) to the extent arising out of or related to (i) any activity, work, or other thing done, permitted or suffered by Tenant in or about the Premises or the Building, contractors, servants or agents in or about the Building, except to the extent arising out of or related to (a) any gross negligence and willful misconduct of Landlord or any officer, agent, employee, contractor, or servant of Landlord or by any invitee or guest of Landlord with the expressed invitation of Landlord, it being understood and agreed that other tenants of the Building are not Landlord’s invitees or guests, or (b) any act or omission of any other third party not affiliated with Tenant, (ii) any breach or default by Tenant in the performance of any of its obligations under this Lease which continues beyond applicable notice and cure periods, or (iii) any act or neglect of Tenant, or any officer, agent, employee, contractor, servant, invitee or guest of Tenant. If any such action is brought against Landlord, then Tenant, upon notice from Landlord, shall defend the same through counsel selected by Landlord's insurer, or other counsel reasonably acceptable to Landlord. The provisions of this Section shall survive the termination of this Lease.
b. **Landlord’s Indemnity.** Landlord shall indemnify and hold Tenant and its officers, directors, shareholders, partners, agents and employees harmless from and against any and all claims, damages, losses, liabilities, lawsuits, costs and expenses (including reasonable attorneys’ fees at all tribunal levels) to the extent arising out of or related to any gross negligence or willful misconduct of Landlord or any officer, agent, employee, contractor, servant, invitee or guest of Landlord. If any such action is brought against Tenant, then Landlord, upon notice from Tenant, shall defend the same through counsel selected by Tenant’s insurer, or other counsel reasonably acceptable to Tenant. The provisions of this Section shall survive the termination of this Lease.

16. **QUIET ENJOYMENT.** Tenant shall have quiet enjoyment and possession of the Premises provided Tenant promptly and fully complies with all of its obligations under this Lease. No action of Landlord or other tenants working in other space in the Building, or in repairing or restoring the Premises, shall be deemed a breach of this covenant, nor shall such action give to Tenant any right to modify this Lease either as to Term, Rent payables or other obligations to be performed.

17. **SUBORDINATION; ATTORNMENT; NON-DISTURBANCE; AND ESTOPPEL CERTIFICATE.**

a. **Subordination and Attornment.** This Lease and all rights of Tenant hereunder are and shall be subject and subordinate at all times and in all respects to the mortgage of Landlord’s interest in the Building and the Premises. Such subordination and the agreement of Tenant to attorn to Landlord’s mortgagee in the event that such mortgagee succeeds as the owner of the Landlord's interest in the Building and the Premises shall be self operative, and no further instrument shall be required to create, perfect or preserve the superior right or lien of any such mortgage. Notwithstanding the foregoing, Tenant agrees to execute within ten (10) days after request to do so from Landlord or its mortgagee an agreement:

i. Making this Lease superior or subordinate to the interests of the mortgagee;

ii. Agreeing to attorn to the mortgagee;

iii. Giving the mortgagee notice of, and a reasonable opportunity (which shall in no event be less than thirty (30) days after notice thereof is delivered to mortgagee) to cure any Landlord default and agreeing to accept such cure if effected by the mortgagee;

iv. Permitting the mortgagee (or other purchaser at any foreclosure sale), and its successors and assigns, on acquiring Landlord's interest in the Premises and the Lease, to become substitute Landlord hereunder, with liability only for such Landlord obligations as accrue after Landlord's interest is so acquired;

v. Agreeing to attorn to any successor Landlord; and

vi. Containing such other agreements and covenants on Tenant's part as Landlord's mortgagee may reasonably request.

b. **Non-Disturbance.** In the event of foreclosure of such mortgage, Tenant shall not be disturbed in its possession of the Premises so long as Tenant is not in default under this Lease and, subsequent to such foreclosure, Tenant attorns to the party acquiring title by virtue of the foreclosure, and this Lease shall continue in full force and effect as a direct lease, in accordance with its terms, between the successor Landlord and Tenant.

c. **Estoppel Certificates.** Tenant agrees to execute within ten (10) business days after request, and as often as requested, estoppel certificates confirming any factual matter requested by Landlord which is true and is within Tenant's knowledge regarding this Lease, and the Premises, including but not limited to: (i) the date of occupancy, (ii) Expiration Date, (iii) the amount of Rent due and date to which Rent is paid, (iii) whether Tenant has any defense or offsets to the enforcement of this Lease or the Rent payable, (iv) any default or breach by Landlord, and (v) whether this Lease, together with any modifications or amendments, is in full force and effect. Tenant shall attach to such estoppel certificate copies of any modifications or amendments to the Lease.
18. ASSIGNMENT – SUBLEASE.

a. Landlord Consent. Tenant may not assign or encumber this Lease or its interest in the Premises arising under this Lease, and may not sublet all or any part of the Premises without first obtaining the written consent of Landlord, which consent shall not be withheld unreasonably. Factors which Landlord may consider in deciding whether to consent to an assignment or sublease include (without limitation), (i) the creditworthiness of the assignee or sublessee, (ii) the proposed use of the Premises, (iii) whether there is other vacant space in the Building, (iv) whether the assignee or sublessee will vacate other space owned by Landlord, (v) whether Landlord is negotiating with the proposed sublessee or assignee for a lease of other space owned by Landlord, and (vi) any renovations to the Premises or special services required by the assignee or sublessee. Landlord will not consent to an assignment or sublease that might result in a use that conflicts with the rights of any existing tenant. One consent shall not be the basis for any further consent.

b. Definition of Assignment. For the purpose of this Section 18, the word "assignment" shall be defined and deemed to include the following: (i) if Tenant is a partnership, the withdrawal or change, whether voluntary, involuntary or by operation of law, of partners owning thirty percent (30%) or more of the partnership, or the dissolution of the partnership; (ii) if Tenant consists of more than one person, an assignment, whether voluntary, involuntary, or by operation of law, by one person to one of the other persons that is a Tenant; (iii) if Tenant is a corporation, any dissolution or reorganization of Tenant, or the sale or other transfer of a controlling percentage (hereafter defined) of capital stock of Tenant other than to a wholly owned subsidiary or the sale of fifty-one percent (51%) in value of the assets of Tenant; (iv) if Tenant is a limited liability company, the change of members whose interest in the company is fifty percent (50%) or more. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least fifty-one percent (51%) of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, or such lesser percentage as is required to provide actual control over the affairs of the corporation; except that, if the Tenant is a publicly traded company, public trades or sales of the Tenant's stock on a national stock exchange shall not be considered an assignment hereunder even if the aggregate of the trades of sales exceeds fifty percent (50%) of the capital stock of the company.

c. Permitted Assignments/Subleases. Notwithstanding the foregoing, Tenant may assign this Lease or sublease part or all of the Premises without Landlord's consent to: (i) any corporation, limited liability company, or partnership that controls, is controlled by, or is under common control with, Tenant; or (ii) any corporation or limited liability company resulting from the merger or consolidation with Tenant or to any entity that acquires all of Tenant's assets as a going concern of the business that is being conducted on the Premises (each such transfer shall be referred to herein as a "Permitted Transfer"); provided however, the assignor remains liable under the Lease and the assignee or sublessee is a bona fide entity and assumes the obligations of Tenant, is as creditworthy as the Tenant, and continues the same Permitted Use as provided under Section 4.

d. Notice to Landlord. Landlord must be given prior written notice of every assignment or subletting, and, except with respect to a Permitted Transfer, failure to do so shall be a default hereunder; provided, however, failure to provide Landlord with written notice of a Permitted Transfer within thirty (30) days after the effective date of such transfer shall constitute a default under this Lease.

e. Prohibited Assignments/Subleases. In no event shall this Lease be assignable by operation of any law, and Tenant's rights hereunder may not become and shall not be listed by Tenant as an asset under any bankruptcy, insolvency or reorganization proceedings. Acceptance of Rent by Landlord after any non-permitted assignment or sublease shall not constitute approval thereof by Landlord.

f. Limitation on Rights of Assignee/Sublessee. Any assignment or sublease for which Landlord's consent is required shall not include the right to exercise any options to renew the Lease Term, expand the Premises, or similar options, unless specifically provided for in the consent.

g. Tenant Not Released. No assignment or sublease shall release Tenant of any of its obligations under this Lease.
h. Landlord's Right to Collect Sublease Rents upon Tenant Default. If the Premises (or any portion) is sublet and Tenant defaults under its obligations to Landlord, then Landlord is authorized, at its option, to collect all sublease rents directly from the Sublessee. Tenant hereby assigns the right to collect the sublease rents to Landlord in the event of Tenant default. The collection of sublease rents by Landlord shall not relieve Tenant of its obligations under this Lease, nor shall it create a contractual relationship between Sublessee and Landlord or give Sublessee any greater estate or right to the Premises than contained in its Sublease.

i. Excess Rents. If Tenant assigns this Lease or subleases all or part of the Premises at a rental rate that exceeds the rentals paid to Landlord, then fifty percent (50%) of any "Transfer Premium" (as that term is defined below) received by Tenant from such transferee shall be paid over to Landlord by Tenant. "Transfer Premium" shall mean all rent or additional rent payable by such transferee in excess of the Base Rent and Additional Rent payable by Tenant under this Lease on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Tenant for (i) any reasonable changes, alterations and improvements to the Premises in connection with the assignment or sublease (but only to the extent approved by Landlord), and (ii) any reasonable brokerage commissions, marketing costs and attorneys' fees in connection with the assignment or sublease.

j. Landlord's Fees. Tenant shall reimburse Landlord for Landlord's reasonable out-of-pocket attorneys' fees in connection with any assignment or sublease transaction for which consent is required or requested by Tenant, not to exceed three thousand dollars ($3,000.00). If Landlord assists Tenant in finding an assignee or subtenant, Landlord shall be paid a reasonable fee for such assistance.

k. Unauthorized Assignment or Sublease. Any unauthorized assignment or sublease shall constitute a default under the terms of this Lease. In addition to its other remedies for default, Landlord may elect to increase Base Rent to 150% of the Base Rent reserved under the terms of this Lease.

19. DAMAGES TO PREMISES.

a. Landlord's Restoration Obligations. If the Building or Premises are damaged by fire or other casualty (collectively "Casualty"), then Landlord shall repair and restore the Premises to substantially the same condition of the Premises immediately prior to such Casualty, subject to the following terms and conditions:

i. The casualty must be insured under Landlord's insurance policies, and Landlord's obligation is limited to the extent of the insurance proceeds received by Landlord. Landlord's duty to repair and restore the Premises shall not begin until receipt of the insurance proceeds.

ii. Landlord's lender(s) must permit the insurance proceeds to be used for such repair and restoration.

iii. Landlord shall have no obligation to repair and restore Tenant's trade fixtures, decorations, signs, contents, or any Non-Standard Improvements to the Premises.

b. Termination of Lease by Landlord. Landlord shall have the option of terminating the Lease if: (i) the Premises are rendered wholly untenantable; (ii) the Premises are damaged in whole or in part as a result of a risk which is not covered by Landlord's insurance policies; (iii) Landlord's lender does not permit a sufficient amount of the insurance proceeds to be used for restoration purposes; (iv) the Premises are damaged in whole or in part during the last two years of the Term; or (v) the Building containing the Premises is damaged (whether or not the Premises are damaged) to an extent of fifty percent (50%) or more of the fair market value thereof. If Landlord elects to terminate this Lease, then it shall give notice of the termination to Tenant within sixty (60) days after the date of the Casualty. Tenant shall vacate and surrender the Premises to Landlord within fifteen (15) days after receipt of the notice of termination.
c. **Termination of Lease by Tenant.** Tenant shall have the option of terminating the Lease if: (i) Landlord has failed to substantially restore the damaged Building or Premises within one hundred eighty (180) days of the Casualty (the "Restoration Period"), the Restoration Period being subject to extension for any force majeure delays; and (ii) Tenant gives Landlord notice of the termination within fifteen (15) days after the end of the Restoration Period (as extended by any force majeure delays). If Landlord is delayed by force majeure, then Landlord must provide Tenant with notice of the delays within fifteen (15) days of the force majeure event stating the reason for the delays and a good faith estimate of the length of the delays.

d. **Tenant's Restoration Obligations.** Unless terminated, the Lease shall remain in full force and effect, and Tenant shall promptly repair, restore, or replace Tenant's trade fixtures, decorations, signs, contents, and any Non-Standard Improvements to the Premises. All repair, restoration or replacement shall be at least to the same condition as existed prior to the Casualty. The proceeds of all insurance carried by Tenant on its property shall be held in trust by Tenant for the purposes of such repair, restoration, or replacement.

e. **Rent Abatement.** If the Premises are rendered wholly untenanted by the Casualty, then the Rent payable by Tenant shall be fully abated. If the Premises are only partially damaged, then Tenant shall continue the operation of Tenant's business in any part not damaged to the extent reasonably practicable from the standpoint of prudent business management, and Rent and other charges shall be abated proportionately to the portion of the Premises rendered untenanted. The abatement shall be from the date of the Casualty until the Premises have been substantially repaired and restored, or until Tenant's business operations are restored in the entire Premises, whichever shall first occur. However, if the Casualty is caused by the negligence or other wrongful conduct of Tenant or of Tenant's subtenants, licensees, contractors, or invitees, or their respective agents or employees, there shall be no abatement of Rent.

f. **Waiver of Claims.** The abatement of the Rent set forth above is Tenant's exclusive remedy against Landlord in the event of a Casualty. Tenant hereby waives all claims against Landlord for any compensation or damage for loss of use of the whole or any part of the Premises and/or for any inconvenience or annoyance occasioned by any Casualty and any resulting damage, destruction, repair, or restoration.

20. **EMINENT DOMAIN.**

a. **Effect on Lease.** If all of the Premises are taken under the power of eminent domain (or by conveyance in lieu thereof), then this Lease shall terminate as of the date possession is taken by the condemnor, and Rent shall be adjusted between Landlord and Tenant as of such date. If only a portion of the Premises is taken and Tenant can continue use of the remainder, then this Lease will not terminate, but Rent shall abate in a just and proportionate amount to the loss of use occasioned by the taking.

b. **Right to Condemnation Award.** Landlord shall be entitled to receive and retain the entire condemnation award for the taking of the Building and Premises. Tenant shall have no right or claim against Landlord for any part of any award received by Landlord for the taking. Tenant shall have no right or claim for any alleged value of the unexpired portion of this Lease, or its leasehold estate, or for costs of removal, relocation, business interruption expense or any other damages arising out of such taking. Tenant, however, shall not be prevented from making a claim against the condemning party (but not against Landlord) for any moving expenses, loss of profits, or taking of Tenant's personal property (other than its leasehold estate) to which Tenant may be entitled; provided that any such award shall not reduce the amount of the award otherwise payable to Landlord for the taking of the Building and Premises.

21. **ENVIRONMENTAL COMPLIANCE.**

a. **Environmental Laws.** The term "Environmental Laws" shall mean all now existing or hereafter enacted or issued statutes, laws, rules, ordinances, orders, permits and regulations of all state, federal, local and other governmental and regulatory authorities, agencies and bodies applicable to the Premises, pertaining to environmental matters or regulating, prohibiting or otherwise having to do with asbestos and all other toxic, radioactive, or hazardous wastes or materials including, but not limited to, the Federal Clean Air Act, the Federal Water Pollution Control Act, and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as from time to time amended.
b. Tenant's Responsibility. Tenant covenants and agrees that it will keep and maintain the Premises at all times in compliance with Environmental Laws. Tenant shall not (either with or without negligence) cause or permit the escape, disposal or release of any biologically active or other hazardous substances, or materials on the Property. Tenant shall not allow the storage or use of such hazardous substances or materials in any manner not sanctioned by law or in compliance with the highest standards prevailing in the industry for the storage and use of such hazardous substances or materials, nor allow to be brought onto the Property any such hazardous substances or materials except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such hazardous substances or materials. No such notice shall be required, however, for commercially reasonable amounts of ordinary office supplies and janitorial supplies. Tenant shall execute affidavits, representations and the like, from time to time, at Landlord's request, concerning Tenant's actual knowledge and belief regarding the presence of hazardous substances and/or materials on the Premises.

c. Tenant's Liability. Tenant shall hold Landlord free, harmless, and indemnified from any penalty, fine, claim, demand, liability, cost, or charge whatsoever which Landlord shall incur, or which Landlord would otherwise incur, by reason of Tenant's failure to comply with this Section 21 including, but not limited to: (i) the cost of full remediation of any contamination to bring the Property into the same condition as prior to the Commencement Date and into full compliance with all Environmental Laws; (ii) the reasonable cost of all appropriate tests and examinations of the Premises to confirm that the Premises and any other contaminated areas have been remediated and brought into compliance with all Environmental Laws; and (iii) the reasonable fees and expenses of Landlord's attorneys, engineers, and consultants incurred by Landlord in enforcing and confirming compliance with this Section 21.

d. Limitation on Tenant's Liability. Tenant's obligations under this Section 21 shall not apply to any condition or matter constituting a violation of any Environmental Laws: (i) which existed prior to the commencement of Tenant's use or occupancy of the Premises; (ii) which was not caused, in whole or in part, by Tenant or Tenant's agents, employees, officers, partners, contractors or invitees; or (iii) to the extent such violation is caused by, or results from the acts or neglects of Landlord or Landlord's agents, employees, officers, partners, contractors, guests, or invitees.

e. Inspections by Landlord. Landlord and its engineers, technicians, and consultants (collectively, "Auditors") may, from time to time as Landlord deems appropriate, conduct periodic tests and examinations (collectively, "Audits") of the Premises to confirm and monitor Tenant's compliance with this Section 21. Such Audits shall be conducted in such a manner as to minimize the interference with Tenant's Permitted Use; however in all cases, the Audits shall be of such nature and scope as shall be reasonably required by then existing technology to confirm Tenant's compliance with this Section 21. Tenant shall fully cooperate with Landlord and its Auditors in the conduct of such Audits. The cost of such Audits shall be paid by Landlord unless an Audit shall disclose a material failure of Tenant to comply with this Section 21, in which case, the cost of such Audit, and the cost of all subsequent Audits made during the Term (provided that either (i) any such subsequent audits bear a reasonable connection to Tenant's original material failure to comply with this Section 21 disclosed by Landlord's audit or (ii) Landlord reasonably believes Tenant to otherwise have materially failed to comply with this Section 21 prior to any such subsequent audit) and within thirty (30) days thereafter (not to exceed two (2) such Audits per calendar year), shall be paid for on demand by Tenant.

f. Property. For the purposes of this Section 21, the term "Property" shall include the Premises, Building, all Common Areas, the real estate upon which the Building is located; all personal property (including that owned by Tenant); and the soil, ground water, and surface water of the real estate upon which the Building is located.

g. Tenant's Liability After Termination of Lease. The covenants contained in this Section 21 shall survive the expiration or termination of this Lease, and shall continue for so long as Landlord and its successors and assigns may be subject to any expense, liability, charge, penalty, or obligation against which Tenant has agreed to indemnify Landlord under this Section 21.
22. DEFAULT.

a. Tenant's Default. Tenant shall be in default under this Lease if Tenant:

i. Fails to pay when due any Base Rent, Additional Rent, or any other sum of money which Tenant is obligated to pay, as provided in this Lease, where such failure continues for five (5) business days after written notice thereof from Landlord to Tenant;

ii. Breaches any other agreement, covenant or obligation in this Lease and such breach is not remedied within fifteen (15) days after Landlord gives Tenant notice specifying the breach, or if such breach cannot, with reasonable diligence, be cured within fifteen (15) days, Tenant does not commence curing within fifteen (15) days and with reasonable diligence completely cure the breach within a reasonable period of time after the notice, provided, however, such period of time shall not exceed sixty (60) days after such notice by Landlord;

iii. Files any petition or action for relief under any creditor's law (including bankruptcy, reorganization, or similar action), either in state or federal court, or has such a petition or action filed against it which is not stayed or vacated within sixty (60) days after filing; or

iv. Makes any transfer in fraud of creditors as defined in Section 548 of the United States Bankruptcy Code (11 U.S.C. 548, as amended or replaced), has a receiver appointed for its assets (and the appointment is not stayed or vacated within thirty (30) days), or makes an assignment for benefit of creditors.

b. Landlord's Remedies. In the event of a Tenant default, Landlord at its option may do one or more of the following:

i. Terminate this Lease and recover all damages caused by Tenant's breach, including consequential damages for lost future rent;

ii. Repossess the Premises, with or without terminating, and relet the Premises at such amount as Landlord deems reasonable;

iii. Declare the entire remaining Base Rent and Additional Rent immediately due and payable, such amount to be discounted to its present value at a discount rate equal to the U.S. Treasury Bill or Note rate with the closest maturity to the remaining term of the Lease as selected by Landlord;

iv. Bring action for recovery of all amounts due from Tenant;

v. Seize and hold any personal property of Tenant located in the Premises and assert against the same a lien for monies due Landlord;

vi. Pursue any other remedy available in law or equity.

c. Landlord's Expenses; Attorneys Fees. In the event of Tenant default that results in a termination of this Lease or in a termination of Tenant’s possession of the Premises, all reasonable expenses of Landlord in repairing, restoring, or altering the Premises for reletting as general office space, together with leasing fees and all other expenses in seeking and obtaining a new Tenant, shall be charged to and be a liability of Tenant. Landlord's reasonable attorneys' fees in pursuing any of the foregoing remedies, or in collecting any Rent or Additional Rent due by Tenant hereunder, shall be paid by Tenant.
d. Remedies Cumulative. All rights and remedies of Landlord are cumulative, and the exercise of any one shall not be an election excluding Landlord at any other time from exercise of a different or inconsistent remedy. No exercise by Landlord of any right or remedy granted herein shall constitute or effect a termination of this Lease unless Landlord shall so elect by notice delivered to Tenant. The failure of Landlord to exercise its rights in connection with this Lease or any breach or violation of any term, or any subsequent breach of the same or any other term, covenant or condition herein contained shall not be a waiver of such term, covenant or condition or any subsequent breach of the same or any other covenant or condition herein contained.

c. No Accord and Satisfaction. No acceptance by Landlord of a lesser sum than the Rent, Additional Rent and other sums then due shall be deemed to be other than on account of the earliest installment of such payments due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed as accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy provided in this Lease.

f. No Reinstatement. No payment of money by Tenant to Landlord after the expiration or termination of this Lease shall reinstate or extend the Term, or make ineffective any notice of termination given to Tenant prior to the payment of such money. After the service of notice or the commencement of a suit, or after final judgment granting Landlord possession of the Premises, Landlord may receive and collect any sums due under this Lease, and the payment thereof shall not make ineffective any notice or in any manner affect any pending suit or any judgment previously obtained.

g. Summary Ejectment. Tenant agrees that in addition to all other rights and remedies Landlord may obtain an order for summary ejectment from any court of competent jurisdiction without prejudice to Landlord's rights to otherwise collect rents or breach of contract damages from Tenant.

23. MULTIPLE DEFAULTS.

a. Loss of Option Rights. Tenant acknowledges that any rights or options of first refusal, or to extend the Term, to expand the size of the Premises, to purchase the Premises or the Building, or other similar rights or options which have been granted to Tenant under this Lease are conditioned upon the prompt and diligent performance of the terms of this Lease by Tenant. Accordingly, should Tenant default under this Lease on three (3) or more occasions during any twelve (12) month period, in addition to all other remedies available to Landlord, all such rights and options shall automatically, and without further action on the part of any party, expire and be of no further force and effect.

b. Increased Security Deposit. Should Tenant default in the payment of Base Rent, Additional Rent, or any other sums payable by Tenant under this Lease on three (3) or more occasions during any twelve (12) month period, regardless of whether Landlord permits such default to be cured, then, in addition to all other remedies otherwise available to Landlord, Tenant shall, within ten (10) days after demand by Landlord, post a Security Deposit in, or increase the existing Security Deposit to, a sum equal to three (3) months' installments of Base Rent. The Security Deposit shall be governed by the terms of this Lease.

c. Effect on Notice Rights and Cure Periods. Should Tenant default under this Lease on three (3) or more occasions during any twelve (12) month period, in addition to all other remedies available to Landlord, any notice requirements or cure periods otherwise set forth in this Lease with respect to a default by Tenant shall not apply.

24. BANKRUPTCY.

a. Trustee's Rights. Landlord and Tenant understand that, notwithstanding contrary terms in this Lease, a trustee or debtor in possession under the United States Bankruptcy Code, as amended, (the "Code") may have certain rights to assume or assign this Lease. This Lease shall not be construed to give the trustee or debtor in possession any rights greater than the minimum rights granted under the Code.
b. Adequate Assurance. Landlord and Tenant acknowledge that, pursuant to the Code, Landlord is entitled to adequate assurances of future performance of the provisions of this Lease. The parties agree that the term "adequate assurance" shall include at least the following:

i. In order to assure Landlord that any proposed assignee will have the resources with which to pay all Rent payable pursuant to the provisions of this Lease, any proposed assignee must have, as demonstrated to Landlord's satisfaction, a net worth (as defined in accordance with generally accepted accounting principles consistently applied) of not less than the net worth of Tenant on the Effective Date (as hereinafter defined), increased by seven percent (7%), compounded annually, for each year from the Effective Date through the date of the proposed assignment. It is understood and agreed that the financial condition and resources of Tenant were a material inducement to Landlord in entering into this Lease.

ii. Any proposed assignee must have been engaged in the conduct of business for the five (5) years prior to any such proposed assignment, which business does not violate the Use provisions under Section 4 above, and such proposed assignee shall continue to engage in the Permitted Use under Section 4. It is understood that Landlord's asset will be substantially impaired if the trustee in bankruptcy or any assignee of this Lease makes any use of the Premises other than the Permitted Use.

c. Assumption of Lease Obligations. Any proposed assignee of this Lease must assume and agree to be personally bound by the provisions of this Lease.

25. NOTICES.

a. Addresses. All notices, demands and requests by Landlord or Tenant shall be sent to the Notice Addresses set forth in Section 1n, or to such other address as a party may specify by duly given notice.

b. Form; Delivery; Receipt. ALL NOTICES, DEMANDS AND REQUESTS WHICH MAY BE GIVEN OR WHICH ARE REQUIRED TO BE GIVEN BY EITHER PARTY TO THE OTHER MUST BE IN WRITING UNLESS OTHERWISE SPECIFIED. Notices, demands or requests shall be deemed to have been properly given for all purposes if (i) delivered against a written receipt of delivery, (ii) mailed by express, registered or certified mail of the United States Postal Service, return receipt requested, postage prepaid, or (iii) delivered to a nationally recognized overnight courier service for next business day delivery to the receiving party's address as set forth above. Each such notice, demand or request shall be deemed to have been received upon the earlier of the actual receipt or refusal by the addressee or three (3) business days after deposit thereof at any main or branch United States post office if sent in accordance with subsection (ii) above, and the next business day after deposit thereof with the courier if sent pursuant to subsection (iii) above.

c. Address Changes. The parties shall notify the other of any change in address, which notification must be at least fifteen (15) days in advance of it being effective.

d. Notice by Legal Counsel. Notices may be given on behalf of any party by such party's legal counsel.

26. HOLDING OVER. If Tenant holds over after the Expiration Date or other termination of this Lease, such holding over shall not be a renewal of this Lease but shall be deemed to create a tenancy-at-sufferance. Tenant shall continue to be bound by all of the terms and conditions of this Lease, except that during such tenancy-at-sufferance Tenant shall pay to Landlord (A) the greater of (i) one hundred fifty percent (150%) of the monthly Base Rent Landlord is then charging new tenants for space in the Building, or (ii) one hundred fifty percent (150%) of the Base Rent payable hereunder during the last month of the Term, and (B) any and all Operating Expenses and other forms of Additional Rent payable under this Lease. The increased Rent during such holding over is intended to compensate Landlord partially for losses, damages and expenses, including frustrating and delaying Landlord's ability to secure a replacement tenant. Tenant shall indemnify, defend and hold Landlord harmless from and against any claim, damage, loss, liability, judgment, suit, disbursement or expense (including consequential damages and reasonable attorneys' fees and disbursements) (collectively, "Claims") resulting from failure to surrender possession upon the Expiration Date or sooner termination of the Term, including any Claims made by any succeeding tenant, and such obligations shall survive the expiration or sooner termination of this Lease.
28. **BROKER’S COMMISSIONS.** Landlord and Tenant each represents and warrants to the other party that it has not dealt with any real estate broker, finder or other person with respect to this Lease in any manner, except the Broker(s) identified in Section 1n. Landlord shall pay only any commissions or fees that are payable to the above-named Broker(s) or finder(s) with respect to this Lease pursuant to Landlord's separate agreement with such Broker(s) or finder(s). Each party shall indemnify and hold the other party harmless from any and all damages resulting from claims by any broker(s), finder(s) or other person (including, without limitation, any substitute or replacement broker claiming to have been engaged in the future), other than the Broker(s) identified in Section 1n, claiming to have dealt with the indemnifying party in connection with this Lease or any amendment or extension hereto, or which may result in Tenant leasing other or enlarged space from Landlord. The provisions of this paragraph shall survive the termination of this Lease.

29. **MISCELLANEOUS.**

   a. **No Agency.** Tenant is not, may not become, and shall never represent itself to be an agent of Landlord, and Tenant acknowledges that Landlord's title to the Building is paramount, and that it can do nothing to affect or impair Landlord's title.

   b. **Force Majeure.** The term "force majeure" means: fire, flood, extreme weather, labor disputes, strike, lock-out, riot, terrorist act, government interference (including regulation, appropriation or rationing), unusual delay in governmental permitting, unusual delay in deliveries or unavailability of materials, unavoidable casualties, Act of God, or other causes beyond Landlord's reasonable control.

   c. **Building Standard Improvements.** The term "Building Standard Improvements" shall mean the standards for normal construction of general office space within the Building as specified by Landlord, including design and construction standards, electrical load factors, materials, fixtures and finishes.

   d. **Limitation on Damages.** Notwithstanding any other provisions in this Lease, Landlord shall not be liable to Tenant for any special, consequential, incidental or punitive damages.

   e. **Satisfaction of Judgments Against Landlord.** If Landlord, or its employees, officers, directors, stockholders or partners are ordered to pay Tenant a money judgment because of Landlord's default under this Lease, said money judgment may only be enforced against and satisfied out of: (i) Landlord's interest in the Building in which the Premises are located including the rental income and proceeds from sale; and (ii) any insurance or condemnation proceeds received because of damage or condemnation to, or of, said Building that are available for use by Landlord. No other assets of Landlord or said other parties exculpated by the preceding sentence shall be liable for, or subject to, any such money judgment.

   f. **Interest.** Should Tenant fail to pay any amount due to Landlord within 30 days of the date such amount is due (whether Base Rent, Additional Rent, or any other payment obligation), then the amount due shall begin accruing interest at the rate of 18% per annum, compounded monthly, or the highest permissible rate under applicable usury law, whichever is less, until paid.

   g. **Legal Costs.** Should either party prevail in any legal proceedings against the other party for breach of any provision in this Lease, then the non-prevailing party shall be liable for the costs and expenses of the prevailing party, including its reasonable attorneys' fees (at all tribunal levels). Landlord shall also be entitled to recover reasonable attorneys' fees and disbursements incurred in connection with a Tenant default hereunder which does not result in the commencement of any action or proceeding.
h. Communications Compliance. Tenant acknowledges and agrees that any and all telephone and telecommunication services desired by Tenant shall be ordered and utilized at the sole expense of Tenant. Unless Landlord requests otherwise or consents in writing, all of Tenant's telecommunications equipment shall be located and remain solely in the Premises in accordance with rules and regulations adopted by Landlord from time to time. Landlord shall not have any responsibility for the maintenance of Tenant's telecommunications equipment, including wiring; nor for any wiring or other infrastructure to which Tenant's telecommunications equipment may be connected. Tenant agrees that, to the extent any telecommunications service is interrupted, curtailed or discontinued, Landlord shall have no obligation or liability with respect thereto. Landlord shall have the right, upon reasonable prior oral or written notice to Tenant, to interrupt or turn off telecommunications facilities in the event of emergency or as necessary in connection with repairs to the Building or installation of telecommunications equipment for other tenants of the Building. In the event that Tenant wishes at any time to utilize the services of a telephone or telecommunications provider whose equipment is not then servicing the Building, the provider shall not be permitted to install its lines or other equipment within the Building without first securing the prior written approval of Landlord. Landlord's approval may be conditioned in such a manner so as to protect Landlord's financial interests, the interest of the Building, and the other tenants therein. The refusal of Landlord to grant its approval to any prospective telecommunications provider shall not be deemed a default or breach by Landlord of its obligation under this Lease. The provision of this paragraph may be enforced solely by Tenant and Landlord, are not for the benefit of any other party, and specifically but without limitation, no telephone or telecommunications provider shall be deemed a third party beneficiary of this Lease. The refusal of Landlord to grant its approval to any prospective telecommunications provider shall not be deemed a default or breach by Landlord of its obligation under this Lease. The refusal of Landlord to grant its approval to any prospective telecommunications provider shall not be deemed a default or breach by Landlord of its obligation under this Lease. The refusal of Landlord to grant its approval to any prospective telecommunications provider shall not be deemed a default or breach by Landlord of its obligation under this Lease.

i. Sale of Premises or Building. Landlord may sell the Premises or the Building without affecting the obligations of Tenant hereunder; upon the sale of the Premises or the Building, Landlord shall be relieved of all responsibility for the Premises and shall be released from any liability thereafter accruing under this Lease.

j. Time of the Essence. Time is of the essence in the performance of all obligations under the terms of this Lease.

k. Transfer of Security Deposit. If any Security Deposit or prepaid Rent has been paid by Tenant, Landlord may transfer the Security Deposit or prepaid Rent to Landlord's successor and upon such transfer, Landlord shall be released from any liability for return of the Security Deposit or prepaid Rent.

l. Tender of Premises. The delivery of a key or other such tender of possession of the Premises to Landlord or to an employee of Landlord shall not operate as a termination of this Lease or a surrender of the Premises unless requested in writing by Landlord.

m. Tenant's Financial Statements. If at any time Tenant is not a publicly traded company, within ten (10) days after written request by Landlord, Tenant agrees to furnish to Landlord copies of Tenant's most recent annual, quarterly and monthly financial statements, audited if available. The financial statements shall be prepared in accordance with generally accepted accounting principles, consistently applied. The financial statements shall include a balance sheet and a statement of profit and loss, and the annual financial statement shall also include a statement of changes in financial position and appropriate explanatory notes. Landlord may deliver the financial statements to any prospective or existing mortgagee or purchaser of the Building. All such financial statements will be delivered to any such mortgagee or purchaser in confidence and shall only be used for purposes of evaluating the financial strength of Tenant.
n. Recordation. This Lease may not be recorded without Landlord's prior written consent, but Tenant agrees, upon the request of Landlord, to execute a memorandum hereof for recording purposes.

o. Partial Invalidity. The invalidity of any portion of this Lease shall not invalidate the remaining portions of the Lease.

p. Binding Effect. This Lease shall be binding upon the respective parties hereto, and upon their heirs, executors, successors and assigns.

q. Entire Agreement. This Lease supersedes and cancels all prior negotiations between the parties, and no changes shall be effective unless in writing signed by both parties. Tenant acknowledges and agrees that it has not relied upon any statements, representations, agreements or warranties except those expressed in this Lease, and that this Lease contains the entire agreement of the parties hereto with respect to the subject matter hereof.

r. Good Standing. If requested by Landlord, Tenant shall furnish appropriate legal documentation evidencing the valid existence in good standing of Tenant, and the authority of any person signing this Lease to act for the Tenant. If Tenant signs as a corporation, each of the persons executing this Lease on behalf of Tenant does hereby covenant and warrant that Tenant is a duly authorized and existing corporation, that Tenant has and is qualified to do business in the State in which the Premises are located, that the corporation has a full right and authority to enter into this Lease and that each of the persons signing on behalf of the corporation is authorized to do so.

s. Terminology. The singular shall include the plural, and the masculine, feminine or neuter includes the other.

t. Headings. Headings of sections are for convenience only and shall not be considered in construing the meaning of the contents of such section.

u. Choice of Law. This Lease shall be interpreted and enforced in accordance with the laws of the State in which the Premises are located.

v. Effective Date. The submission of this Lease to Tenant for review does not constitute a reservation of or option for the Premises, and this Lease shall become effective as a contract only upon the execution and delivery by both Landlord and Tenant. The date of execution shall be entered on the top of the first page of this Lease by Landlord, and shall be the date on which the last party signed the Lease, or as otherwise may be specifically agreed by both parties. Such date, once inserted, shall be established as the final day of ratification by all parties to this Lease, and shall be the date for use throughout this Lease as the "Effective Date".

w. Jury Trial Waiver. Landlord and Tenant each hereby irrevocably, knowingly and voluntarily waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other or their successors in respect to any matter arising out of or in connection with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, and/or any claim for injury or damage, or any emergency or statutory remedy.

x. Approval. Tenant acknowledges and agrees that Landlord's lender(s)/mortgagee(s) may require approval of the terms and conditions of this Lease prior to Landlord's execution and that Landlord's execution of this Lease is subject to and contingent upon such lender(s)/mortgagee(s) approval. Accordingly, prior to the execution and delivery of a definitive agreement, this Lease, and the terms and conditions contained herein remain subject to change and no contract will be deemed to be entered into unless and until Landlord and Tenant execute and deliver a definitive lease document.
30. **RADON.** The following notification is provided pursuant to Section 404.056(5), Florida Statutes (2014): "Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon gas and radon testing may be obtained from your county health department."

31. **ADDENDA AND EXHIBITS.** If any addenda are noted below, such addenda are incorporated herein and made a part of this Lease.
   
   a. Lease Addendum Number One – "Work Letter"
   
   b. Lease Addendum Number Two – "Additional Rent - Operating Expense Pass Throughs"
   
   c. Lease Addendum Number Three - "Renewal Options"
   
   d. Lease Addendum Number Four – "Rights of First Offer"
   
   e. Exhibit A – Premises
   
   f. Exhibit B – Rules and Regulations
   
   g. Exhibit C – Commencement Agreement

   [SIGNATURES APPEAR ON THE FOLLOWING PAGE.]
IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease in three (3) originals, to be effective as of the Effective Date.

WITNESSES

/s/ D. Michael Beck  
Printed Name: D. Michael Beck

/s/ Ella M. Peterson  
Printed Name: Ella M. Peterson

"TENANT"

Autobytel Inc.,  
a Delaware corporation

By: /s/ Glenn E. Fuller  
Name: Glenn E. Fuller  
Title: EVP, Chief Legal and Administrative Officer and Secretary

"LANDLORD"

Rivergate Tower Owner, LLC,  
a Delaware limited liability company

By: /s/ Lorri Dunne  
Name: Lorri Dunne  
Title: Authorized Signatory

/s/ Zac Gruber  
Printed Name: Zac Gruber

/s/ Kate King  
Printed Name: Kate King
LEASE ADDENDUM NUMBER ONE [ALLOWANCE]

WORK LETTER

This Lease Addendum Number One (this "Work Letter") sets forth the rights and obligations of Landlord and Tenant with respect to space planning, engineering, final workshop drawings, and the construction and installation of any improvements to the Premises to be completed before the Commencement Date (the "Tenant Improvements"). This Work Letter contemplates that the performance of this work will proceed in four stages in accordance with the following schedule: (i) preparation of a space plan; (ii) final design and engineering and preparation of final plans and working drawings; (iii) preparation by the Contractor (as hereinafter defined) of an estimate of the additional cost of the initial Tenant Improvements; (iv) submission and approval of plans by appropriate governmental authorities and construction and installation of the Tenant Improvements by the Commencement Date.

In consideration of the mutual covenants hereinafter contained, Landlord and Tenant do mutually agree to the following:

1. **Allowance.** Landlord agrees to provide an allowance of up to $25.00 per rentable square foot, to design, engineer, install, supply and otherwise to construct the Tenant Improvements in the Premises, that when completed, will become a part of the Building (the "Allowance"). Tenant acknowledges and agrees that the Allowance shall be used only for the Tenant Improvements. In the event that the cost of the Tenant Improvements exceeds the Allowance amount, Tenant shall be fully responsible for the payment of all such excess costs in connection with the Tenant Improvements. In the event that the cost of the Tenant Improvements is less than the Allowance amount, any difference shall be retained by Landlord. Notwithstanding anything to the contrary contained in this Work Letter or the Lease, Landlord shall be solely responsible for any and all expenses related to the construction of the improvements set forth on Schedule 1 attached to this Work Letter and such expenses shall not be applied against or reduce the Allowance.

2. **Space Planning, Design and Working Drawings.** On Tenant's behalf, Landlord shall select architects and engineers (collectively, "Architect"), who will do the following at Tenant's expense (which expense may be deducted from the Allowance):

   a. Attend a reasonable number of meetings with Tenant and Landlord's agent to define Tenant's requirements. The Architect shall provide one complete space plan. Tenant shall approve such space plan, in writing, within ten (10) days after receipt of the space plan.

   b. Complete construction drawings for Tenant's partition layout, reflected ceiling grid, telephone and electrical outlets, keying, and finish schedule.

   c. Complete building standard mechanical plans where necessary (for installation of air conditioning system and duct work, and heating and electrical facilities) for the work to be done in the Premises.

   d. All plans and working drawings for the construction and completion of the Premises (the "Plans") shall be subject to Landlord's prior written approval. Any changes or modifications Tenant desires to make to the Plans shall also be subject to Landlord's prior approval. Landlord agrees that it will not unreasonably withhold its approval of the Plans, or of any changes or modifications thereof; provided, however, Landlord shall have sole and absolute discretion to approve or disapprove any improvements that will be visible to the exterior of the Premises, or which may affect the structural integrity of the Building. Any approval of the Plans by Landlord shall not constitute approval of any Excused Delays caused by Tenant and shall not be deemed a waiver of any rights or remedies that may arise as a result of such Excused Delays. Landlord may condition its approval of the Plans if: (i) the Plans require design elements or materials that would cause Landlord to deliver the Premises to Tenant after the scheduled Commencement Date, or (ii) the estimated cost for any improvements under the Plan is more than the Allowance unless Tenant pays fifty percent (50%) of such overage simultaneously with any approval by Landlord and fifty percent (50%) when due.
3. **Tenant Plan Delivery Date.**

   a. Tenant acknowledges that the Architect is acting on behalf of the Tenant and that Tenant (not Landlord) is responsible for the timely completion of the Plans.

   b. Tenant covenants and agrees to deliver to Landlord the final Plans for the Tenant Improvements on or before the date that is ten (10) days after the Effective Date (the "Tenant Plan Delivery Date"). Time is of the essence in the delivery of the final Plans. It is vital that the final Plans be delivered to Landlord by the Tenant Plan Delivery Date in order to allow Landlord sufficient time to review such Plans, to discuss with Tenant any changes therein which Landlord believes to be necessary or desirable, to enable the Contractor to prepare an estimate of the cost of the Tenant Improvements, to obtain required permits, and to substantially complete the Tenant Improvements within the time frame provided in the Lease.

4. **Work and Materials at Tenant's Expense.** Landlord shall submit the improvement work to one or more licensed contractors to bid for the Tenant Improvement work (Tenant being entitled to select one contractor to participate in such bidding process). On Tenant's behalf, Landlord, using its reasonable discretion, shall select, from the contractors submitting a bid, the contractor (the "Contractor") to construct and install the Tenant Improvements in accordance with the Plans (the "Work") at Tenant's expense (which expense may be deducted from the Allowance). For the avoidance of doubt, Tenant understands, acknowledges, and agrees that Landlord shall not be required to select as the Contractor the contractor selected by Tenant to participate in the bidding process. Tenant agrees that the Contractor may be an affiliate of Landlord, provided that the affiliate's cost for completing the Work (including the affiliate's general conditions, overhead and profit) does not, in the aggregate, exceed the competitive cost of the Work had the Contractor not been an affiliate of Landlord. Landlord shall coordinate and facilitate all communications between Tenant and the Contractor.

   a. Prior to commencing any Work, Landlord shall submit to Tenant in writing the cost of the Work, which shall include (i) the Contractor's cost for completing the Work (including the Contractor's general conditions, overhead and profit) and (ii) a Construction Supervision Fee of four percent (4%) of the cost of the Work to be paid to Landlord to manage and oversee the work to be done on Tenant's behalf. Tenant shall have five (5) business days to review and approve the cost of the Work. Landlord shall not authorize the Contractor to proceed with the Work until the cost is mutually agreed upon and approved in writing and delivered to Landlord.

   b. Any changes in the approved cost of the Work shall be by written change order signed by the Tenant. Tenant agrees to process change orders in a timely fashion. Tenant acknowledges that the following items may result in change orders:

      i. Municipal or other governmental inspectors require changes to the Premises such as additional exit lights, fire damper or whatever other changes they may require. In such event, Landlord will notify the Tenant of the required changes, but the cost of such changes and any delay associated with such changes shall be the responsibility of the Tenant.

      ii. Tenant makes changes to the Plans or requests additional work. Tenant will be notified of the cost and any delays that would result from the change by a change order signed by Tenant before the changes are implemented. Any delays caused by such changes shall not delay the Commencement Date of the Lease.

      iii. Any errors or omissions in the Plans or specifications which require changes. Landlord will notify the Tenant of the required changes, but the cost of such changes and any delay associated with such changes shall be the responsibility of the Tenant, and shall not delay the Commencement Date of the Lease.
iv. Materials are not readily available, require quick ship charges, or require substitution.

v. The upfit schedule requires express review to get permits, which will increase the costs of the permitting process.

c. All Work performed in connection with the construction of the Tenant Improvements shall be performed (i) in a good and workmanlike manner, (ii) in accordance with all applicable laws and regulations and with the final approved Plans, (iii) utilizing Building Standard (as hereinafter defined) materials and finishes designated by Landlord. Tenant understands, acknowledges and agrees that notwithstanding anything to the contrary, Landlord may require (a) the Contractor (and its subcontractors) to purchase materials and finishes for the performance of the Work through Landlord's preferred vendor(s) provided the cost of such materials and finishes does not, in the aggregate, exceed the competitive cost of the same materials and finishes not purchased from Landlord's preferred vendor(s), and (b) specific vendors to perform portions of the Work affecting Building systems. The term "Building Standard" shall mean the type, brand, grade, or quality of materials and finishes Landlord designates from time to time to be used in the Building or, as the case may be, the exclusive type, brand, grade, or quality of materials and finishes to be used in the Building.

5. **Signage and Keys.** Landlord shall provide the following in accordance with Building standards at Tenant's expense (which expense may be deducted from the Allowance): (i) door and directory signage; (ii) suite and Building keys or entry cards.

6. **Commencement Date.**

   a. The Commencement Date shall be the date when the work to be performed by Landlord is substantially completed, excluding items of work and adjustment of equipment and fixtures that can be completed after the Premises are occupied without causing material interference with Tenant's use of the Premises (collectively, "Punch List Items"), and the Landlord delivers possession of the Premises to Tenant in accordance with Section 3 of the Lease.

   b. Notwithstanding the foregoing, if Landlord shall be delayed in delivering possession of the Premises as a result of:

      i. Tenant's failure to approve the space plan within the time specified;
      
      ii. Tenant's failure to furnish to Landlord the final Plans on or before the Tenant Plan Delivery Date;
      
      iii. Tenant's failure to approve Landlord's cost estimates within the time specified;
      
      iv. Tenant's failure to timely respond to change orders;
      
      v. Tenant's changes in the Tenant Improvements or the Plans (notwithstanding Landlord's approval of any such changes);
      
      vi. Tenant's request for changes in or modifications to the Plans subsequent to the Tenant Plan Delivery Date;
      
      vii. Inability to obtain materials, finishes or installations requested by Tenant that are not part of the Building Standard Improvements;
      
      viii. The performance of any work by any person, firm or corporation employed or retained by Tenant;
ix. Any other act or omission by Tenant or its agents, representatives, and/or employees; or

x. A force majeure event;

then, in any such event, for purposes of determining the Commencement Date, the Premises shall be deemed to have been delivered to Tenant on the date that Landlord and Architect reasonably determine that the Premises would have been substantially completed and ready for delivery if such delay or delays had not occurred.

7. **Tenant Improvement Expenses in Excess of the Allowance.** Tenant agrees to pay to Landlord, promptly upon being billed therefor, all costs and expenses in excess of the Allowance incurred in connection with the Tenant Improvements. If unpaid within thirty (30) days after receipt of invoice, then the outstanding balance shall accrue at the rate of one percent (1%) per month until paid in full.

8. **Repairs and Corrections.** Tenant, at its sole cost and expense, shall repair or correct any defective work or materials installed by Tenant or any contractor other than the Contractor selected by Landlord, or any work or materials that prove defective as a result of any act or omission of Tenant or any of its employees, agents, invitees, licensees, subtenants, customers, clients, or guests.

9. **Inspection of Premises; Possession by Tenant.** Prior to taking possession of the Premises, Tenant and Landlord shall inspect the Premises and Tenant shall give Landlord written notice of any Punch List Items. Tenant's possession of the Premises constitutes acknowledgment by Tenant that the Premises are in good condition and that all work and materials provided by Landlord are satisfactory as of such date of delivery of possession, except as to (i) any Punch List Items, (ii) latent defects, and (iii) any equipment that is used seasonally if Tenant takes possession of the Premises during a season when such equipment is not in use.

10. **Access During Construction.** During construction of the Tenant Improvements and with prior approval of Landlord, Tenant shall be permitted reasonable access to the Premises for the purposes of taking measurements, making plans, installing trade fixtures, and doing such other work as may be appropriate or desirable to enable Tenant to assume possession of and operate in the Premises; provided, however, that such access does not interfere with or delay construction work on the Premises. Prior to any such entry, Tenant shall comply with all insurance provisions of the Lease. Tenant agrees to indemnify, defend, and hold Landlord harmless from and against any suits, claims, damages, costs, expenses and liabilities asserted against or incurred by Landlord or the property as a result of Tenant accessing the Premises during construction of the Tenant Improvements.
## Schedule 1 to Lease Addendum Number One [Allowance]

### 1. Glass enclosure to separate lobby/tenant space (allowance)

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<th>Description</th>
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### 2. Approximate Base Building Costs:

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<td>32,979.38</td>
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<tr>
<td>- Demo existing fan coil units and chill water piping</td>
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<tr>
<td>- Envirotec 3 ton 208/230v 1-p fan coil units</td>
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<td></td>
</tr>
<tr>
<td>- Supply plenums with one 2x20 side wall diffuser each</td>
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<td></td>
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<tr>
<td>- Envirotec 2 ton floor mounted fan coil units</td>
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<tr>
<td>- Air handler hang kits with aux drain pans</td>
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<tr>
<td>- Chill water piping with three way valves and insulation</td>
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<td>Electrical</td>
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<td>- Restrooms [tile and plumbing]</td>
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LEASE ADDENDUM NUMBER TWO [BASE YEAR]

ADDITIONAL RENT - OPERATING EXPENSE PASS THROUGHS

For the calendar year commencing on January 1ST of the first calendar year after the Base Year (as hereinafter defined) and for each calendar year thereafter, Tenant shall pay to Landlord as Additional Rent, Tenant's Proportionate Share of any increase in Operating Expenses (as hereinafter defined) incurred by Landlord's operation or maintenance of the Building over the Operating Expenses incurred by Landlord during calendar year 2016 (the "Base Year"). Tenant's Proportionate Share shall be calculated by dividing the 8,724 rentable square feet of the Premises by the 515,965 net rentable square feet of the Building, which equals 1.70%. If during any calendar year (including, without limitation, the Base Year) the occupancy of the rentable area of the Building is less than 95% full, then any variable components of Operating Expenses (as hereinafter defined) will be adjusted for such calendar year at a rate of 95% occupancy.

As used herein, the term "Operating Expenses" shall mean direct costs of operation, repair and maintenance as determined by standard accounting practices, including, but not limited to ad valorem real and personal property taxes, hazard and liability insurance premiums, utilities, heat, air conditioning, janitorial service, labor, materials, supplies, equipment and tools, permits, licenses, inspection fees, management fees (but not including the cost of management personnel above the level of property manager), and Common Area expenses; provided, however, the term "Operating Expenses" shall not include depreciation on the Building or equipment therein, interest, executive salaries, real estate brokers' commissions, or other expenses that do not relate to the operation of the Building. Furthermore, "Operating Expenses" shall not include the costs of capital repairs, replacements, alterations, improvements and equipment, except "Operating Expenses" may include the amortized portion of any Includable Capital Expenditure (as defined below), to be amortized over the useful life of such Includable Capital Expenditure on a straight line basis together with interest thereon at the actual interest rate incurred by Landlord (or, in the event Landlord has paid cash for such capital expenditure, at an imputed interest rate equal to eight percent (8%)). "Includable Capital Expenditures" means the costs of capital repairs, replacements, alterations, improvements and equipment: (i) required to comply with laws that are first enacted after the Commencement Date; (ii) performed primarily to reduce current or future Operating Expenses or otherwise improve the operating efficiency of the Building; or (iii) due to normal wear and tear. The annual statement of Operating Expenses shall be accounted for and reported in accordance with generally accepted accounting principles (the "Annual Statement"). Landlord may use related or affiliated entities to provide services or furnish materials for the Building if the rates or fees charged by such entities are competitive with those charged by unrelated or unaffiliated entities with respect to similar buildings in the Tampa, Florida area for the same services or materials.

Notwithstanding anything herein to the contrary, Controllable Operating Expenses (defined as total Operating Expenses less those expenses related to property taxes and assessments, insurance, debris removal, utilities, and fuel surcharges) shall not increase by more than seven percent (7%) annually on a cumulative compound basis over the actual Controllable Operating Expenses for the Base Year.
For the calendar year commencing on January 1st of the first calendar year after the Base Year and for each calendar year thereafter during the Term, Landlord shall estimate the amount the Operating Expenses shall increase for such calendar year above the Operating Expenses incurred during the Base Year. Landlord shall send to Tenant a written statement of the amount of Tenant's Proportionate Share of any estimated increase in Operating Expenses and Tenant shall pay to Landlord, monthly as Additional Rent, Tenant's Proportionate Share of such increase in Operating Expenses. Within ninety (90) days after the end of each calendar year, Landlord shall send a copy of the Annual Statement to Tenant. Pursuant to the Annual Statement, Tenant shall pay to Landlord Additional Rent in a lump sum as owed or Landlord shall adjust Tenant's Rent payments if Landlord owes Tenant a credit, such payment or adjustment to be made within thirty (30) days after the Annual Statement is received by Tenant. After the Expiration Date, Landlord shall send Tenant the final Annual Statement for the Term, and Tenant shall pay to Landlord Additional Rent as owed or if Landlord owes Tenant a credit, then Landlord shall pay Tenant a refund, such payment or refund to be made within thirty (30) days after the Annual Statement is received by Tenant. If this Lease expires or terminates on a day other than December 31st, then Additional Rent shall be prorated on a 365-day calendar year (or 366 if a leap year).

Tenant shall have the right to examine and review Landlord's books and records pertaining to Operating Expenses ("Tenant's Review"), at Tenant’s expense, one time during each calendar year provided that (i) Tenant provides Landlord with written notice of its election to conduct Tenant's Review no later than three (3) months following Tenant's receipt of the Annual Statement and completes Tenant’s Review within sixty (60) days after giving such notice; (ii) there is no event of default under the Lease as of the date that Tenant delivers such notice or any default that occurs during Tenant’s Review after the giving of notice and that is not cured or in the process of being cured within any applicable cure periods, provided, however, that Tenant shall lose the right to perform Tenant’s Review if such default is not cured during the applicable cure period; (iii) Tenant fully and promptly pays all Rent, including Tenant's Proportionate Share of Operating Expenses as billed by Landlord pending the outcome of Tenant’s Review; (iv) Tenant's Review is conducted by a qualified employee of Tenant or by an accounting firm engaged by Tenant on a non-contingency fee basis, and full and complete copy of the results of Tenant’s Review is provided to Landlord; (v) Tenant and the person(s) conducting Tenant’s Review agree that they will not divulge the contents of Landlord’s books and records or the result of their examination to any other person, including any other tenant in the Building other than Tenant’s attorneys, accountants, employees and consultants who have need of the information for purposes of administering this Lease for Tenant or as otherwise required by law or in connection with legal proceedings against Landlord. Tenant shall not be entitled to challenge Landlord’s calculation of Operating Expenses in any year(s) prior to the year for which Tenant’s Review is being conducted, all such Operating Expenses to be deemed final and binding on the parties once Tenant’s Review for that year has been conducted or Tenant’s right to conduct Tenant’s Review for such year has lapsed. Tenant's Review shall be conducted at Landlord's office where the accounting records are maintained during Landlord's normal business hours. In the event that Tenant’s Review demonstrates that Landlord has overstated Operating Expenses, Landlord shall reimburse Tenant for any overpayment of Tenant's Proportionate Share of such Operating Expenses within thirty (30) days of Landlord’s receipt of reasonably sufficient documentation of such overstatement from Tenant; provided, however, that Tenant’s Review must be completed within the time frames set forth in (i) above or Landlord shall have no obligation to reimburse Tenant for any overstatement of Operating Expenses for that year then under review. In the event that Tenant’s Review demonstrates that Landlord has overstated Operating Expenses by more than seven and one-half percent (7.5%) of the actual Operating Expenses owed by Tenant, Landlord shall reimburse Tenant for the reasonable out of pocket costs Tenant paid to unrelated third parties for the performance of Tenant’s Review; provided, however, Landlord shall not be obligated to reimburse Tenant for more than $5,000 of expenses with respect to any one Tenant’s Review. In the event that Tenant’s Review demonstrates that Landlord has understated Operating Expenses, Tenant shall promptly reimburse Landlord for any underpayment of Tenant's Proportionate Share of such Operating Expenses.

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ADDENDUM NUMBER THREE

RENEWAL OPTIONS

1. Option to Renew. Tenant shall have the right and option to renew the Lease (a "Renewal Option") for two (2) additional periods of five (5) years (each a "Renewal Lease Term"); provided, however, such Renewal Option is contingent upon the following: (i) Tenant is not in default at the time Tenant gives Landlord notice of Tenant’s intention to exercise the Renewal Option; (ii) upon the Expiration Date or the expiration of any Renewal Lease Term, Tenant has no outstanding default; (iii) no event has occurred that upon notice or the passage of time would constitute a default; (iv) Tenant is not disqualified by multiple defaults as provided in Section 23 of the Lease; and (v) Tenant (or a transferee (other than a sublessee subleasing fifty percent (50%) or more of the Premises) pursuant to a Permitted Transfer) is occupying and actively conducting business from the entirety of the Premises. Following the expiration of the Renewal Lease Term, Tenant shall have no further right to renew the Lease pursuant to this Addendum Number Three.

2. Exercise of Option. Tenant shall exercise each Renewal Option by giving Landlord written notice at least nine (9) months prior to the Expiration Date of the Lease Term or the expiration of any Renewal Lease Term. If Tenant fails to deliver such written notice to Landlord prior to such nine (9) month period, then Tenant shall forfeit the Renewal Option. If Tenant exercises any Renewal Option, then during the Renewal Lease Term, Landlord’s and Tenant’s respective rights, duties and obligations shall be governed by the terms and conditions of the Lease. Time is of the essence in exercising the Renewal Option.

3. Term. If Tenant exercises any Renewal Option, then during the Renewal Lease Term, all references to the term “Term”, as used in the Lease, shall mean the “Renewal Lease Term”.

4. Termination of Renewal Option on Transfer by Tenant. Except with respect to a Permitted Transfer, in the event Landlord consents to an assignment or sublease by Tenant, then all Renewal Options shall automatically terminate unless otherwise agreed in writing by Landlord.

5. Base Rent for Renewal Lease Term. The Base Rent for the Renewal Lease Term shall be the Fair Market Rental Rate, determined as follows:

   Definition. The term “Fair Market Rental Rate” shall mean the market rental rate for the time period such determination is being made for office space in office buildings in the Tampa downtown area ("Area") of comparable quality and condition to the Building and for space of equivalent quality, size, utility, and location. Such determination shall take into account all relevant factors, including, without limitation, the following matters: the credit standing of Tenant; the length of the term; expense stops; the fact that Landlord will experience no vacancy period and that Tenant will not suffer the costs and business interruption associated with moving its offices and negotiating a new lease; construction allowances and other tenant concessions that would be available to tenants comparable to Tenant in the Area (such as moving expense allowance, free rent periods, and lease assumptions and take-over provisions, if any, but specifically excluding the value of improvements installed in the Premises at Tenant's cost), and whether adjustments are then being made in determining the rental rates for renewals in the Area because of concessions being offered by Landlord to Tenant (or the lack thereof for the Renewal Lease Term in question). For purposes of such calculation, it will be assumed that Landlord is paying a representative of Tenant a brokerage commission in connection with the Renewal Lease Term, based on the then current market rates.

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**Determination.** So long as Tenant properly exercised its Renewal Option pursuant to Section 2 above, Landlord shall, within thirty (30) days after receipt of written request from Tenant for the determination of the Fair Market Rental Rate (which request must be delivered no earlier than twelve (12) months and no later than nine (9) months prior to the Expiration Date of the Lease Term or the expiration of any Renewal Lease Term), deliver to Tenant notice of the Fair Market Rental Rate (the "FMRR Notice") for the Premises for the Renewal Lease Term in question. If Tenant disagrees with Landlord's assessment of the Fair Market Rental Rate specified in a FMRR Notice, then it shall so notify Landlord in writing within ten (10) business days after delivery of such FMRR Notice (the "FMRR Response"). If Tenant fails to timely deliver the FMRR Response, the rate set forth in the FMRR Notice shall be the Fair Market Rental Rate. If Tenant timely delivers the FMRR Response, then Landlord and Tenant shall meet to attempt to determine the Fair Market Rental Rate. If Tenant and Landlord are unable to agree on such Fair Market Rental Rate within ten (10) business days after delivery of the FMRR Response, then Landlord and Tenant shall each appoint an independent real estate broker with at least five (5) years' commercial real estate leasing experience in the Area market. The two brokers shall then, within ten (10) days after their designation, select an independent third broker with like qualifications. If the two brokers are unable to agree on the third broker within such ten (10) day period, either Landlord or Tenant, by giving five (5) days prior notice thereof to the other, may apply to the then presiding Clerk of Court of Hillsborough County for selection of a third broker who meets the qualifications stated above. Within twenty (20) business days after the selection of the third broker, a majority of the brokers shall determine the Fair Market Rental Rate. If a majority of the brokers is unable to agree upon the Fair Market Rental Rate by such time, then the two (2) closest broker values shall be averaged and the average will be the Fair Market Rental Rate. Tenant and Landlord shall each bear the entire cost of the broker selected by it and shall share equally the cost of the third broker.

**Administration.** If Tenant has exercised the Renewal Option and the Fair Market Rental Rate for the Renewal Lease Term has not been determined in accordance with this Addendum Number Three by the time that Rent for the Renewal Lease Term is to commence in accordance with the terms hereof, then Tenant shall pay Rent for the Renewal Lease Term based on the Fair Market Rental Rate proposed by Landlord pursuant to the FMRR Notice until such time as the Fair Market Rental Rate has been so determined, at which time appropriate cash adjustments shall be made between Landlord and Tenant such that Tenant is charged Rent based on the Fair Market Rental Rate (as finally determined pursuant to this Addendum Number Three) for the Renewal Lease Term during the interval in question.
ADDENDUM NUMBER FOUR

RIGHT OF FIRST OFFER

Provided (i) this Lease is in full force and effect and Tenant is not in default hereunder beyond any applicable notice and cure period at the time Landlord gives the First Offer Notice (as hereinafter defined), (ii) no event has occurred that upon notice or the passage of time would constitute a default, (iii) Tenant (or transferee (other than a sublessee subleasing fifty percent (50%) or more of the Premises) pursuant to a Permitted Transfer) is occupying and actively conducting business from the entirety of the Premises, and (iv) Tenant is not disqualified by multiple defaults as provided in Section 23 of the Lease, then in the event any space located on the second (2nd) and third (3rd) floors of the 5-Story Pavilion Building more particularly described in Exhibit “D” attached to the Lease (the “First Offer Space”) becomes available during the Term or any Renewal Lease Term, Landlord shall, subject to offers to any existing tenants but prior to leasing said available First Offer Space to another tenant, first offer said available First Offer Space to Tenant by providing written notice to Tenant (the “First Offer Notice”) of its opportunity to lease the available First Offer Space on the terms and conditions contained in the First Offer Notice; provided, however, Tenant shall be required to lease the entire available First Offer Space identified in the First Offer Notice. Notwithstanding anything contained herein, no First Offer Space shall be deemed to come available if such First Offer Space is assigned or subleased by the current tenant of the First Offer Space, leased again by the current tenant of the space by way of renegotiation of its lease terms, leased again by the current tenant pursuant to a right to renew or extend its lease which right exists as of the Effective Date of the Lease, or if such space is not vacant, or is subject to a specific expansion right (existing as of the Effective Date of this Lease) of another tenant in the Building. In the event such First Offer Notice is made, Tenant shall have ten (10) business days from receipt of the First Offer Notice to exercise this right of first offer and lease the entire amount of First Offer Space identified in the First Offer Notice. In the event Tenant has timely notified Landlord of its decision to exercise this right of first offer, Landlord and Tenant shall execute an agreement or amendment to the Lease embodying substantially the same terms as those in the First Offer Notice. In the event Tenant has timely notified Landlord of its decision not to exercise this right of first offer, or has failed to timely make its election, Landlord may market and/or lease the space on terms and conditions acceptable to Landlord in its sole discretion; provided, however, that in the event that Landlord does not lease the First Offer Space within twelve (12) months after Landlord's delivery of its First Offer Notice, Landlord shall be obligated to comply once again with this Addendum in favor of Tenant.
EXHIBIT B
RULES AND REGULATIONS

1. **Access to Building.** On Saturdays, Sundays, legal holidays and weekdays between the hours of 6:00 P.M. and 8:00 A.M., access to the Building and/or to the halls, corridors, elevators or stairways in the Building may be restricted and access shall be gained by use of a key or electronic card to the outside doors of the Buildings. Landlord may from time to time establish security controls for the purpose of regulating access to the Building. Tenant shall be responsible for providing access to the Premises for its agents, employees, invitees and guests at times access is restricted, and shall comply with all such security regulations so established.

2. **Protecting Premises.** The last member of Tenant to leave the Premises shall close and securely lock all doors or other means of entry to the Premises and shut off all lights and equipment in the Premises.

3. **Building Directories.** Any directories for the Building in the form selected by Landlord shall be used exclusively for the display of the name and location of tenants. Any additional names and/or name change requested by Tenant to be displayed in the directories must be approved by Landlord and, if approved, will be provided at the sole expense of Tenant.

4. **Large Articles.** Furniture, freight and other large or heavy articles may be brought into the Building only at times and in the manner designated by Landlord and always at Tenant's sole responsibility. All damage done to the Building, its furnishings, fixtures or equipment by moving or maintaining such furniture, freight or articles shall be repaired at Tenant's expense.

5. **Signs.** Tenant shall not paint, display, inscribe, maintain or affix any sign, placard, picture, advertisement, name, notice, lettering or direction on any part of the outside or inside of the Building, or on any part of the inside of the Premises which can be seen from the outside of the Premises, including windows and doors, without the written consent of Landlord, and then only such name or names or matter and in such color, size, style, character and material as shall be first approved by Landlord in writing. Landlord, without notice to Tenant, reserves the right to remove, at Tenant's expense, all matters other than that provided for above.

6. **Compliance with Laws.** Tenant shall comply with all applicable laws, ordinances, governmental orders or regulations and applicable orders or directions from any public office or body having jurisdiction, whether now existing or hereinafter enacted with respect to the Premises and the use or occupancy thereof. Tenant shall not make or permit any use of the Premises which directly or indirectly is forbidden by law, ordinance, governmental regulations or order or direction of applicable public authority, which may be dangerous to persons or property or which may constitute a nuisance to other tenants.

7. **Hazardous Materials.** Tenant shall not use or permit to be brought into the Premises or the Building any flammable oils or fluids, or any explosive or other articles deemed hazardous to persons or property, or do or permit to be done any act or thing which will invalidate, or which, if brought in, would be in conflict with any insurance policy covering the Building or its operation, or the Premises, or any part of either, and will not do or permit to be done anything in or upon the Premises, or bring or keep anything therein, which shall not comply with all rules, orders, regulations or requirements of any organization, bureau, department or body having jurisdiction with respect thereto (and Tenant shall at all times comply with all such rules, orders, regulations or requirements), or which shall increase the rate of insurance on the Building, its appurtenances, contents or operation.
8. **Defacing Premises and Overloading.** Tenant shall not place anything or allow anything to be placed in the Premises near the glass of any door, partition, wall or window that may be unsightly from outside the Premises. Tenant shall not place or permit to be placed any article of any kind on any window ledge or on the exterior walls; blinds, shades, awnings or other forms of inside or outside window ventilators or similar devices shall not be placed in or about the outside windows in the Premises except to the extent that the character, shape, color, material and make thereof is approved by Landlord. Tenant shall not do any painting or decorating in the Premises or install any floor coverings in the Premises or make, paint, cut or drill into, or in any way deface any part of the Premises or Building without in each instance obtaining the prior written consent of Landlord. Tenant shall not overload any floor or part thereof in the Premises, or any facility in the Building or any public corridors or elevators therein by bringing in or removing any large or heavy articles and Landlord may direct and control the location of safes, files, and all other heavy articles and, if considered necessary by Landlord may require Tenant at its expense to supply whatever supplementary supports necessary to properly distribute the weight.

9. **Obstruction of Public Areas.** Tenant shall not, whether temporarily, accidentally or otherwise, allow anything to remain in, place or store anything in, or obstruct in any way, any sidewalk, court, hall, passageway, entrance, or shipping area. Tenant shall lend its full cooperation to keep such areas free from all obstruction and in a clean and sightly condition, and move all supplies, furniture and equipment as soon as received directly to the Premises, and shall move all such items and waste (other than waste customarily removed by Building employees) that are at any time being taken from the Premises directly to the areas designated for disposal. All courts, passageways, entrances, exits, elevators, stairways, corridors, halls and roofs are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, character, reputation and interest of the Building and its tenants; provided, however, that nothing herein contained shall be construed to prevent such access to persons with whom Tenant deals within the normal course of Tenant's business so long as such persons are not engaged in illegal activities.

10. **Keys, Locks, and Access Cards.** To the extent applicable, Tenant shall be provided, at no additional charge, a reasonable number of after hour access cards or keys not to exceed five (5) per each one thousand (1,000) rentable square feet contained in the Premises upon commencement. Tenant shall pay Landlord a fee in the amount of $10.00 or $25.00 per additional card/key or replacement card/key, respectively. Tenant shall not attach, or permit to be attached, additional locks or similar devices to any door or window, change existing locks or the mechanism thereof, or make or permit to be made any keys for any door other than those provided by Landlord. Upon termination of this Lease or of Tenant's possession, Tenant shall immediately surrender all cards/keys to the Premises.

11. **Communications or Utility Connections.** If Tenant desires signal, alarm or other utility or similar service connections installed or changed, then Tenant shall not install or change the same without the approval of Landlord, and then only under direction of Landlord and at Tenant's expense. Tenant shall not install in the Premises any equipment which requires a greater than normal amount of electrical current for the permitted use without the advance written consent of Landlord. Tenant shall ascertain from Landlord the maximum amount of load or demand for or use of electrical current which can safely be permitted in the Premises, taking into account the capacity of the electric wiring in the Building and the Premises and the needs of other tenants in the Building, and Tenant shall not in any event connect a greater load than that which is safe.

12. **Office of the Building.** Service requirements of Tenant will be attended to only upon application at the office of Landlord or its Property Manager. Employees of Landlord shall not perform, and Tenant shall not engage them to do any work outside of their duties unless specifically authorized by Landlord.

13. **Restrooms.** The restrooms, toilets, urinals, vanities and the other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant whom, or whose employees or invitees, shall have caused it.
14. **Intoxication.** Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated, or under the influence of liquor or drugs, or who in any way violates any of the Rules and Regulations of the Building.

15. **Nuisances and Certain Other Prohibited Uses.** Tenant shall not (a) install or operate any internal combustion engine, boiler, machinery, refrigerating, heating or air conditioning apparatus in or about the Premises; (b) engage in any mechanical business, or in any service in or about the Premises or Building, except those ordinarily embraced within the Permitted Use as specified in Section 1c of the Lease; (c) use the Premises for housing, lodging, or sleeping purposes; (d) prepare or warm food in the Premises or permit food to be brought into the Premises for consumption therein (heating coffee and individual lunches of employees excepted) except by express permission of Landlord; (e) place any radio or television antennae on the roof or on or in any part of the inside or outside of the Building other than the inside of the Premises, or place a musical or sound producing instrument or device inside or outside the Premises which may be heard outside the Premises; (f) use any power source for the operation of any equipment or device other than dry cell batteries or electricity; (g) operate any electrical device from which may emanate waves that could interfere with or impair radio or television broadcasting or reception from or in the Building or elsewhere; (h) bring or permit to be in the Building any bicycle, other vehicle, dog (except in the company of a blind person), other animal or bird; (i) make or permit any objectionable noise or odor to emanate from the Premises; (j) disturb, harass, solicit or canvass any occupant of the Building; (k) do anything in or about the Premises which could be a nuisance or tend to injure the reputation of the Building; (l) allow any firearms in the Building or the Premises except as approved by Landlord in writing.

16. **Solicitation.** Tenant shall not canvass other tenants in the Building to solicit business or contributions and shall not exhibit, sell or offer to sell, use, rent or exchange any products or services in or from the Premises unless ordinarily embraced within the Tenant's Permitted Use as specified in Section 1c of the Lease.

17. **Energy Conservation.** Tenant shall not waste electricity, water, heat or air conditioning and agrees to cooperate fully with Landlord to insure the most effective operation of the Building's heating and air conditioning, and shall not allow the adjustment (except by Landlord's authorized Building personnel) of any controls.

18. **Building Security.** At all times other than normal business hours the exterior Building doors and suite entry door(s) must be kept locked to assist in security. Problems in Building and suite security should be directed to Landlord.

19. **Parking.** Parking is in designated parking areas only. There shall be no vehicles in "no parking" zones or at curbs. Handicapped spaces are for handicapped persons only and the Police Department will ticket unauthorized (unidentified) cars in handicapped spaces. Landlord reserves the right to remove vehicles that do not comply with the Lease or these Rules and Regulations and Tenant shall indemnify and hold harmless Landlord from its reasonable exercise of these rights with respect to the vehicles of Tenant and its employees, agents and invitees.

20. **Janitorial Service.** The janitorial staff will remove all trash from trashcans. Any container or boxes left in hallways or apparently discarded unless clearly and conspicuously labeled DO NOT REMOVE may be removed without liability to Tenant. Any large volume of trash resulting from delivery of furniture, equipment, etc., should be removed by the delivery company, Tenant, or Landlord at Tenant's expense. Janitorial service will be provided after hours five (5) days a week. All requests for trash removal other than normal janitorial services should be directed to Landlord.

21. **Construction.** Tenant shall make no structural or interior alterations of the Premises. All structural and nonstructural alterations and modifications to the Premises shall be coordinated through Landlord as outlined in the Lease. Completed construction drawings of the requested changes are to be submitted to Landlord or its designated agent for pricing and construction supervision.
EXHIBIT C
COMMENCEMENT AGREEMENT

This COMMENCEMENT AGREEMENT (the "Commencement Agreement"), made and entered into as of this _______ day of ________________, 201__, by and between ________________________________________, a Delaware limited liability company ("Landlord") and ______________________________________, a __________________ ("Tenant");

W I T N E S S E T H:

WHEREAS, Tenant and Landlord entered into that certain Lease Agreement dated __________________ (the "Lease"), for space designated as Suite ____________, comprising approximately ___________ rentable square feet, in the ______________________ Building, located at __________________________________________, City of _____________, County of _______________, State of _______________; and

WHEREAS, the parties desire to establish the Commencement Date and Expiration Date as set forth below,

NOW, THEREFORE, in consideration of the mutual and reciprocal promises herein contained, Tenant and Landlord hereby agree that said Lease hereinafter described be, and the same is hereby modified in the following particulars:

1. The term of the Lease by and between Landlord and Tenant actually commenced on ___________________ (the "Commencement Date"). The initial term of said Lease shall terminate on ___________________ (the "Expiration Date"). Section 1b, entitled "Term", and all references to the Commencement Date and Expiration Date in the Lease are hereby amended.

2. Except as modified and amended by this Commencement Agreement, the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Agreement to be duly executed, as of the day and year first above written.

LANDLORD:

_____________________________________

_____________________________________

_____________________________________

_____________________________________

TENANT:

_____________________________________

_____________________________________

_____________________________________

[NOT FOR EXECUTION]

By: ____________________________________________

By: ____________________________________________

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EXHIBIT D
FIRST OFFER SPACE
FIRST AMENDMENT OF LEASE

THIS FIRST AMENDMENT OF LEASE ("First Amendment"), is entered into this 21st day of November, 2016 (the "First Amendment Effective Date"), by and between RIVERGATE TOWER OWNER, LLC, a Delaware limited liability company ("Landlord"), and AUTOBYTEL INC., a Delaware corporation ("Tenant").

RECITALS:

WHEREAS, Landlord and Tenant entered into that certain Office Lease dated December 9, 2015 (the "Lease"), for the premises located in Suites C400 and C500 (the "Original Premises") consisting of 8,724 rentable square feet, in the building located at 400 North Ashley Drive, Tampa, Florida, 33602 ("Building"); and

WHEREAS, Landlord and Tenant desire to modify the Lease so that the Premises is relocated from the Original Premises to the 2nd and 3rd Floor Bi-Level Suites of the Building consisting of 13,162 rentable square feet;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by both parties, Landlord and Tenant agree to amend the Lease as follows:

1. Recitals. The Recitals set forth above are true and correct and are incorporated as if fully set forth herein.

2. Definitions. Capitalized terms shall have the meaning ascribed to such terms in the Lease unless otherwise defined herein.

3. New Premises. As used in this First Amendment, the term “New Premises” shall mean the 2nd and 3rd Floor Bi-Level Suites in the Building consisting of 13,162 rentable square feet. The New Premises is shown on Exhibit A attached hereto. Effective upon the First Amendment Effective Date, Section 1a of the Lease shall be amended to provide that the term “Premises” shall mean the New Premises as described in this Section 3 of this First Amendment and shown on Exhibit A attached hereto. Exhibit A of the Lease shall be deleted in its entirety and replaced with Exhibit A attached hereto.

4. Term. Effective upon the First Amendment Effective Date, Section 1b of the Lease shall be amended to provide that the Commencement Date shall mean the earlier of (i) the date Tenant commences business operations in the Premises, or (ii) the date the Tenant Improvements (as defined in the Work Letter) are substantially complete, which Commencement Date is anticipated to be December 1, 2016.

5. Base Rent Schedule. Effective upon the First Amendment Effective Date, Section 1e of the Lease shall be deleted in its entirety and replaced with the following:

"e. Base Rent. The Base Rent for the Term is payable in monthly installments on the 1st day of each month in accordance with the following Base Rent Schedule:

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<th>FROM MONTH</th>
<th>THROUGH MONTH</th>
<th>RENTABLE SQUARE FEET</th>
<th>ANNUAL BASE RENT PER RENTABLE SQUARE FOOT*</th>
<th>ANNUAL BASE RENT*</th>
<th>MONTHLY BASE RENT*</th>
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* Plus applicable State of Florida Sales Tax
The above Base Rent schedule does not include operating expense pass through adjustments to be computed annually in accordance with Lease Addendum Number Two attached hereto. Provided that no default exists at the time of the abatement provided below, Tenant’s monthly installments of Base Rent shall be abated for a two (2) month period (the “Abated Rent”), with such abatement commencing on the Commencement Date and continuing up through the date that is two (2) months thereafter (the “Abatement Period”). The principal amount of the Abated Rent shall be amortized evenly over the initial Term. So long as no uncured event of default occurs under the Lease, then upon Landlord’s receipt of the final monthly installment of Rent, Tenant shall have no liability to Landlord for the repayment of any portion of the Abated Rent. In the event of an uncured default, then in addition to all of Landlord’s other remedies available under the Lease, Tenant shall also become immediately liable to Landlord for the unamortized portion of the Abated Rent existing as of the date of such uncured event of default.

6. Proportionate Share. Effective upon the First Amendment Effective Date, the first paragraph of Lease Addendum No. 2 to the Lease shall be amended to reflect an increase in Tenant’s Proportionate Share from 1.70% to 2.55% as determined by dividing the 13,162 rentable square feet of the New Premises by the 515,965 net rentable square feet of the Building.

7. Work Letter. Effective upon the First Amendment Effective Date, Lease Addendum Number One [Allowance] shall be deleted in its entirety and replaced with Lease Addendum Number One attached hereto as Exhibit B.

8. Inapplicable Provisions. Effective upon the First Amendment Effective Date, Lease Addendum Number Four (Right of First Offer) and Exhibit D to the Lease (First Offer Space) are hereby deleted in their entireties and are of no further force and effect.

9. Brokers. Tenant represents and warrants that it has neither consulted nor negotiated with any broker or finder with respect to the New Premises or this First Amendment. Tenant agrees to indemnify, protect, defend, and save Landlord harmless from and against any claims for fees or commissions, including, but not limited to, attorneys’ fees incurred in connection with the defense of any such claim, from anyone with whom Tenant has dealt in connection with the New Premises and/or this First Amendment.

10. Counterparts and Signatures. This First Amendment may be executed in multiple counterparts but such multiple counterparts shall constitute a single agreement. Signatures of this First Amendment that are transmitted by either or both electronic or telephonic means (including, without limitation, facsimile, email, and .pdf format) are valid for all purposes.

11. Ratification. The Lease remains in full force and effect except as expressly modified by this First Amendment and is ratified and confirmed. If there is a conflict between the terms of the Lease and this First Amendment, the terms of this First Amendment shall control. Tenant further acknowledges that it has no claims, counterclaims, defenses or setoffs against Landlord, Landlord’s managing member or Landlord’s property manager arising in connection with the Lease or Tenant’s occupancy of the Premises, including, without limitation, in connection with any amounts paid by Tenant to Landlord, throughout the Term of the Lease.

[Signature Page Follows.]
IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment in three originals, all as of the day and year first above written.

WITNESSES

/s/ D. Michael Beck
Printed Name: D. Michael Beck

/s/Ella M. Peterson
Printed Name: Ella M. Peterson

AUTOBYTEL INC.,
a Delaware corporation

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

“TENANT”

WITNESSES

/s/Kate King
Printed Name: Kate King

/s/Roger M. Smoek
Printed Name: Roger M. Smoek

RIVERGATE TOWER OWNER, LLC,
a Delaware limited liability company

By: /s/Lorri Dunne
Name: Lorri Dunne
Title: Authorized Signatory

“LANDLORD”
This Lease Addendum Number One (this "Work Letter") sets forth the rights and obligations of Landlord and Tenant with respect to the construction and installation of any improvements to the Premises to be completed before the Commencement Date (the "Tenant Improvements") excluding Landlord’s obligations to complete the construction of the Premises as set forth below. Tenant acknowledges and agrees that the Premises is currently being completed on a "spec" basis.

In consideration of the mutual covenants hereinafter contained, Landlord and Tenant do mutually agree to the following:

11. **Premises.** Landlord is leasing the Premises to Tenant, and Tenant accepts the Premises from Landlord in its "AS IS" condition. Notwithstanding the foregoing, Landlord agrees to complete the construction of the Premises using Building Standard (as hereinafter defined) materials on a "spec" basis in accordance with the specifications attached hereto as Schedule 1 (the "Specifications").

12. **Work and Materials at Tenant's Expense.**

   a. Any improvements requested by Tenant that are not a part of, or are otherwise inconsistent with, the Specifications shall be at Tenant’s sole cost and expense and shall be subject to Landlord’s prior written approval. Tenant agrees to pay to Landlord, promptly upon receipt of any invoice, for all costs and expenses incurred for any improvements that are not a part of, or are otherwise inconsistent with, the Specifications, plus a Construction Supervision Fee equal to four percent (4%) of such total costs and expenses in exchange for Landlord providing construction management services. If unpaid within ten (10) days after receipt of invoice, then the outstanding balance shall accrue at the rate of one percent (1%) per month until paid in full.

   b. Tenant understands, acknowledges and agrees that notwithstanding anything to the contrary, Landlord may require (a) any contractor (and its subcontractors) to purchase materials and finishes for the performance of the Tenant Improvements through Landlord's preferred vendor(s) provided the cost of such materials and finishes does not, in the aggregate, exceed the competitive cost of the same materials and finishes not purchased from Landlord's preferred vendor(s), and (b) specific vendors to perform portions of the Tenant Improvements affecting Building systems. The term "Building Standard" shall mean the type, brand, grade, or quality of materials and finishes Landlord designates from time to time to be used in the Building or, as the case may be, the exclusive type, brand, grade, or quality of materials and finishes to be used in the Building.

13. **Signage and Keys.** Landlord shall provide the following in accordance with Building standards at Tenant's expense: (i) door and directory signage; (ii) suite and Building keys or entry cards.

14. **Commencement Date.**

   a. The Commencement Date shall be the date when the work to be performed by Landlord is substantially completed, excluding items of work and adjustment of equipment and fixtures that can be completed after the Premises are occupied without causing material interference with Tenant's use of the Premises (collectively, "Punch List Items"), and the Landlord delivers possession of the Premises to Tenant in accordance with Section 3 of the Lease.
b. Notwithstanding the foregoing, if Landlord shall be delayed in delivering possession of the Premises as a result of:

i. Tenant's request for changes in or modifications to the Tenant Improvements or the Specifications (notwithstanding Landlord's approval of any such changes);

ii. Inability to obtain materials, finishes or installations requested by Tenant;

iii. The performance of any work by any person, firm or corporation employed or retained by Tenant;

iv. Any other act or omission by Tenant or its agents, representatives, and/or employees; or

v. A force majeure event;

then, in any such event, for purposes of determining the Commencement Date, the Premises shall be deemed to have been delivered to Tenant on the date that Landlord reasonably determines that the Premises would have been substantially completed and ready for delivery if such delay or delays had not occurred.

15. Repairs and Corrections. Tenant, at its sole cost and expense, shall repair or correct any defective work or materials installed by Tenant or any contractor other than the contractor selected by Landlord, or any work or materials that prove defective as a result of any act or omission of Tenant or any of its employees, agents, invitees, licensees, subtenants, customers, clients, or guests.

16. Inspection of Premises; Possession by Tenant. Prior to taking possession of the Premises, Tenant and Landlord shall inspect the Premises and Tenant shall give Landlord written notice of any Punch List Items. Tenant's possession of the Premises constitutes acknowledgment by Tenant that the Premises are in good condition and that all work and materials provided by Landlord are satisfactory as of such date of delivery of possession, except as to (i) any Punch List Items, (ii) latent defects, and (iii) any equipment that is used seasonally if Tenant takes possession of the Premises during a season when such equipment is not in use.

17. Access During Construction. During construction of the Tenant Improvements and with prior approval of Landlord, Tenant shall be permitted reasonable access to the Premises for the purposes of taking measurements, making plans, installing trade fixtures, and doing such other work as may be appropriate or desirable to enable Tenant to assume possession of and operate in the Premises; provided, however, that such access does not interfere with or delay construction work on the Premises. Prior to any such entry, Tenant shall comply with all insurance provisions of the Lease. Tenant agrees to indemnify, defend, and hold Landlord harmless from and against any suits, claims, damages, costs, expenses and liabilities asserted against or incurred by Landlord or the property as a result of Tenant accessing the Premises during construction of the Tenant Improvements.

[The remainder of this page is intentionally left blank.]
Re: Offer of Employment

Dear Ralph:

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

1. Employment

   (a) Effective as of the date you commence employment with the Company ("Commencement Date"), which date is anticipated to be September 17, 2010, the Company will employ you as Manager, Search Engine Marketing. In such capacity, you will report to such person as may be designated by the Company from time to time.

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

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

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

(a) As compensation for the services to be rendered by you pursuant to this agreement, the Company hereby agrees to pay you at a Semi-Monthly Rate equal to Two Thousand Seven Hundred Eight Dollars and Thirty-Four Cents ($2,708.34). The Semi-Monthly Rate shall be paid in accordance with the normal payroll practices of the Company.

(b) You may participate in commission plans that may be adopted by the Company for you from time to time. Should such a commission plan be adopted for any period, your target commission opportunity, specific objectives and commission plan details will be set forth in a written commission plan and furnished to you. If your participation in any commission plan is less than a full Plan Term, your award for that Plan Term may be prorated for the period of time you were employed during the applicable Plan Term in the discretion of the Company. You understand that commission plans, their structure and components, specific target commission opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the Company’s sole discretion. You understand that commission plans may be modified, amended or terminated at any time by the Company.

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

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

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

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

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

(ii) Your execution and delivery of this offer letter together with the Company’s Employee Confidentiality and Non-Compete Agreement and Mutual Agreement to Arbitrate, the forms of which accompany this offer letter and which are hereby incorporated herein by reference. Please sign this offer letter and 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. By execution below, you represent and warrant to Company that your employment with the Company will not violate the terms and conditions of any agreement entered into by you prior to your employment with Company.

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

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

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

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

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

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

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

Autobytel Inc., a Delaware corporation

By: /s/ Glenn E. Fuller
Glenn E. Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed as of the date first written above:

/s/ Ralph Smith
Ralph Smith
[Personal Residence Address Redacted]
DATE: Effective as of January 1, 2013

TO: Ralph Smith

FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary

CC: William Ferriolo – SVP, Consumer Acquisition

RE: Promotion

It is a pleasure to inform you of your promotion to Sr. Director, Search Engine Marketing at Autobytel Inc. In this position you will continue to report to William Ferriolo, Senior Vice President, Consumer Acquisition. Following is a summary of your promotion.

New Position: Sr. Director, Search Engine Marketing
Semi-monthly Rate: $5,000 ($120,000 Approximate Annually)
Effective Date: January 1, 2013

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

Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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

Please feel free to call if you have any questions.

Autobytel Inc.

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

Accepted and Agreed:

/s/ Ralph Smith
Ralph Smith
DATE: Effective as of July 1, 2013

TO: Ralph Smith

FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary

CC: William Ferriolo – SVP, Consumer Acquisition

RE: Promotion

It is a pleasure to inform you of your promotion to Vice President, Consumer Acquisitions at Autobytel Inc. In this position you will continue to report to William Ferriolo, Senior Vice President, Consumer Acquisitions. Following is a summary of your promotion.

New Position: Vice President, Consumer Acquisitions

Semi-monthly Rate: $5,208.34 ($125,000 Approximate Annually)

Effective Date: July 1, 2013

Annual Incentive Opportunity:

You shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive compensation plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 30% of your annualized rate (i.e., 24 X Semi-monthly Rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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

Please feel free to call if you have any questions.

Autobytel Inc.

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

Accepted and Agreed:

/s/Ralph Smith
Ralph Smith
DATE: January 28, 2016
TO: Ralph Smith
FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary
CC: William Ferriolo - EVP, Chief Business Officer
RE: Annual Incentive Compensation Target

It is a pleasure to inform you of your annual incentive compensation target. Following is a summary of your new employment compensation.

Position: VP, Consumer Acquisition
Semi-monthly Rate: $7,708.34 ($185,000 Approximate Annually)
Effective Date: January 1, 2016

Annual Incentive Opportunity: You shall be eligible 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 employment level and position, geographic location and applicable department or operations within the Company (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 in its sole discretion for each annual period, which may be up to 35% your annualized rate (i.e., 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, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company’s evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion 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 time off. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, an payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

Your annual incentive compensation change is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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

Please feel free to call if you have any questions.
Autobytel Inc.

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

Accepted and Agreed:

/s/ Ralph Smith
Ralph Smith
This Amended and Restated Severance Benefits Agreement ("Agreement") entered into effective as of July 1, 2013 ("Effective Date") between Autobytel Inc., a Delaware corporation ("Autobytel" or "Company") and Ralph Smith ("Employee").

Background

The Company and Employee have previously entered into a Severance Benefits Agreement dated as of March 31, 2013 ("Prior Severance Agreement"). In connection with Employee's promotion as a Vice President of the Company, Autobytel has determined that it is in its best interests to provide Employee with certain severance benefits to encourage Employee’s continued employment with, and dedication to the business of, the Company.

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 November 29, 2012 entered into by and between the Company and Employee.

   (c) "Cause" shall mean the termination of the Employee’s employment by the 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 notifying Employee that, in the opinion of the Company, “Cause” exists to terminate Employee’s employment.
(d) “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 Effective Date, 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.

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


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

(h) “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.
(i) “Employee’s Position” means Employee’s position as the Vice President, Consumer Acquisitions of the Company.

(j) “Employee’s Primary Location” means Autobytel’s headquarters located at 12950 Racetrack Rd, Suite 220, Tampa, Florida 33626.

(k) “Good Reason” means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee’s base salary as in existence as of the Effective Date 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 Health and Welfare Benefits as a whole as in existence as of the Effective 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’s primary 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 other than on a temporary basis 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.

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

(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 section, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that Employee will return to perform services for the Company. For purposes of determining whether Employee has incurred a Separation from Service, the Company shall include the Company and any entity that would be considered a single employer with the Company under Code Section 414(b) or 414(c).

(n) “Severance Period” shall equal nine (9) months.
(o) “Successor Company” means any successor to Autobytel or its assets by reason of any Change of Control.

(p) “Termination Without Cause” means termination of Employee’s employment with the Company (i) by the Company (a) for any reason other than (1) death, (2) Disability or (3) those reasons expressly set forth in the definition of “Cause,” (b) for no reason at all, or (c) in connection with or as a result of a Change of Control; 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 following the earlier of (1) the Company’s failure to cure within the 30-day period set forth in the definition of Good Reason, and (2) the Company’s notice to Employee that it will not cure the event giving rise to such termination for Good Reason, then (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, commissions or other incentive payments or compensation); (B) subject to Section 2(b) below, Employee shall be entitled to a continuation of all Health and Welfare 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 at a level and with a provider selected by the Company in accordance with Section 2(g) below.

(b) (i) With respect to Health and Welfare 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 Health and Welfare Benefits, Employee may elect to obtain coverage for such Health and Welfare 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 Health and Welfare 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 have paid assuming Employee elected continuation of benefits under COBRA. The Company’s obligation to pay or reimburse for the Health and Welfare 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 the Health and Welfare Benefits 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 Health and Welfare 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 Health and Welfare Benefits, Employee may elect to obtain coverage for such Health and Welfare 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 Health and Welfare Benefits at the time of termination of Employee’s employment with the Company. The Company’s obligation to pay or reimburse for the Health and Welfare 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 the Health and Welfare Benefits 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 Health and Welfare 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 Health and Welfare Benefits, for individual coverage, or for dependent coverage.

(c) The payments and benefits set forth in Sections 2(a) and 2(b) are conditioned upon and shall be provided to Employee only if (i) Employee has executed and delivered to the Company a Separation and Release Agreement in favor of the Company and Releasees, which agreement shall be substantially in the form attached hereto as Exhibit A ("Release") no later than the expiration of the applicable period of time allowed for Employee to consider the Release as set forth in Section 17 of the Release ("Release Consideration Period"); (ii) Employee has not revoked the Release prior to the expiration of the applicable revocation period set forth in Section 17 of the Release ("Release Revocation Period"); and (iii) the Release has become effective and non-revocable no later than the cumulative period of time represented by the sum of the maximum Release Consideration Period and the maximum Release Revocation Period. No payments or benefits set forth in Sections 2(a) or 2(b) shall be due or payable to, or provided to, Employee if the Release has not become effective and non-revocable in accordance with the requirements of this Section 2(c).

(d) Upon satisfaction of the conditions set forth in Section 2(c), but subject to the last sentence of this Section 2(d), all payments under Section 2(a)(A) shall be made to Employee within five (5) business days after the Release becomes effective and non-revocable in accordance with its terms. In any case, the payment under Section 2(a)(A) 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, provided that the Release shall have become effective and non-revocable in compliance with Section 2(c) prior to expiration of such two and one-half month period. If the period of time covered by the entire allowed Release Consideration Period, the entire Revocation Period and the entire five business day period described above in this Section 2(d) (considering such periods consecutively) begins in one calendar year and ends in the following calendar year, all payments under Section 2(a)(A) shall be made to Employee on the first business day of such following calendar year which is five (5) or more business days after the date on which the Release became effective and non-revocable in accordance with its terms.

(e) In addition to the payments and benefits under Sections 2(a) and 2(b), 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) are not conditioned upon Employee’s signing the Release and shall be made within the time period(s) required by applicable law.
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 and interest arising under Section 409A of the Code). Neither the Company nor any of its employees, directors, or service providers shall have any obligation whatsoever to pay such taxes or interest, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax or interest 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, without interest, 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. With respect to the reimbursement of expenses to which Employee is entitled under this Agreement, if any, or the provision of in-kind benefits to Employee as specified under this Agreement, if any, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in any taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, solely to the extent that the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period in which the reimbursement arrangement remains in effect; (ii) the reimbursement of an eligible expense shall be made no later than the end of the calendar year after the calendar year in which such expense was incurred; (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; and (iv) the right to reimbursement or provision of in-kind benefits shall not apply to any expenses incurred or benefits to be provided beyond the last day of the second taxable year following the year in which Employee’s Separation from Service occurred.

4. **Arbitration.** 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 integrated understanding between the parties hereto and supersedes any prior employment, severance, or change-in-control protective agreement or other agreement, plan or arrangement between the Company or any predecessor and Employee. No provision of this Agreement shall be interpreted to mean that Employee is subject to receiving fewer benefits than those available to Employee without reference to this Agreement. The Parties acknowledge and agree that the Prior Severance Agreement is hereby terminated and shall have no further force or effect.

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

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

   If to the Employee:

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

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

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

9. **Non-Disclosure.** Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of this Agreement or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee’s immediate family who have a need to know such matters or to Employee’s tax or legal advisors who have a need to know such matters. If Employee does disclose this Agreement or any of its terms to any of Employee’s immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Agreement and its terms confidential. The Company may disclose the existence or terms of the Agreement and its terms and may file this Agreement as an exhibit to its public filings if it is required to due so under applicable law, rule, regulation or order.
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 excised 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 laws of the State of Florida without giving effect to such State’s choice of law rules. This Agreement is deemed to be entered into entirely in the State of Florida. This Agreement shall not be strictly construed for or against either party.

12. **No Third Party Beneficiaries.** Except as otherwise set forth in this Agreement, nothing contained in this Agreement is intended or shall be construed to create rights running to the benefit of any third party.

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 Agreement 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/Ralph Smith

Ralph Smith
EXHIBIT A

SEPARATION AND RELEASE AGREEMENT

It is hereby agreed by and between you, Ralph Smith (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. Separation of Employment. 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. This Separation and Release Agreement (“Release”) is entered into in connection with that certain Amended and Restated Severance Benefits Agreement dated effective as of July 1, 2013 by and between the Company and Employee (“Severance Benefits Agreement”).

2. Release Consideration. In exchange for your promises and obligations in this Release and the Severance Benefits Agreement, including the release of claims set forth below, if You sign and do not revoke this Release and this Release becomes effective, the Company will pay You the amounts, and will provide the benefits, due to You under the Severance Benefits Agreement, minus legally required federal, state and local payroll deductions and withholdings. Payment of any monetary amount provided for in this Section 2 will be made within the time periods required by the Severance Benefits Agreement (except for payments or benefits that will be paid or provided over time as provided therein) and, if no time is specified, within 5 business days after this Release becomes effective.

3. Acknowledgement of Receipt of Amounts Due. You acknowledge and agree that You have received all, and that the Company does not owe You any additional, payments, benefits or other compensation as a result of your employment with the Company or your separation from employment with the Company, including, but not limited to, wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than those amounts or benefits, if any, payable or to be provided to You after the date hereof pursuant to the Severance Benefits Agreement after this Release becomes effective.

4. Return of Company Property. 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, computers, cell phones, 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. You hereby represent that, other than those materials You have returned to the Company pursuant to this Section 4, You have not copied or caused to be copied, and have not transferred or printed-out or caused to be transferred or printed-out, any software, computer disks, e-mails 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.
5. **Confidentiality and Non-Solicitation/Interference.**

(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 any confidentiality or non-disclosure agreement between You and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of [_______], [__], which shall remain binding on You after the Employment Termination Date.

(b) Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of the Severance Benefits Agreement or this Release or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee’s immediate family who have a need to know such matters or to Employee’s tax or legal advisors who have a need to know such matters. If Employee does disclose this Release, the Severance Benefits Agreement or any of their respective terms to any of Employee’s immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Release, the Severance Benefits Agreement and their respective terms confidential. The Company may disclose the existence or terms of this Release, the Severance Benefits Agreement and their respective terms and may file this Release and the Severance Benefits Agreement as exhibits to its public filings if it is required to due so under applicable law, rule, regulation or order.

(c) For a period of one (1) year immediately following this Release becoming effective, You agree that You will not interfere with Company’s business by soliciting an employee to leave Company’s employ, or by inducing a consultant or vendor to sever its relationship with Company. You may not, at any time, use the Company’s trade secrets to solicit business from any source, including the Company’s customers or clients. This Section 5(c) is not intended to, and shall not, prevent You from lawful competition with the Company. You represent and warrant that You have not engaged in any of the foregoing activities prior to the effective date of this Release.

6. **Nondisparagement.** You agree that neither You nor anyone acting on your behalf or at your direction will disparage, 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.

7. **Unconditional General Release of Claims.**

(a) In consideration for the payment and benefits provided for in Section 2, and notwithstanding the provisions of Section 1542 of the Civil Code of California, 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, officers, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, officers, employees, agents, and attorneys of any such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (all of the foregoing released persons or entities being referred to herein as “Releases”), from any and all claims, complaints, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature, whether known or unknown, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the date of execution of this Release, including, but not limited to, claims that arise out of or in any way relate to your employment or your separation from employment with the Company.

(b) You acknowledge and agree that the foregoing unconditional and general release includes, but is not limited to, (i) any claims for salary, bonuses, commissions, equity, compensation (except as specified in this Agreement), wages, penalties, premiums, severance pay, vacation pay or any benefits under the Employee Retirement Income Security Act of 1974, as amended; (ii) any claims of harassment, retaliation or discrimination; (iii) any claims based on any federal, state or governmental constitution, statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans With Disabilities Act, Section 1981 of the Civil Rights Act of 1866, the California Fair Employment and Housing Act, the California Family Rights Act, the Family and Medical Leave Act, the California Constitution, the California Labor Code, the California Industrial Welfare Commission Wage Orders, the California Government Code, the Worker Adjustment and Retraining Notification Act; (iv) whistleblower claims, claims of breach of implied or express contract, breach of promise, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any other employment-related tort, and any claims for costs, fees, or other expenses, including attorneys’ fees; and (v) any other aspect of your employment or the termination of your employment.
For the purpose of implementing a full and complete release, You expressly acknowledge and agree that this Release resolves all
claims You may have against the Company and the Releasees as of the date of this Release, including but limited to claims that You did not know or suspect
to exist in your favor at the time of the execution of this Release. You expressly waive any and all rights which You may have under the provisions of
Section 1542 of the California Civil Code or any similar state or federal statute. Section 1542 provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing
the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

This 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.

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

This general release does not waive or release rights or claims arising after You sign this Release.

8. **Covenant Not to Sue.** A “covenant not to sue” is a promise not to sue in court. This covenant differs from a general release of claims in that,
besides waiving and releasing the claims covered by this Release, You represent and warrant that You have not filed, and agree that You will not file, or cause
to be filed or maintained, any judicial complaint, lawsuit or demand for arbitration involving any claims You have released in this Release, and You agree to
withdraw any judicial complaints, lawsuits or demands for arbitration You have filed, or were filed on your behalf, prior to the effective date of this Release.
Still, You may sue to enforce this Release. You agree if You breach this covenant, then You must pay the legal expenses incurred by incurred by any
Releasee in defending against your suit, including reasonable attorneys’ fees, or, at the Company’s option, return everything paid to You under this
Agreement. In that event, the Company shall be excused from making any further payments or continuing any other benefits otherwise owed to You under
paragraph 2 of this Agreement. Furthermore, You give up all rights to individual damages in connection with any administrative or court proceeding with
respect to your employment with or termination of employment from, the Company. You also agree that if You are awarded money damages, You will assign
your right and interest to such money damages (i) in connection with an administrative charge, to the relevant administrative agency; and (ii) in connection
with a lawsuit or demand for arbitration, to the Company.
9. **Cooperation With Company.** You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying truthfully in a proceeding) in the investigation and handling of any internal investigation, governmental 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.

10. **No Reemployment.** You acknowledge and agree that the Company has no obligation to employ You or offer You employment in the future and You shall have no recourse against the Company if it refuses to employ You or offer You employment. If You do seek re-employment, then this Release shall constitute sufficient cause for the Company to refuse to re-employ You. Notwithstanding the foregoing, the Company has the right to offer to re-employ You in the future if, in its sole discretion, it chooses to do so.

11. **No Admission of Liability.** 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.

12. **Severability.** Should any provision of this Release be declared or be determined by any court or arbitrator to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected, and said illegal or invalid part, term, or provision shall be deemed not to be part of this Release.

13. **Governing Law.** This Release is made and entered into in the State of Florida and shall in all respects be interpreted, enforced, and governed under the law of that state, without reference to conflict of law provisions thereof.

14. **Interpretation.** 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. The captions and headings contained in this Agreement are for convenience only and shall not control the meaning, effect, or construction of this Agreement.

15. **Knowing and Voluntary Agreement.** You have carefully reviewed this Release and understand the terms and conditions it contains. By entering into this Release, You are giving up potentially valuable legal rights. You specifically acknowledge that You are waiving and releasing any rights You may have under the ADEA. You acknowledge that the consideration given for this waiver and release is in addition to anything of value to which You were already entitled. You acknowledge that You are signing this Release knowingly and voluntarily and intend to be bound legally by its terms.

16. **Entire Agreement.** You hereby acknowledge that no promise or inducement has been offered to You, except as expressly stated in this Release and in the Severance Benefits Agreement, and You are relying upon none. This Release and the Severance Benefits Agreement represent the entire agreement between You and the Company with respect to the subject matter hereof, and supersede any other written or oral understandings between the parties pertaining to the subject matter hereof and may only be amended or modified with the prior written consent of You and the Company.
17. Period for Review and Consideration/Revocation Rights.

[Alternative 1 for Section 17 if Employee is NOT age 40 or over at time of separation from employment]

You understand that You have seven (7) 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 seven (7) day period. If You do sign it, You also understand that You will have an additional three (3) 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 third (3rd) day after your delivery of this signed Release to the Company (or on the next business day if the third calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that three (3) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

[Alternative 2 for Section 17 if Employee is age 40 or over at time of separation from employment, separation from employment is NOT in connection with a group separation, and ADEA Claims are being released]

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 seven (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 (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

[Alternative 3 for Section 17 if Employee is age 40 or over at time of separation from employment, separation from employment IS in connection with a group termination, and ADEA Claims are being released]

(a) You understand that You have forty-five (45) 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 forty-five (45) day period. If You do sign it, You also understand that You will have an additional seven (7) days after You sign to change your mind and revoke the Agreement, in which case a written notice of revocation must be delivered to the Company’s Chief Legal Officer, 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 (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

(b) You acknowledge that You have received the group information of employees included in the Company’s group termination program, the eligibility factors for participation in the program, and the time limits for participation in the program. You also acknowledge that You have received lists of the ages and job titles of employees eligible or selected for the program and employees not eligible or selected for the group termination program. This information is set forth on Appendix A attached hereto and incorporated herein by reference.

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18. **Advice of Attorney and Tax Advisor.** Employee acknowledges that: (i) the Company has advised Employee to consult with an attorney and/or tax advisor of Employee’s choosing (and at Employee’s own cost and expense) before executing 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 attorney and tax advisors.

**PLEASE READ CAREFULLY. THIS RELEASE INCLUDES A GENERAL RELEASE OF ALL CLAIMS, KNOWN AND UNKNOWN. YOU MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS RELEASE THAT ARE NOT AGREED UPON BY THE COMPANY IN WRITING. ANY CHANGES SHALL CONSTITUTE A REJECTION OF THIS RELEASE BY EMPLOYEE.**

Dated: ____________, 201_

_____________________________________
Ralph Smith

Dated: ____________, 201_

**Autobytel Inc.**

By: ___________________________________
[Officer’s Name]
[Title]
February 14, 2014

Taren Peng
[Personal Residence Address Redacted]

Re: Offer of Employment

Dear Taren:

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 March 10, 2014, the Company will employ you as VP, Website and Mobile Development. In such capacity, you will report to the Company’s SVP, Technology 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 a Semi-monthly Rate equal to Eight Thousand Three Hundred Thirty-three Dollars and Thirty-four Cents ($8,333.34). 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 25% of your annualized rate (i.e., 24 X Semi-monthly Rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards 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 with the Company, the Company hereby agrees to pay you a sign-on bonus in the amount of Fifteen Thousand Dollars ($15,000) to be paid in the payroll cycle following your employment commencement date.

   (d) 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.

   (e) 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).

   (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 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.
Your execution and delivery of your acknowledgment and agreement to the Company’s Employee Handbook and the various policies included therein, Securities Trading Policy, Code of Conduct and Ethics. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.

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.

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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/ Taren Peng
Taren Peng
[Personal Residence Address Redacted]
January 31, 2017

TO: Taren Peng

FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary

RE: Promotion

It is a pleasure to inform you of your promotion. Following is a summary of your promotion.

New Position: SVP, Technology
New Semi-monthly Rate: $9,375.01 ($225,000 Approximate Annually)
Effective Date: January 1, 2017
Annual Incentive Compensation: You shall be eligible 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 employment level and position, geographic location and applicable department or operations within the Company (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 50% 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, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company’s evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion 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 time off. You understand that the Company's annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, an payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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Please feel free to call if you have any questions.

*Autobytel Inc.*

By: [Signature]
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed:

/s/ Taren Peng
Taren Peng
AUTOBYTEL INC.

SEVERANCE BENEFITS AGREEMENT

This Severance Benefits Agreement ("Agreement") entered into effective as of August 25, 2014 ("Effective Date") between Autobytel Inc., a Delaware corporation ("Autobytel" or "Company"), and Taren Peng ("Employee").

Background

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

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 March 10, 2014 entered into by and between the Company and Employee.

   (c) "Cause" shall mean the termination of the Employee’s employment by the 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 notifying Employee that, in the opinion of the Company, “Cause” exists to terminate Employee’s employment.

   (d) "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 Effective Date, 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.

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

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

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

(h) "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.

(i) "Employee’s Position" means Employee’s position as the Vice President, Website and Mobile Development of the Company.

(j) "Employee’s Primary Work Location" means Autobytel’s headquarters located at 18872 MacArthur Boulevard, Suite 200, Irvine, California, 92612-1400.
(k) “Good Reason” means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee’s base salary as in existence as of the Effective Date 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 Health and Welfare Benefits as a whole as in existence as of the Effective 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's primary place of employment without Employee's consent from Employee's Primary Work Location to any other location in excess of a fifty (50) mile radius from the Employee’s Primary Work Location other than on a temporary basis 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.

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

(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 section, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that Employee will return to perform services for the Company. For purposes of determining whether Employee has incurred a Separation from Service, the Company shall include the Company and any entity that would be considered a single employer with the Company under Code Section 414(b) or 414(c).

(n) “Severance Period” shall equal nine (9) months.
(o) “Successor Company” means any successor to Autobytel or its assets by reason of any Change of Control.

(p) “Termination Without Cause” means termination of Employee’s employment with the Company (i) by the Company (a) for any reason other than (1) death, (2) Disability or (3) those reasons expressly set forth in the definition of “Cause,” (b) for no reason at all, or (c) in connection with or as a result of a Change of Control; 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 following the earlier of (1) the Company’s failure to cure within the 30-day period set forth in the definition of Good Reason, and (2) the Company’s notice to Employee that it will not cure the event giving rise to such termination for Good Reason, then (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, commissions or other incentive payments or compensation); (B) subject to Section 2(b) below, Employee shall be entitled to a continuation of all Health and Welfare 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 at a level and with a provider selected by the Company in accordance with Section 2(g) below.

(b) (i) With respect to Health and Welfare 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’ health care under the Company’s then existing insurance policies for such Health and Welfare Benefits, Employee may elect to obtain coverage for such Health and Welfare 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 Health and Welfare 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 have paid assuming Employee elected continuation of benefits under COBRA. The Company’s obligation to pay or reimburse for the Health and Welfare 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 the Health and Welfare Benefits 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 Health and Welfare 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 Health and Welfare Benefits, Employee may elect to obtain coverage for such Health and Welfare 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 Health and Welfare Benefits at the time of termination of Employee's employment with the Company. The Company's obligation to pay or reimburse for the Health and Welfare 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 the Health and Welfare Benefits 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 Health and Welfare 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 Health and Welfare Benefits, for individual coverage, or for dependent coverage.

(c) The payments and benefits set forth in Sections 2(a) and 2(b) are conditioned upon and shall be provided to Employee only if (i) Employee has executed and delivered to the Company a Separation and Release Agreement in favor of the Company and Releasees, which agreement shall be substantially in the form attached hereto as Exhibit A ("Release") no later than the expiration of the applicable period of time allowed for Employee to consider the Release as set forth in Section 17 of the Release ("Release Consideration Period"); (ii) Employee has not revoked the Release prior to the expiration of the applicable revocation period set forth in Section 17 of the Release ("Release Revocation Period"); and (iii) the Release has become effective and non-revocable no later than the cumulative period of time represented by the sum of the maximum Release Consideration Period and the maximum Release Revocation Period. No payments or benefits set forth in Sections 2(a) or 2(b) shall be due or payable to, or provided to, Employee if the Release has not become effective and non-revocable in accordance with the requirements of this Section 2(c).

(d) Upon satisfaction of the conditions set forth in Section 2(c), but subject to the last sentence of this Section 2(d), all payments under Section 2(a)(A) shall be made to Employee within five (5) business days after the Release becomes effective and non-revocable in accordance with its terms. In any case, the payment under Section 2(a)(A) 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, provided that the Release shall have become effective and non-revocable in compliance with Section 2(c) prior to expiration of such two and one-half month period. If the period of time covered by the entire allowed Release Consideration Period, the entire Revocation Period and the entire five business day period described above in this Section 2(d) (considering such periods consecutively) begins in one calendar year and ends in the following calendar year, all payments under Section 2(a)(A) shall be made to Employee on the first business day of such following calendar year which is five (5) or more business days after the date on which the Release became effective and non-revocable in accordance with its terms.
(e) In addition to the payments and benefits under Sections 2(a) and 2(b), 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) are not conditioned upon Employee’s signing the Release and shall be made within the time period(s) 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 the Release becomes effective.

(h) Other than the payments and benefits provided for in this Section 2, Employee shall not be entitled to any additional payments or benefits 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 and interest arising under Section 409A of the Code). Neither the Company nor any of its employees, directors, or service providers shall have any obligation whatsoever to pay such taxes or interest, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax or interest 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, any amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code 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, without interest, 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. With respect to the reimbursement of expenses to which Employee is entitled under this Agreement, if any, or the provision of in-kind benefits to Employee as specified under this Agreement, if any, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, solely to the extent that the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period in which the reimbursement arrangement remains in effect; (ii) the reimbursement of an eligible expense shall be made no later than the end of the calendar year after the calendar year in which such expense was incurred; (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; and (iv) the right to reimbursement or provision of in-kind benefits shall not apply to any expenses incurred or benefits to be provided beyond the last day of the second taxable year following the year in which Employee's Separation from Service occurred.

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4. **Arbitration.** 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 integrated understanding between the parties hereto and supersedes any prior employment, severance, or change-in-control protective agreement or other agreement, plan or arrangement between the Company or any predecessor and Employee. No provision of this Agreement shall be interpreted to mean that Employee is subject to receiving fewer benefits than those available to Employee without reference to this Agreement. The Parties acknowledge and agree that the Prior Severance Agreement is hereby terminated and shall have no further force or effect.

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

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

   If to the Employee:

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

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

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

9. **Non-Disclosure.** Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of this Agreement or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee’s immediate family who have a need to know such matters or to Employee’s tax or legal advisors who have a need to know such matters. If Employee does disclose this Agreement or any of its terms to any of Employee’s immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Agreement and its terms confidential. The Company may disclose the existence or terms of the Agreement and its terms and may file this Agreement as an exhibit to its public filings if it is required to do so under applicable law, rule, regulation or order.
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 excised 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 laws 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 or shall be construed to create rights running to the benefit of any third party.

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 Agreement 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.

[Remainder of page intentionally left blank.]
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/ Taren Peng

Taren Peng
EXHIBIT A

SEPARATION AND RELEASE AGREEMENT

It is hereby agreed by and between you, Taren Peng (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. Separation of Employment. 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. This Separation and Release Agreement (“Release”) is entered into in connection with that certain Severance Benefits Agreement dated effective as of August 25, 2014 by and between the Company and Employee (“Severance Benefits Agreement”).

2. Release Consideration. In exchange for your promises and obligations in this Release and the Severance Benefits Agreement, including the release of claims set forth below, if You sign and do not revoke this Release and this Release becomes effective, the Company will pay You the amounts, and will provide the benefits, due to You under the Severance Benefits Agreement, minus legally required federal, state and local payroll deductions and withholdings. Payment of any monetary amount provided for in this Section 2 will be made within the time periods required by the Severance Benefits Agreement (except for payments or benefits that will be paid or provided over time as provided therein) and, if no time is specified, within 5 business days after this Release becomes effective.

3. Acknowledgement of Receipt of Amounts Due. You acknowledge and agree that You have received all, and that the Company does not owe You any additional, payments, benefits or other compensation as a result of your employment with the Company or your separation from employment with the Company, including, but not limited to, wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than those amounts or benefits, if any, payable or to be provided to You after the date hereof pursuant to the Severance Benefits Agreement after this Release becomes effective.

4. Return of Company Property. 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, computers, cell phones, 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. You hereby represent that, other than those materials You have returned to the Company pursuant to this Section 4, You have not copied or caused to be copied, and have not transferred or printed-out or caused to be transferred or printed-out, any software, computer disks, e-mails 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.
5. **Confidentiality and Non-Solicitation/Interference.**

   (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 any confidentiality or non-disclosure agreement between You and the Company, including, without limitation, that certain Employee Confidentiality Agreement dated as of [_______], [___], which shall remain binding on You after the Employment Termination Date.

   (b) Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of the Severance Benefits Agreement or this Release or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee’s immediate family who have a need to know such matters or to Employee’s tax or legal advisors who have a need to know such matters. If Employee does disclose this Release, the Severance Benefits Agreement or any of their respective terms to any of Employee’s immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Release, the Severance Benefits Agreement and their respective terms confidential. The Company may disclose the existence or terms of this Release, the Severance Benefits Agreement and their respective terms and may file this Release and the Severance Benefits Agreement as exhibits to its public filings if it is required to do so under applicable law, rule, regulation or order.

   (c) For a period of one (1) year immediately following this Release becoming effective, You agree that You will not interfere with Company’s business by soliciting an employee to leave Company’s employ, or by inducing a consultant or vendor to sever its relationship with Company. You may not, at any time, use the Company’s trade secrets to solicit business from any source, including the Company’s customers or clients. This Section 5(c) is not intended to, and shall not, prevent You from lawful competition with the Company. You represent and warrant that You have not engaged in any of the foregoing activities prior to the effective date of this Release.

6. **Nondisparagement.** 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.

7. **Unconditional General Release of Claims.**

   (a) In consideration for the payment and benefits provided for in Section 2, and notwithstanding the provisions of Section 1542 of the Civil Code of California, 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, officers, employees, agents, and attorneys of any such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (all of the foregoing released persons or entities being referred to herein as “Releases”), from any and all claims, complaints, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature, whether known or unknown, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the date of execution of this Release, including, but not limited to, claims that arise out of or in any way relate to your employment or your separation from employment with the Company.
(b) You acknowledge and agree that the foregoing unconditional and general release includes, but is not limited to, (i) any claims for salary, bonuses, commissions, equity, compensation (except as specified in this Agreement), wages, penalties, premiums, severance pay, vacation pay or any benefits under the Employee Retirement Income Security Act of 1974, as amended; (ii) any claims of harassment, retaliation or discrimination; (iii) any claims based on any federal, state or governmental constitution, statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans With Disabilities Act, Section 1981 of the Civil Rights Act of 1866, the California Fair Employment and Housing Act, the California Family Rights Act, the Family and Medical Leave Act, the California Constitution, the California Labor Code, the California Industrial Welfare Commission Wage Orders, the California Government Code, the Worker Adjustment and Retraining Notification Act; (iv) whistleblower claims, claims of breach of implied or express contract, breach of promise, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any other employment-related tort, and any claims for costs, fees, or other expenses, including attorneys’ fees; and (v) any other aspect of your employment or the termination of your employment.

(c) For the purpose of implementing a full and complete release, You expressly acknowledge and agree that this Release resolves all claims You may have against the Company and the Releasees as of the date of this Release, including but limited to claims that You did not know or suspect to exist in your favor at the time of the execution of this Release. You expressly waive any and all rights which You may have under the provisions of Section 1542 of the California Civil Code or any similar state or federal statute. Section 1542 provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

(d) This 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.

(e) You hereby certify that You have not experienced a job-related illness or injury for which You have not already filed a claim.

(f) This general release does not waive or release rights or claims arising after You sign this Release.
8. **Covenant Not to Sue.** A “covenant not to sue” is a promise not to sue in court. This covenant differs from a general release of claims in that, besides waiving and releasing the claims covered by this Release, You represent and warrant that You have not filed, and agree that You will not file, or cause to be filed or maintained, any judicial complaint, lawsuit or demand for arbitration involving any claims You have released in this Release, and You agree to withdraw any judicial complaints, lawsuits or demands for arbitration You have filed, or were filed on your behalf, prior to the effective date of this Release. Still, You may sue to enforce this Release. You agree if You breach this covenant, then You must pay the legal expenses incurred by or incurred by any Releasee in defending against your suit, including reasonable attorneys’ fees, or, at the Company’s option, return everything paid to You under this Agreement. In that event, the Company shall be excused from making any further payments or continuing any other benefits otherwise owed to You under paragraph 2 of this Agreement. Furthermore, You give up all rights to individual damages in connection with any administrative or court proceeding with respect to your employment with or termination of employment from, the Company. You also agree that if You are awarded money damages, You will assign your right and interest to such money damages (i) in connection with an administrative charge, to the relevant administrative agency; and (ii) in connection with a lawsuit or demand for arbitration, to the Company.

9. **Cooperation With Company.** You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying truthfully in a proceeding) in the investigation and handling of any internal investigation, governmental 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.

10. **No Reemployment.** You acknowledge and agree that the Company has no obligation to employ You or offer You employment in the future and You shall have no recourse against the Company if it refuses to employ You or offer You employment. If You do seek re-employment, then this Release shall constitute sufficient cause for the Company to refuse to re-employ You. Notwithstanding the foregoing, the Company has the right to offer to re-employ You in the future if, in its sole discretion, it chooses to do so.

11. **No Admission of Liability.** 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.

12. **Severability.** Should any provision of this Release be declared or be determined by any court or arbitrator to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected, and said illegal or invalid part, term, or provision shall be deemed not to be part of this Release.

13. **Governing Law.** 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.

14. **Interpretation.** 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. The captions and headings contained in this Agreement are for convenience only and shall not control the meaning, effect, or construction of this Agreement.
15. **Knowing and Voluntary Agreement**. You have carefully reviewed this Release and understand the terms and conditions it contains. By entering into this Release, You are giving up potentially valuable legal rights. You specifically acknowledge that You are waiving and releasing any rights You may have under the ADEA. You acknowledge that the consideration given for this waiver and release is in addition to anything of value to which You were already entitled. You acknowledge that You are signing this Release knowingly and voluntarily and intend to be bound legally by its terms.

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

17. **Period for Review and Consideration/Revocation Rights**.

**[Alternative 1 for Section 17 if Employee is NOT age 40 or over at time of separation from employment]**

You understand that You have seven (7) 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 seven (7) day period. If You do sign it, You also understand that You will have an additional three (3) 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 third (3rd) day after your delivery of this signed Release to the Company (or on the next business day if the third calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that three (3) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

**[Alternative 2 for Section 17 if Employee is age 40 or over at time of separation from employment, separation from employment is NOT in connection with a group separation, and ADEA Claims are being released]**

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 seven (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 (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.
(a) You understand that You have forty-five (45) 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 forty-five (45) day period. If You do sign it, You also understand that You will have an additional seven (7) days after You sign to change your mind and revoke the Agreement, in which case a written notice of revocation must be delivered to the Company’s Chief Legal Officer, 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 (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

(b) You acknowledge that You have received the group information of employees included in the Company’s __________ group termination program, the eligibility factors for participation in the program, and the time limits for participation in the program. You also acknowledge that You have received lists of the ages and job titles of employees eligible or selected for the program and employees not eligible or selected for the group termination program. This information is set forth on Appendix A attached hereto and incorporated herein by reference.

18. Advice of Attorney and Tax Advisor. Employee acknowledges that: (i) the Company has advised Employee to consult with an attorney and/or tax advisor of Employee’s choosing (and at Employee’s own cost and expense) before executing 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 attorney and tax advisors.

PLEASE READ CAREFULLY. THIS RELEASE INCLUDES A GENERAL RELEASE OF ALL CLAIMS, KNOWN AND UNKNOWN. YOU MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS RELEASE THAT ARE NOT AGREED UPON BY THE COMPANY IN WRITING. ANY CHANGES SHALL CONSTITUTE A REJECTION OF THIS RELEASE BY EMPLOYEE.

Dated: ____________ , 201_

____________________________________
Taren Peng

Dated: ____________ , 201_

Autobytel Inc.

By: ____________________________________________
[Officer’s Name]
[Title]
April 24, 2013

John Skocilic
[Personal Residence Address Redacted]

Re: Amended and Restated Employment Agreement

Dear John:

This agreement confirms, updates and restates the terms and conditions upon which you are employed by Autobytel Inc., a Delaware corporation (“Company”), as of May 1, 2013 (“Amendment Effective Date”).

1. Employment

(a) As of the Amendment Effective Date you are employed as the Company’s Senior Vice President, Technology. In such capacity, you will report to the Company’s President and Chief Executive Officer or such other senior executive officer as 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 any termination of your employment by either party, whether with or without cause or good reason, you will be entitled to receive only such severance benefits, if any, as are set forth in that certain Amended and Restated Severance Benefits Agreement dated as of May 1, 2013 between you and the Company (“Severance Benefits Agreement”), as the Severance Benefits Agreement may be further amended, modified or terminated by agreement of the parties. Receipt of any such severance benefits is subject to your compliance with the terms and conditions of the Severance Benefits Agreement. 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.

(d) You will be governed by and will comply with by Company policies and procedures, as such policies and procedures may exist from time to time, generally applicable to all Company employees, including the Company’s Employee Handbook, Securities Trading Policy, Code of Conduct and Ethics for Employees, Officer and Directors, and Sexual Harassment Policy, copies of which you acknowledge have been provided to 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 Eight Thousand Five Hundred Forty-one Dollars and Sixty-seven Cents ($8,541.67). 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 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 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, individual performance objectives and/or subjective performance evaluations, allocated between and among such performance objectives and evaluations as the Company may determine in its sole discretion). 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 provided to you by the Company. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, and the achievement of objectives and payouts, if any, thereunder are subject to the sole discretion of the Company’s Board of Directors, or a committee thereof.

   (c) 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).

   (d) 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. **Other Employment Documents** You acknowledge and agree that you continue to be subject to and bound by the terms and conditions of the following agreements: (i) Employee Confidentiality Agreement dated as of June 4, 1998; and (ii) Mutual Agreement to Arbitrate dated as of July 30, 2010.

4. **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 (which in the case of the Company, must be executed by the Company’s Chief Legal Officer) 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.

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5. **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 5. For purposes of this Section 5, "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.

6. **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.

7. **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.

8. **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.

9. **Entire Agreement.** This agreement, together with the Company policies and procedures referenced above in Section 1(d) and the agreements referenced above in Sections 1(c) and 3, is intended to be the final, complete and exclusive agreement between the parties relating to your employment by the Company and all prior or contemporaneous understandings, representations and statements, oral or written, are merged herein. Without limiting the generality of the foregoing, this agreement supersedes in its entirety your Employment Agreement dated as of June 4, 1998, as amended prior to this agreement. 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.
10. **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.

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 Skocilic
John Skocilic
[Personal Residence Address Redacted]
DATE: January 22, 2016

TO: John J Skocilic

FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary

CC: Matias de Tezanos - EVP, Chief Strategy Officer

RE: Promotion

It is a pleasure to inform you of your promotion to EVP, Technology at Autobytel Inc. In this position you will report to Matias de Tezanos - EVP, Chief Strategy Officer. Following is a summary of your adjustment in your compensation associated with your promotion.

New Position: EVP, Technology
Semi-monthly Rate: $10,541.67 ($253,000 Approximate Annually)
Effective Date: January 1, 2016
Annual Incentive Opportunity:

You shall be eligible 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 employment level and position, geographic location and applicable department or operations within the Company (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 in its sole discretion for each annual period, which may be up to 60% your annualized rate (i.e., 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, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company’s evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion 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 time off. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, an payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

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

Autobytel Inc.

By: /s/ Glenn E. Fuller
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed:

/s/ John J. Skocilic
John J Skocilic
January 31, 2017

TO:  John J Skocilic

FROM: Glenn Fuller – EVP, Chief Legal and Administrative Officer and Secretary

RE:  Promotion

It is a pleasure to inform you of your promotion. Following is a summary of your promotion.

New Position:  EVP, Chief Information Officer

New Semi-monthly Rate:  $12,125 ($291,000 Approximate Annually)

Effective Date:  January 1, 2017

New Annual Incentive Compensation:  You shall be eligible 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 employment level and position, geographic location and applicable department or operations within the Company (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 60% 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, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company’s evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion 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 time off. You understand that the Company’s annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, an payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

Your promotion is conditioned upon your acceptance of the foregoing modifications to the terms and conditions of your employment with Autobytel Inc. If you accept these modifications to the terms of your employment, please acknowledge your acceptance in the space provided below.

Please feel free to call if you have any questions.

Autobytel Inc.

By:  
Glenn Fuller
EVP, Chief Legal and Administrative Officer and Secretary

Accepted and Agreed:

/s/ John J. Skocilic
John J. Skocilic
### SUBSIDIARIES OF AUTOBYTEL INC.

<table>
<thead>
<tr>
<th>Subsidiary Name</th>
<th>Jurisdiction of Incorporation</th>
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<tbody>
<tr>
<td>Auto-By-Tel Insurance Services, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Autobytel Dealer Services, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Autotegrity, Inc.</td>
<td>Delaware</td>
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<tr>
<td>AutoWeb, Inc.</td>
<td>Delaware</td>
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<tr>
<td>AW GUA USA, Inc.</td>
<td>Delaware</td>
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<tr>
<td>Car.com, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Dealix Corporation</td>
<td>California</td>
</tr>
</tbody>
</table>
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM


/s/ Moss Adams LLP

Los Angeles, CA
March 9, 2017
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 9, 2017

/s/ Jeffrey H. Coats
Jeffrey H. Coats
President and Chief Executive Officer
I, Kimberly Boren, 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 9, 2017

/s/ Kimberly Boren
Kimberly Boren,
Executive 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, 2016 (the “Report”), we, Jeffrey H. Coats, President and Chief Executive Officer of the Company, and Kimberly Boren, Executive 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 9, 2017

/s/ Kimberly Boren
Kimberly Boren
Executive Vice President and Chief Financial Officer
March 9, 2017

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.