UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended December 31, 2001

[ ] 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 0-22239

Autobytel Inc.

(Exact Name of Registrant as Specified in Its Charter)

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

18872 MacArthur Boulevard
Irvine, California 92612-1400
Telephone: (949) 225-4500
(Address, including zip code, and telephone number, including area code, of registrant's principal offices)

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

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

Common Stock, par value $0.001 per share
(Title of Class)

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 [X] 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. [ ]

Based on the closing sale price of $3.00 for our common stock on the Nasdaq National Market System on March 15, 2002, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately $88.4 million. As of March 15, 2001, 31,104,107 shares of our common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of our Definitive Proxy Statement for the 2001 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

Autobytel Inc.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

PART I

Item 1. *Business*

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Annual Report and our proxy statement, parts of which are incorporated herein by reference, contain such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words of similar substance used in connection with any discussion of future operations or financial performance identify forward-looking statements. In particular, statements regarding expectations and opportunities, new product expectations and capabilities, our outlook regarding our performance and growth are forward-looking statements. These forward-looking statements are just predictions and involve risks and uncertainties such that actual results may differ materially from these statements. Important factors that could cause actual results to differ materially from those reflected in forward-looking statements made in this Annual Report are set forth under the heading "Risk Factors." Stockholders are urged not to place undo reliance on forward-looking statements, which speak only as of the date hereof. We are under no 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. Unless specified otherwise as used herein, the terms "we," "us" or "our" refer to Autobytel Inc. and its subsidiaries.

Overview

We are an Internet automotive marketing services company that helps dealers sell cars and manufacturers build brands through efficient marketing and customer relationship management (CRM) tools and programs. We own and operate four Web sites — Autobytel.com®, Autoweb.com, CarSmart.com(SM) and AutoSite.com. We are also a leading provider of automotive marketing data and technology through our Automotive Information Center (AIC) division. We believe we generated an estimated four percent of all domestic new car sales, or $17 billion, in 2001 for our participating dealers.

We provide tools and programs to automotive dealers and manufacturers to help them increase market share and reduce customer acquisition costs. Our intent is to garner an increasing share of the $21 billion spent annually by dealers and manufacturers on marketing and advertising services.

We are the largest syndicated car buying content network and reach millions of Internet unique visitors as they make their vehicle buying decisions. As of February 28, 2002, we had approximately 8,900 dealer relationships representing every major domestic and imported make of vehicle and light truck sold in the United States and Canada. Of these, approximately 6,300 relationships were with program dealers that participate in our online car buying referral network programs. Approximately 3,800 relationships were with the Autobytel.com brand, 1,800 relationships were with the Autoweb.com brand and 700 relationships were with the CarSmart.com brand. The Autobytel.com, Autoweb.com and CarSmart.com brands have low audience overlap. As of February 28, 2002, approximately 800 program dealers had more than one dealer relationship with us. Also included in our approximately 8,900 dealer relationships as of February 28, 2002, were approximately 2,600 enterprise relationships with major dealer groups and automotive manufacturers through our enterprise sales initiatives. Plymouth dealer relationships have been excluded due to the discontinuance of the brand at the end of the 2001 model year. Program dealer relationships consist of subscriptions to our new car marketing programs and our Used Vehicle CyberStore program.

Dealers participate in our branded networks by entering into contracts with us. In turn, we direct consumers to dealers in their local area based on the consumers' vehicle preference. We expect our dealers to promptly provide consumers a haggle-free, competitive offer. We believe that dealers who immediately respond to consumer inquiries, have readily available inventory and provide up-front competitive pricing benefit the most from our marketing services. Program fees paid by participating dealers constituted approximately 74% of our revenues in 2001 compared to 81% of revenues in 2000.

The majority of automotive manufacturers, including BMW, DaimlerChrysler, Ford, General Motors, Honda and Toyota, currently use our AIC automotive data or technology to power their Web sites. In addition, major consumer portals, including AOL, Lycos, MSN CarPoint and Yahoo, also use our content or technology.

Consumers come to our Web sites to research, compare and configure vehicles and to purchase vehicles through one of our network dealers. Once they are ready to buy a vehicle, consumers can submit a purchase request through any of our three online car buying Web sites — Autobytel.com, Autoweb.com or CarSmart.com — to be connected to one of our participating dealers. In addition, consumers have access to a diverse suite of related services information and original automotive editorial content at our research Web site, AutoSite.com.

Consumers can also purchase used vehicles at our three online car buying Web sites — Autobytel.com, Autoweb.com, CarSmart.com — through our Used Vehicle CyberStore. The CyberStore allows consumers to search for a used vehicle according to the price, make, model, color, year and location of the vehicle. The CyberStore locates and displays the description, location and, if available, actual photograph of vehicles that satisfy the consumer's search parameters. As part of our used car program, we offer consumers the ability to list used vehicles through our classified advertising service.

In 2001 and 2002 we developed and/or introduced the following dealer centric customer relationship management products:

In January 2001, we introduced iManager(SM) to our dealers. iManager is a multi-functional online lead management system and an upgrade of our Dealer Real Time® system. The iManager system provides dealers with immediate purchase request information for new and used vehicles, the ability to track multiple customers and purchase requests from us and competitors, customer retention programs, automatic uploading of new and used vehicle inventory into our database, reporting systems, including transaction status, customer information and dealer Internet department performance, and other features. In February 2002, we launched a new version of iManager that improves the dealers' process of managing and distributing leads. We are converting our Autobytel, Autoweb and CarSmart dealers from their previous systems to iManager. This migration is expected to be completed in 2002.

In January 2002, we announced Retention Performance Marketing (RPM), a product that is designed to deliver a more efficient method for dealers and manufacturers to retain their car buying and service customers. The product purifies the data in customer records, verifying contact information from within the dealership management system, then automatically outputs welcome letter/e-mails for new car buying and service customers. Service reminders and campaigns can then be sent out on a regular basis based on each customer's specific driving habits. The product also offers dealers a range of reporting and analysis capabilities. Each month, the dealership receives an executive summary that allows the dealership to measure results by showing return on investment, gross revenue generated per active customer name and response rate. RPM is expected to be launched in the first half of 2002.

In August 2001, we acquired Autoweb.com, Inc. (Autoweb), owner and operator of one of the leading online buying Web sites for new and used vehicles, for 10,504,803 shares of our common stock. Autoweb continues to operate as a separate brand. As part of the acquisition, we acquired AIC, a division of Autoweb. AIC provides comprehensive automotive information to dealers and manufacturers, major web portals and consumers through its research web site, AutoSite.com, and data and technology tools.

Following our acquisition of Autoweb, we formed an advertising media sales organization to focus on connecting automotive marketers with the millions of unique car shoppers visiting our four branded Web sites (Autobytel.com, Autoweb.com, CarSmart.com and AutoSite.com) each month.

In late 2001, we realigned our organization to focus our resources on providing marketing services to automotive dealers and manufacturers. In so doing, we redirected resources from certain consumer related products, including insurance, credit unions and warranties. We are de-emphasizing these consumer products. We also do not expect to devote substantial resources to international operations, but will continue to explore additional licensing business as opportunities arise.

We are a Delaware corporation incorporated on May 17, 1996. We were previously formed in Delaware in January 1995 as a limited liability company under the name Auto-By-Tel LLC. Our principal corporate offices are located in Irvine, California. We completed our initial public offering in March 1999 and our common stock is listed on the Nasdaq National Market under the symbol ABTL.

Background

Online Commerce Opportunities. Consumers have rapidly adopted the Internet into their car shopping and purchasing process. In 1998, 25% of all new car buyers used the Internet during their car purchasing process. According to J.D. Power and Associates, that number rose to 62% by 2001 and is expected to grow to 70% by 2003. According to Jupiter Media Metrix, in 2001, 13% of all new car sales were Internet generated and that number is projected to grow to 32% in 2006. Studies from major third party research companies indicate that consumers overwhelmingly prefer independent, multi-brand Web sites over manufacturer and dealer Web sites.

The Automotive Vehicle Market. Automotive dealers operate in localized markets and face significant state regulations and increasing business pressures These fragmented markets are characterized by:

- a perceived overabundance of dealerships,
- competitive sales within regional markets,
- increasing advertising and marketing costs that continue to reduce dealer profits,
- high-pressure sales tactics with consumers, and
- large investments by dealers in real estate, construction, personnel and other overhead expenses.

The ongoing rapid adoption of the Internet by consumers during their vehicle purchasing process has resulted, in part, from the fact that consumers have traditionally entered into the highly negotiated sales process with relatively little information regarding manufacturer's costs, leasing costs, financing costs, relative specifications and other important information. In addition, the ongoing growth of new vehicle sales generated online is in part an outgrowth of the high pressure sales tactics consumers associate with the traditional vehicle buying experience. Buying a vehicle is considered to be one of the most significant purchases a United States consumer makes. According to Manheim Auctions, approximately $755 billion and $743 billion was spent on new and used vehicles in the United States in 2001 and 2000, respectively.

The Autobytel Solution

We believe that our marketing services improve the vehicle purchasing process for dealers, automotive manufacturers and consumers. The Internet's wide reach to consumers allows us to leverage our investment in branding and marketing across a very large audience to create qualified purchase requests for vehicles. For these reasons, we believe that the Internet represents the most efficient method of directing purchase requests to local markets and dealers. We believe our services enable dealers to reduce marketing costs, increase consumer satisfaction and increase vehicle sales. We offer automotive manufacturers qualified car buyers to target during the customer's research and consideration phase. We offer consumers information-rich Web sites, numerous tools to configure this information, and a convenient and efficient car purchasing process.

Benefits to Dealers. We believe we benefit dealers by reducing the dealers' incremental marketing costs and increasing sales volume. Franchised new car dealers spend an average of $426 in marketing costs on each vehicle sold. We believe dealers' personnel costs could be reduced because we provide dealers access to potential purchasers who have completed their research and should be ready to buy or lease a vehicle. As a result, reaching these consumers and selling or leasing them vehicles costs the dealer little or no additional overhead expense other than the fees paid to us and the personnel costs of a dedicated manager. We believe franchised new car dealers spend an average of $150 in marketing costs on each vehicle sold by using our new car marketing services. Through our

iManager system, we provide dealers with on-site technology to better track sales, inventory, customer solicitations, responses and other communications.

We direct consumers to dealers in their local area based on the consumers' vehicle preference. We believe this provides dealers access to a larger number of well informed, ready-to-buy consumers which allows them to compete more effectively. As of February 28, 2002, we had approximately 8,900 dealer relationships in the United States and Canada, representing every major domestic and imported make of vehicle and light truck. Approximately 6,300 were program dealer relationships and approximately 2,600 were enterprise dealer relationships.

To incent a dealer to participate in the Autobytel or CarSmart network, each dealer is assigned an exclusive geographic territory in such network based upon specific vehicle make. A territory allocated by us to a dealer is generally larger than a territory assigned to a dealer by a manufacturer. Autoweb dealers are not assigned exclusive territories to participate in the Autoweb network.

Benefits to Manufacturers. Research shows that of all new car buyers, 62% use the Internet to do research during the car buying process. Manufacturers can influence car buyers' decisions by targeting them during their research, consideration and decision process. In addition, manufacturers can use our AIC data and technology tools to power their own Web sites allowing consumers to configure and compare cars.

Benefits to Consumers. Because Web sites can be continually updated and provide a large quantity of quality information and because consumers have shown a preference for third party Web sites and a preference for using the Internet during their car shopping experience, we believe the Internet offers the most efficient medium for consumers to learn about and shop for vehicles. A study released in 2001 by researchers at the University of California, Berkeley and Yale University found that on average customers using the Autobytel.com Web site in 1999 saved $500 on the purchase of a new car. Our Web sites provide consumers free of charge up-to-date specifications and pricing information on vehicles. In addition, our consumers gain easy access to valuable automotive information, such as dealer invoice pricing and tools consisting of a lease calculator, a loan calculator to determine monthly payments and a lease or buy decision assistant. Our database of articles allows consumers to perform online library research by accessing documents such as weekly automotive reports, consumer reviews and manufacturer brochures. Various automotive information service providers, such as Edmund's, Kelley Blue Book, and NADA, are also available on our Web sites to assist consumers with specific vehicle and related automotive decisions. Armed with such information, the consumer should be more confident and capable of making an informed and intelligent vehicle buying decision.

We believe we offer consumers a significantly different vehicle purchasing experience from that of traditional methods. Consumers using our Web sites are able to shop for a vehicle, and make financing and insurance decisions from the convenience of their own home or office. We expect dealers to provide consumers a haggle-free price quote within 24 hours and a high level of customer service. We form our dealer relationships after careful analysis of automotive sales and demographic data in each region. We seek to include in our dealer network the highest quality dealers within defined territories and terminate dealers that do not comply with the standards we set.

Strategy

We are an Internet automotive marketing services company that helps retailers sell cars and manufacturers build brands through efficient marketing and CRM tools and programs. We intend to garner an increasing share of the $21 billion spent annually by manufacturers and dealers on marketing and advertising services. We intend to achieve this objective through the following principal strategies:

Increase the Quality and Quantity of Purchase Requests that Can Be Monetized. We believe that increasing the quality and quantity of purchase requests that can be monetized is crucial to the long-term growth and success of our business. As part of our strategy to improve the quality of purchase requests, we continue to expand the breadth and depth of information and services available through our Web sites so that well informed, ready-to-buy consumers can be directed to participating dealers and are investing in new initiatives to help drive even more qualified buyers to dealerships. By augmenting the volume of quality purchase requests, we expect to attract additional dealers to our networks, increase fees paid by dealers, and solidify our relationships with existing dealers. Our strategy for increasing traffic to our Web sites and the number of purchase requests that can be monetized includes forming and

maintaining online sponsorships and alliances with Internet portals and with Internet automotive information providers.

Increase the Number of Relationships with Program Dealers Using Our Marketing Services. We believe that strengthening the size and quality of our program dealer networks is important to the success and growth of our business. Our strategy is to increase the size of our program dealer networks by attracting new dealers and strengthening relationships with existing dealers by:

- increasing the monetizable volume and quality of purchase requests,
- participating in industry trade shows aimed at dealers,
- maintaining our training and support programs to participating dealers, and
- providing our iManager system to all participating dealers.

As of February 28, 2002, we had approximately 6,300 program dealer relationships. In the fourth quarter of 2001, we revised our methodology of counting dealers to reflect our operation of three separate online car buying brands. A dealer can have multiple dealer relationships with us. A dealer who subscribes to the Autobytel.com new car program, Used Vehicle Cyberstore program and the Autoweb.com new car program accounts for three dealer relationships. As of February 28, 2002, approximately 800 program dealers had more than one dealer relationship with us.

Strengthen the Advertising Component of our Business Model. Our advertising sales effort is primarily targeted to vehicle manufacturers and automotive-related mass market consumer vendors. Using the targeted nature of Internet advertising, manufacturers can advertise their brand image effectively to specific subsets of our consumers. Vehicle manufacturers can target advertisements to consumers who are researching vehicles, thereby increasing the likelihood of influencing their purchase decisions. Campaign specifications are typically negotiated with the advertising agency or directly with the manufacturer or automotive-related vendor.

Emphasize Enterprise Sales to Major Dealer Groups and Automotive Manufacturers. We believe that strengthening the size and quality of our relationships with major dealer groups and automotive manufacturers is important to the success and growth of our business. Our strategy is to provide major dealer groups and automotive manufacturers such as General Motors, Ford and AutoNation with access to a large number of purchase-minded consumers from an attractive demographic base. Major dealer groups are dealerships that have corporate agreements with us. We have existing relationships with the majority of automotive manufacturers, such as General Motors and Ford, who use our data and technology tools and have an opportunity to expand these relationships into our other marketing services.

Enter into Acquisitions and Strategic Alliances. We intend to grow and advance our business, in part, through acquisitions and strategic alliances. We believe that acquisitions and strategic alliances can allow us to increase market share, benefit from advancements in technology and strengthen our business operations.

Invest in Other Core Product Initiatives Designed to Improve Lead Quality and Dealer Profitability. We believe that expanding our products and services offered to both manufacturers and dealers is critical to establishing ourselves as the premier provider of online automotive marketing services. We recently announced a new CRM product, RPM, that is designed to deliver a more efficient method for automotive manufacturers and dealers to retain their car buying and service customers.

Continue to Build Brand Equity. In the future we intend to continue to market and advertise to enhance the brand recognition of our Web sites with consumers. We believe that continuing to strengthen brand awareness of the Autobytel.com, Autoweb.com, CarSmart.com and AutoSite.com names among consumers is critical to attract vehicle buyers, increase purchase requests and, in turn, maintain and increase the size of our dealer and automotive manufacturer relationships. In the past, we have advertised through traditional media, such as television, radio and print publications and may do so again in the future.

Ensure the Highest Quality Consumer Experience On Our Web Sites. We believe that consumer satisfaction and loyalty is heavily influenced by the consumer's experience with our Web sites and with our dealers. In order to enhance our appeal to consumers, we intend to continue developing our Web sites by enhancing vehicle information and personalization. We plan to continue compiling high quality content from third party sources on our Web sites. We believe that consumer satisfaction with the vehicle purchasing experience is also essential to our success and the differentiation of our services from those of our competitors. We intend to continue to invest in our dealer training and support services to ensure a consistent, high-quality alternative to the traditional vehicle buying process.

Enhance and Broaden Content Offerings. We provide high quality content which facilitates consumer buying decisions related to and including the purchase of a vehicle. We work with leading automotive content providers to provide consumers with advice and information on our Web sites. We intend to use AIC data on all four of our Web sites.

Programs, Products and Services

New Vehicle Purchasing Service. Our new vehicle purchasing service enables consumers to shop for and select a new vehicle through our Web sites, Autobytel.com, Autoweb.com and CarSmart.com, by providing research on new vehicles such as pricing, features, specifications and colors. When consumers indicate they are ready to buy a vehicle, consumers can complete a purchase request online, which specifies the type of vehicle and accessories the consumers desire, along with the consumers' contact information. We validate the purchase request and then route it to the nearest participating dealer that sells the type of vehicle requested. We promptly return an e-mail message to the consumer with the dealership's name and phone number and the name of the dedicated manager at the dealership. Dealers agree in their contracts to contact the consumer within 24 hours of receiving the purchase request with a firm, haggle-free price quote for the requested vehicle. When consumers complete their purchase, they usually take delivery of their vehicle at the dealership showroom. Generally, within 14 days of the submission of a consumer's purchase request, we contact the consumer again by e-mail to conduct a quality assurance survey that allows us to evaluate the sales process at participating dealers and improve the quality of dealer service.

Used Vehicle CyberStore. We launched our CyberStore program in April 1997. The CyberStore allows consumers to search for a certified or non-certified used vehicle according to specific search parameters such as the price, make, model, mileage, year and location of the vehicle. Currently, the CyberStore is available to consumers on all three of our car buying Web sites - Autobytel.com, Autoweb.com and CarSmart.com. CyberStore locates and displays the description, location and, if available, actual digital photograph of vehicles that satisfy the search parameters. The consumer can then submit a purchase request for a specific vehicle and is contacted by the dealer to conclude the sale. To be listed as a certified vehicle in the CyberStore, a used vehicle must pass an extensive inspection and be covered by a 72-hour money-back guarantee and a three-month, 3,000-mile warranty, which is honored nationally by certified CyberStore dealers. As of February 28, 2002, our CyberStore program had approximately 121,000 dealer vehicle listings on our Web sites. We charge each vehicle dealer that participates in the CyberStore program a separate additional monthly fee. The CyberStore program uses the iManager system to provide participating dealers online purchase requests shortly after submission by consumers as well as the ability to track their inventory on a real-time basis.

As part of our used car program, we also offer consumers the ability to list used vehicles through our classified advertising service. As of February 28, 2002, our CyberStore had approximately 25,000 consumer vehicle listings. We charge consumers a fee for each classified vehicle listing.

As of February 28, 2002, we had approximately 8,900 dealer relationships representing every major domestic and imported make of vehicle and light truck sold in the United States and Canada. Of these, approximately 6,300 relationships were with program dealers that participate in our online car buying referral network programs. Approximately 3,800 relationships were with the Autobytel.com brand, 1,800 relationships were with the Autoweb.com brand and 700 relationships were with the CarSmart.com brand. The Autobytel.com, Autoweb.com and CarSmart.com brands have low audience overlap. As of February 28, 2002, approximately 800 program dealers had more than one dealer relationship with us. Also included in our approximately 8,900 dealer relationships as of February 28, 2002 were approximately 2,600 enterprise relationships with major dealer groups and automotive manufactures through our enterprise sales initiatives. Plymouth dealer relationships have been excluded due to the discontinuance of the brand at the end of the 2001 model year. Program dealer relationships consist of subscriptions

to our new car marketing programs and our Used Vehicle CyberStore program.

The iManager System. In January 2001, we launched iManager, a multi-functional online dealership lead management system and an upgrade of the previous system, Dealer Real Time. In February 2002, we launched a new version of iManager that improves the dealers' process of managing and distributing leads. Using Internet technology, the iManager system enables the dealer to:

- access a consumer's vehicle purchase request (which has been verified) as soon as the consumer submits it online,
- consolidate Internet leads from multiple sources and showroom traffic in a single application,
- track all interaction with the consumer,
- accelerate dealer response time to consumers' online vehicle purchase requests,
- send e-mail to consumers using a variety of predetermined templates,
- access purchase requests through Web-enabled cellular phones and wireless handheld devices,
- input new and used vehicle inventory information for immediate display to consumers on all three of our car buying Web sites,
- track dealership performance through a series of reports available online, including customer closing ratios, sales performance and productivity and return on investment for lead providers, and
- contact technical support personnel via e-mail links.

Autoweb currently uses the Sales Enhancer lead management system. We expect to convert all dealers to iManager in 2002.

RPM. In January 2002, we announced Retention Performance Marketing (RPM), a product that is designed to deliver a more efficient method for dealers and manufacturers to retain their car buying and service customers. The product purifies the data in customer records, verifying contact information from within the dealership management system), then automatically outputs welcome letter/e-mails for new car buying and service customers. Service reminders and campaigns can then be sent out on a regular basis based on each customer's specific driving habits. The product also offers clients a range of reporting and analysis capabilities. Each month, the dealership receives an executive summary that allows the dealership to measure results by showing return on investment, gross revenue generated per active customer name and response rate. RPM is expected to be launched in the first half of 2002.

We plan to introduce new products during subsequent quarters to enhance our portfolio of dealer, major dealer group and automotive manufacturer offerings.

Service and Maintenance. We believe our Web sites empower consumers with cost effective and efficient processes for dealing with common service and maintenance issues. The Autobytel.com and CarSmart.com Web sites include key components such as the ability to schedule service and maintenance appointments online. At the My Garage area consumers can store and receive information about their cars and trucks, such as service reminders, recall information and a lease watch to help keep track of mileage on a leased vehicle. In addition, the site offers travel and weather information as well as maps.

Advertising Services. We now have four Web site properties to market media products to automotive manufacturers and related businesses. The Web sites offer an audience of car-shopping and car buying consumers that advertisers can target as they make their vehicle purchase decision.

Consumer Products and Other Services. We offer related products and services that we market to consumers through our Web sites and the linked Web sites of participating third party providers. In line with our renewed focus on offering marketing services to dealers and automotive manufacturers we have redirected resources away from these products, including insurance and warranties.

International. We do not expect to devote substantial resources to international operations, but will continue to explore additional licensing business as opportunities arise.

Through our wholly-owned subsidiary, Autobytel.ca inc., we launched Autobytel.ca in Canada in 1998. As of February 28, 2002, approximately 100 Canadian dealerships belonged to our network.

We currently have licensing agreements in Japan, Australia and South Korea. As of February 28, 2002, we owned 21% of the Japanese licensee and 30% of the Australian licensee.

Autobytel.Europe has licensing agreements in the United Kingdom, Sweden and The Netherlands. In June 2001, we announced the restructuring of Autobytel.Europe. The restructuring primarily consisted of significant staff reductions at Autobytel.Europe and is expected to lead to changes in Autobytel.Europe's capital structure because of a reduction of its business activities. We are currently discussing the future capital structure of Autobytel.Europe with the other investors of Autobytel.Europe. Changes to the capital structure of Autobytel.Europe are expected to substantially reduce the cash on hand at Autobytel.Europe and to require us to recognize material non-cash charges. We do not anticipate contributing additional cash to Autobytel.Europe above the $5.0 million we initially contributed. As of February 28, 2002, we owned 76.5% of Autobytel.Europe. We expect that following the restructuring, our ownership of Autobytel.Europe will decline from 76.5% to less than 50% and that we will no longer consolidate Autobytel.Europe in our financial statements but will account for our investment in Autobytel.Europe under the equity method. There is no assurance that the expected changes in Autobytel.Europe's capital structure will be achieved.

Revenues from our customers outside of the United States were less than 10% of total revenues for the years ended December 31, 2001 and December 31, 2000.

Sales and Marketing

Our ability to enhance the recognition of our brand names, as well as increase the number of vehicle purchase requests delivered to our dealers and increase the number and quality of participating dealerships is important to our efforts of positioning ourselves as a leading Internet-automotive marketing services provider. We have been the subject of numerous newspaper, magazine, radio and television stories. Television stories featuring us have aired nationally on all major television networks. We believe that ongoing media coverage is an important element in creating consumer awareness of our brand names and has contributed to dealership awareness of, and participation in, our programs.

We have established marketing and advertising programs with many of the leading automotive information providers on the Internet, including Edmund's and Kelley Blue Book which direct traffic to our Web sites and increase purchase requests. Our agreements with automotive information providers typically have a term of no more than one year.

As of December 31, 2001, the aggregate minimum future payments under our agreements with Internet portals were $9.0 million. Our Internet marketing and advertising costs, including annual, monthly and variable fees, were $24.9 million and $20.6 million in 2001 and 2000, respectively.

In prior years, we have supplemented our Internet presence with traditional media, such as television, radio and print publications and may do so again in the future.

In addition to our consumer-oriented marketing activities, we also market our programs directly to dealers, participate in trade shows, and encourage participating dealers to recommend our programs to other dealers. In the past, we have advertised in trade publications and major automotive magazines and may do so again in the future.

Intellectual Property

We have registered service marks, including Auto-By-Tel, Autobytel.com, Autoweb, CarSmart and the Autobytel.com logo. We have been issued a patent directed toward an innovative method and system for forming and submitting purchase requests over the Internet and other computer networks from consumers to suppliers of goods and services. The method permits suppliers of goods or services to provide enhanced customer service by making the purchasing process convenient for consumers as well as suppliers. The patent is also directed toward the communication system used to bring consumers and suppliers closer together. The patent expires on January 14, 2019. We cannot assure that the patent will be enforceable and, if enforceable, that the patent will have significant economic value. We have applied for additional service marks and patents. We regard our trademarks, service marks, brand names and patent as important to our business.

Dealer Relationships and Services

Dealer Networks. Since our inception we have invested heavily to build our dealer networks. We consider our dealer networks to be significant strategic assets where new services and products can be deployed.

Dealers participate in our networks by entering into contracts with us. We are converting Autobytel dealers to new contracts with initial 90 day terms that continue until cancelled by either party and are terminable on 30 days' notice by either party. Autobytel's participating dealerships are located in most major metropolitan areas in the United States and Canada. As of February 28, 2002, approximately 3,800 program dealer relationships were with the Autobytel.com brand. Dealerships pay monthly fees, and in certain instances, initiation fees to subscribe to the Autobytel.com online marketing program. Both the initial and monthly subscription fees are established in the contract and are based upon many business factors including the type and location of the franchise. We reserve the right to adjust our fees to dealers upon 30 days notice at anytime during the term of the contract. We do not prevent dealers from entering into agreements with our competitors.

Autoweb dealer agreements are generally for a term of one-year, with automatic one-year renewals until cancelled by either party and are terminable after 90 days on 30 days notice by either party. As of February 28, 2002, approximately 1,800 program dealer relationships were with the Autoweb.com brand. Autoweb dealers primarily pay transactional fees, and in certain instances, initiation fees.

CarSmart's dealer agreements continue until cancelled by either party and are terminable on 30 days' notice by either party. As of February 28, 2002, approximately 700 program dealer relationships were with the CarSmart.com brand. CarSmart's dealers pay initiation and monthly subscription fees. CarSmart reserves the right to revise fees to dealers upon 30 days notice at anytime during the term of the contract.

As of February 28, 2002, approximately 800 program dealers had more than one dealer relationship with us.

Customer Support. We actively monitor participating dealers through ongoing customer surveys and research conducted by our internal dealer support group. Generally, within 14 days after a consumer submits a purchase request through one of our Web sites, we re-contact the consumer by e-mail requesting completion of a quality assurance survey that allows us to evaluate the sales process at participating dealers. Dealerships that fail to abide by our program guidelines or who generate repeated consumer complaints are reviewed and, if appropriate, terminated. We try to assign dealers attractive territories in order to increase participation in our program.

Each dealer agreement obligates the dealers to adhere to our policy of providing prompt responses to customers within 24 hours, no haggle pricing and full disclosure regarding vehicle availability, add-ons and related matters. We require each dealer to have an employee whose principal responsibility is supervising its Internet business, similar to the way in which most dealers have a new vehicle sales manager, used vehicle sales manager and service and parts department managers who are responsible for those dealership functions. We reserve the right to define or adjust each dealer's assigned territory, although there can be no assurance that a dealer whose territory is changed will not contest such a change or terminate its subscription. We cannot be sure that dealers whose territories are changed by us will not pursue legal action against us in an effort to prevent the change or recover damages.

Training. We believe that dealers and their employees require specialized training to learn the skills necessary to serve the Internet user and take full advantage of our proprietary systems. Therefore, we have developed an extensive training program for our dealers. We believe that this training is critical to enhancing our brands and reputation. We require participating dealerships to have their representatives trained on our system. Training is conducted at our headquarters in Irvine, California, at regional training centers and at dealerships' premises. In training our dealers, we de-emphasize traditional vehicle selling techniques and emphasize our approach. To increase consumer satisfaction and reduce costs, we seek to discourage dealerships from using commissioned and multiple salespersons to interface with our customers.

Competition

We believe that the principal competitive factors affecting the market for Internet-based vehicle marketing services include:

- brand name recognition,
- speed and quality of fulfillment,
- dealer territorial coverage,
- relationships with automotive manufacturers,
- variety of related products and services,
- ease of use,
- customer satisfaction,
- quality of Web site content,
- quality of service, and
- technical expertise.

Our vehicle purchasing services compete against a variety of Internet and traditional vehicle buying services, automotive brokers and classifieds. Many of such competitors are substantially better financed than we are. In the Internet-based market, we compete with other entities which maintain similar commercial Web sites including AutoVantage, Microsoft Corporation's CarPoint, CarsDirect.com, Cars.com, eBayMotors.com and AutoTrader.com. AutoNation, a large consolidator of dealers, also has a Web site for marketing vehicles. We also compete indirectly against vehicle brokerage firms and affinity programs offered by several companies, including Costco Wholesale Corporation and Wal-Mart Stores, Inc. In addition, all major vehicle manufacturers have their own Web sites and many have launched online buying services, such as General Motors Corporation's BuyPower and FordDirect.com.

Our recently announced customer relationship management product, RPM, competes with companies that provide marketing services to automotive manufacturers and dealers, including Reynolds and Reynolds, ADP, Experian and Teletech. We also compete with individual dealerships. Such companies may already maintain or may introduce Web sites which compete with ours.

We cannot assure that we can compete successfully against current or future competitors, many of which have substantially more capital, resources and access to additional financing than we do, nor can there be any assurance that competitive pressures faced by us will not result in increased marketing costs, decreased Web site traffic or loss of market share or otherwise will not materially and adversely affect our business, results of operations and financial condition. We compete primarily on brand name recognition and through customer, dealer and manufacturer satisfaction.

Operations and Technology

We believe that our future success is significantly dependent upon our ability to continue to deliver high-performance and reliable Web sites, enhance consumer/dealer communications, maintain the highest levels of information privacy and ensure transactional security. We currently host all Web sites at a secure data center hosting facility. The data center includes redundant infrastructure and network connections. Our network and computer systems are built on industry standard technology. Network security utilizes industry standard products.

System enhancements are primarily intended to accommodate increased traffic across our Web sites, improve the speed in which purchase requests are processed and introduce new and enhanced products and services. System enhancements entail the implementation of sophisticated new technology and system processes. We intend to make investments in technology to accommodate increased traffic.

Government Regulation

Currently few laws or regulations have been adopted that apply directly to Internet business activities. The adoption of additional local, state, national or international laws or regulations may decrease the growth of Internet usage or the acceptance of Internet commerce.

We believe that our dealer marketing services do not constitute franchising or vehicle brokerage activity in a way that makes franchise, motor vehicle dealer, or vehicle broker licensing laws applicable to us. Through a subsidiary, we are licensed as a motor vehicle dealer and broker. However, if individual state regulatory requirements are deemed applicable to us, or change or additional requirements are imposed on us, we may be required to modify our service programs in such a state in a manner which may undermine our program's attractiveness to consumers or dealers or not offer such service or terminate our operations in such a state, any of which may negatively affect our financial condition and growth. As we introduce new services, we may need to comply with additional licensing regulations and regulatory requirements.

Our services may result in changes in the way vehicles are currently sold or may be viewed as threatening by new and used vehicle dealers who do not subscribe to our programs. Such businesses are often represented by influential lobbying organizations, and such organizations or other persons may propose legislation that, if adopted, could impact our evolving marketing and distribution model.

Other countries to which we expand our operations may have laws or be subject to treaties that regulate the marketing, distribution, and sale of vehicles. As we consider specific foreign operations, we will need to determine whether the laws of the countries in which we seek to operate require us to modify our program or otherwise change our system or prohibit the use of our system in such country entirely. In addition, the laws of a foreign country may impose licensing, bonding or similar requirements on us as a condition to doing business there.

To date, we have not expended significant resources on lobbying or related government affairs issues but may be required to do so in the future.

Franchise Classification. If our relationship or written agreements with our dealers were found to be a franchise under federal or state franchise laws, we could be subjected to additional regulations, including but not limited to licensing, increased reporting and disclosure requirements. Compliance with varied laws, regulations, and enforcement characteristics found in each state may require us to allocate both staff time and monetary resources, each of which may have an adverse affect on our result of operations. As an additional risk, if our dealer relationships or subscription agreements are determined to establish a franchise, we may be subject to limitations on our ability to quickly and efficiently effect changes in our dealer relationships in response to changing market trends, which may negatively impact our ability to compete in the marketplace.

We believe that neither our relationship with our participating dealers nor our dealer agreements themselves constitute franchises under federal or state franchise laws. This belief has been upheld by a Federal Appeals Court in Michigan that ruled our business relationship and our dealer subscription agreement does not rise to the level of a franchise under Michigan law.

Vehicle Brokerage Activities. We believe that our dealer marketing referral service model does not qualify as an automobile brokerage activity. According, we believe that state motor vehicles dealer or broker licensing laws generally do not apply to us. Through a wholly-owned subsidiary, we are licensed as a motor vehicle dealer and broker. In the event such laws are deemed applicable to us, we may be required to cease business in any such state, and pay administrative fees, fines, and penalties for failure to comply with such licensing requirements.

In response to concerns about our marketing referral program raised by the Texas Department of Transportation, we modified our program in that state to achieve compliance. These modifications included a unique pricing model under which all participating dealerships to a given brand in Texas are charged uniform fees based on the population density of their particular geographic area and opening our program to all dealerships who wish to apply.

In the event that any other 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 such states 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 such state. In each case, our business, results of operations and financial condition could be materially and adversely affected.

Financing Related Activities. We provide a connection through our Web sites that allows a consumer to obtain finance information and loan approval. We do not demand nor do we receive any fees from consumers for this service. In the event states require us to be licensed as a financial broker, we intend to obtain such licenses. We may be unable to comply with a state's regulations affecting our current operations or newly introduced services, or we could be required to incur significant fees and expenses to license or be compelled to discontinue finance operations in those states.

Insurance Related Activities. We provide links on our Web sites to various insurance providers and products so consumers can receive real time quotes for insurance coverage and extended warranty coverage from those insurance providers and submit quote applications online. Participants in the program include Esurance, NetQuotes, Warranty Gold, 1SourceAuto Warranty and Progressive Insurance. The marketing fees we typically receive include fees for placement of the links on our Web sites, fees for click-throughs of consumers accessing the insurance carriers' Web sites from our Web sites, or fees for each quote application sent to a participating insurance company or agent by a consumer through our Web sites. We receive no premiums from consumers nor do we charge consumers fees for our services. All applications are completed on the respective insurance carriers' Web site.

We do not believe that our activity requires us to be licensed under state insurance laws. The use of the Internet in the marketing of insurance products, however, is a relatively new practice. It is not clear whether or to what extent state insurance licensing laws apply to activities similar to ours. Given this uncertainty, we have proactively applied for and currently hold, through a wholly-owned subsidiary, insurance agent licenses or are otherwise authorized to transact insurance in numerous states.

Employees

As of February 28, 2002, we had a total of 261 employees. We also utilize independent contractors as required. None of our employees are represented by a labor union. We have not experienced any work stoppages and consider our employee relations to be good.

Risk Factors

In addition to the factors discussed in the "Overview" and "Liquidity and Capital Resources" sections of Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Part II. Item 7A. "Quantitative and Qualitative Disclosures About Market Risks" in this Annual Report on Form 10-K, the following additional factors may affect our future results.

We have a history of net losses and cannot assure that we will be profitable. If we continue to lose money, our operations will not be financially viable.

Because of the relatively recent emergence of the Internet-based vehicle information and purchasing industry, none of our senior executives has long-term experience in the industry. This limited operating history contributes to our difficulty in predicting future operating results.

We have incurred losses every quarter since inception. Even if we achieve profitability, we might fail to sustain or increase that profitability in the future. We cannot assure that we will be profitable. Autobytel, including Autoweb from the date of acquisition, had an accumulated deficit of $140.5 million as of December 31, 2001 and $95.6 million as of December 31, 2000. Autoweb had an accumulated deficit of $74.1 million as of December 31, 2000.

Our potential for future profitability must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in the early stages of development, particularly companies in new and rapidly evolving markets, such as the market for Internet commerce. We believe that to achieve profitability, we must, among other things:

- generate increased vehicle buyer traffic to our Web sites;
- successfully introduce new products and services;
- continue to send new and used vehicle purchase requests to dealers that result in sufficient dealer transactions to justify our fees;
- expand the number of dealers in our networks and enhance the quality of dealers;
- respond to competitive developments;
- maintain a high degree of customer satisfaction;
- provide secure and easy to use Web sites for customers;
- increase visibility of our brand names;
- continue to attract, retain and motivate qualified personnel; and
- continue to upgrade and enhance our technologies to accommodate expanded service offerings and increased consumer traffic.

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

If our dealer attrition increases, our dealer networks and revenues derived from these networks may decrease.

The majority of our revenues are derived from fees paid by our networks of participating dealers. If dealer attrition increases and we are unable to add new dealers to mitigate the attrition, our revenues may decrease. If the number of dealers in our networks declines our revenues may decrease and our business, results of operations and

financial condition will be materially and adversely affected. A material factor affecting dealer attrition is our ability to provide dealers with high quality purchase requests. High quality purchase requests are those that result in high closing ratios. Closing ratio is the ratio of the number of vehicles purchased at a dealer generated from purchase requests to the total number of purchase requests sent to that dealer. Generally, our participating dealers enter into written marketing agreements with us having a stated term ranging from 90 days to one year, but the dealer agreements are cancelable by the dealer upon 30 days notice. We cannot assure that dealers will not terminate their agreements with us. Participating dealers may terminate their relationship with us for any reason, including an unwillingness to accept our subscription terms or as a result of joining alternative marketing programs. Our business is dependent upon our ability to attract and retain qualified new and used vehicle dealers, major dealer groups and automotive manufacturers. Including Autoweb dealers, we added approximately 5,900 dealer relationships to our dealer networks and approximately 3,200 dealer relationships were terminated by dealers or us during 2001. In order for us to grow or maintain our dealer networks, we need to reduce our dealer attrition. We cannot assure that we will be able to reduce the level of dealer attrition, and our failure to do so could materially and adversely affect our business, results of operations and financial condition. With the acquisition of Autoweb in the third quarter of 2001, we added approximately 4,100 dealer relationships. As of February 28, 2002, we had approximately 8,900 dealer relationships. As of February 28, 2002, approximately 800 dealers had more than one dealer relationship with us.

We may lose participating dealers because of the reconfiguration of dealer territories. We will lose the revenues associated with any reductions in participating dealers resulting from such reconfiguration.

If the volume of purchase requests increases, we may need to reduce or reconfigure exclusive territories currently assigned to Autobytel or CarSmart dealers to serve consumers more effectively. If a dealer is unwilling to accept a reduction or reconfiguration of its territory, it may terminate its relationship with us. A dealer also could sue to prevent such reduction or reconfiguration, or collect damages from us. We have experienced one such lawsuit. A material decrease in the number of dealers participating in our networks or litigation with dealers could have a material adverse effect on our business, results of operations and financial condition.

We rely heavily on our participating dealers to promote our brand value by providing high quality services to our consumers. If dealers do not provide our consumers high quality services, our brand value will diminish and the number of consumers who use our services may decline causing a decrease in our revenues.

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

Intense competition could reduce our market share and harm our financial performance. Our market is competitive not only because the Internet has minimal technical barriers to entry, but also because we compete directly with other companies in the offline environment.

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

We compete with other entities which maintain similar commercial Web sites including AutoVantage, Microsoft Corporation’s Carpoint, CarsDirect.com, Cars.com, eBayMotors.com and AutoTrader.com. AutoNation, a large

consolidator of dealers, has a Web site for marketing vehicles. We also compete indirectly against vehicle brokerage firms and affinity programs offered by several companies, including Costco Wholesale Corporation and Wal-Mart Stores, Inc. In addition, all major vehicle manufacturers have their own Web sites and many have launched online buying services, such as General Motors Corporation's BuyPower and Ford Motor Co. in its partnership with its dealers through FordDirect.com. Our recently announced customer relationship management product, RPM, competes with companies that provide marketing services to automotive manufacturers and dealers, including Reynolds and Reynolds, ADP, Experian and Teletech. We also compete with vehicle dealers that are not part of our networks. Such companies may already maintain or may introduce Web sites which compete with ours.

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

- brand recognition;
- speed and quality of fulfillment;
- dealer territorial coverage;
- relationships with automotive manufacturers;
- variety of related products and services;
- ease of use;
- customer satisfaction;
- quality of Web site content;
- quality of service; and
- technical expertise.

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

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

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

- our ability to retain existing dealers, attract new dealers and maintain dealer and customer satisfaction;
- the announcement or introduction of new or enhanced sites, services and products by us or our competitors;
- general economic conditions and economic conditions specific to the Internet, online commerce or the automobile industry;
- a decline in the usage levels of online services and consumer acceptance of the Internet and commercial online services for the purchase of consumer products and services such as those offered by us;
- our ability to upgrade and develop our systems and infrastructure and to attract new personnel in a timely and effective manner;

- the level of traffic on our Web sites and other sites that refer traffic to our Web sites;
- technical difficulties, system downtime, Internet brownouts or electricity blackouts;
- the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure;
- governmental regulation;
- our ability to joint venture with investors in the development of Autobytel branded companies internationally; and
- unforeseen events affecting the industry.

Seasonality is likely to cause fluctuations in our operating results. Investors may not be able to predict our annual operating results based on a quarter to quarter comparison of our operating results.

We expect our business to experience seasonality as it matures. The seasonal patterns of Internet usage and vehicle purchasing do not completely overlap. Historically, Internet usage typically declines during summer and certain holiday periods, while vehicle purchasing in the United States is strongest in the spring and summer months. If seasonality occurs, investors may not be able to predict our annual operating results based on a quarter to quarter comparison of our operating results. Seasonality in the automotive industry, Internet and commercial online service usage and advertising expenditures is likely to cause fluctuations in our operating results and could have a material adverse effect on our business, operating results and financial condition.

We may be particularly affected by general economic conditions due to the nature of the automotive industry.

The economic strength of the automotive industry significantly impacts the revenues we derive from our dealers, vehicle manufacturers and other strategic partners, advertising revenues and consumer traffic to our Web sites. The automotive industry is cyclical, with vehicle sales fluctuating due to changes in national and global economic forces. Purchases of vehicles are typically discretionary for consumers and may be particularly affected by negative trends in the general economy. The success of our operations depends to a significant extent upon a number of factors relating to discretionary consumer spending, including economic conditions (and perceptions of such conditions by consumers) affecting disposable consumer income (such as employment, wages and salaries, business conditions and interest rates in regional and local markets). In addition, because the purchase of a vehicle is a significant investment and is relatively discretionary, any reduction in disposable income in general or a general increase in interest rates or a general tightening of lending may affect us more significantly than companies in other industries.

The events of September 11, 2001, threatened terrorist acts, and the ongoing military action have created uncertainties in the automotive industry and domestic and international economies in general. These events appear to be having an adverse impact on general economic conditions, which may reduce demand for vehicles and consequently our services and products which would have an adverse effect on our business, financial condition and results of operations. At this time, however, we are not able to predict the nature, extent and duration of these effects on overall economic conditions or on our business, financial condition and results of operations.

We cannot assure that our business will not be materially adversely affected as a result of an industry or general economic downturn.

If any of our relationships with Internet search engines or online automotive information providers terminates, our purchase request volume could decline. If our purchase request volume or quality declines, our participating dealers may not be satisfied with our services and may terminate their relationships with us or force us to decrease the fees we charge for our service. If this occurs, our revenues would decrease.

We depend on a number of strategic relationships to direct a substantial amount of purchase requests and traffic to our Web sites. The termination of any of these relationships or any significant reduction in traffic to Web sites on

which our services are advertised or offered, or the failure to develop additional referral sources, would cause our purchase request volume or quality to decline. If this occurs, dealers may no longer be satisfied with our service and may terminate their relationships with us or force us to decrease the fees we charge for our services. If our dealers terminate their relationships with us or force us to decrease the fees we charge for our services, our revenues will decline which could have a material adverse effect on our business, results of operations and financial condition. We receive a significant number of purchase requests through a limited number of Internet search engines, online automotive information providers, and other auto related Internet sites. We periodically negotiate revisions to existing agreements and these revisions could increase our costs in future periods. During 2001, approximately 21% of our purchase requests came through StoneAge.com. A number of our agreements with online service providers may be terminated without cause. We may not be able to maintain our relationship with our online service providers or find alternative, comparable marketing sponsorships and alliances capable of originating significant numbers of purchase requests on terms satisfactory to us. If we cannot maintain or replace our relationships with online service providers, our revenues may decline which would have a material adverse effect on our business, results of operations and financial condition.

If we cannot build and maintain strong brand loyalty our business may suffer.

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

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

Our future success depends on our ability to identify, hire, train and retain highly qualified sales, marketing, managerial and technical personnel. In addition, as we introduce new services we 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. 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.

We are a new business in a new industry and need to manage our growth and our entry into new business areas in order to avoid increased expenses without corresponding revenues.

We have been introducing new services to consumers and dealers in order to establish ourselves as a leader in the evolving market for Internet automotive marketing services. The growth of our operations requires us to increase expenditures before we generate revenues. For example, we may need to hire personnel to oversee the introduction of new services before we generate revenues from these services. Our inability to generate satisfactory revenues from such expanded services to offset costs could have a material adverse effect on our business, financial condition and results of operations.

We must also:

- test, introduce and develop new services and products, including enhancing our Web sites;
- expand the breadth of products and services offered;

- expand our market presence through relationships with third parties; and
- acquire new or complementary businesses, products or technologies.

We cannot assure that we can successfully manage these tasks.

If federal or state franchise laws apply to us we may be required to modify or eliminate our marketing programs. If we are unable to market our services in the manner we currently do, our revenues may decrease and our business may suffer.

We believe that neither our relationship with our dealers nor our dealer subscription agreements constitute "franchises" under federal or state franchise laws. A federal court of appeals in Michigan has ruled that our dealer subscription agreement is not a "franchise" under Michigan law. However, if any state's regulatory requirements relating to franchises or our method of business impose additional requirements on us or include us within an industry-specific regulatory scheme, we may be required to modify our marketing programs in such states in a manner which undermines the program's attractiveness to consumers or dealers. If our relationship or written agreement with our dealers were found to be a "franchise" under federal or state franchise laws, then we could be subject to other regulations, such as franchise disclosure and registration requirements and limitations on our ability to effect changes in our relationships with our dealers, which may negatively impact our ability to compete and cause our revenues to decrease and our business to suffer. If we become subject to fines or other penalties or if we determine that the franchise and related requirements are overly burdensome, we may elect to terminate operations in such state. In each case, our revenues may decline and our business, results of operations and financial condition could be materially and adversely affected.

We also believe that our dealer marketing service generally does not qualify as an automobile brokerage activity and, therefore, state motor vehicle dealer or broker licensing requirements do not apply to us. Through a subsidiary, we are licensed as a motor vehicle dealer and broker. In response to Texas Department of Transportation concerns, we modified our marketing program in that state to make our program open to all dealers who wish to apply. In addition, we are modifying the program to include a pricing model under which all participating dealers (regardless of brand) in a given zip code in Texas are charged uniform fees. If other states' regulatory requirements relating to motor vehicle dealers or brokers are deemed applicable to us, we may become subject to fines, penalties or other requirements and may be required to modify our marketing programs in such states in a manner that undermines the attractiveness of the program to consumers or dealers. If we determine that the licensing or other requirements, in a given state are overly burdensome, we may elect to terminate operations in such state. In each case, our revenues may decline and our business, results of operations and financial condition could be materially and adversely affected.

If financial broker and insurance licensing requirements apply to us in states where we are not currently licensed, we will be required to obtain additional licenses and our business may suffer.

If we are required to be licensed as a financial broker, it may result in an expensive and time-consuming process that could divert the effort of management away from day-to-day operations. In the event states require us to be licensed and we are unable to do so, or are otherwise unable to comply with regulations required by changes in current operations or the introduction of new services, we could be subject to fines or other penalties or be compelled to discontinue operations in such states, and our business, results of operations and financial condition could be materially and adversely affected.

We provide links on our Web sites so consumers can receive real time quotes for insurance coverage from third parties and submit quote applications online through such parties' Web sites. We receive fees from such participants in connection with this advertising activity. We do not believe that such activities require us to be licensed under state insurance laws. The use of the Internet in the marketing of insurance products, however, is a relatively new practice. It is not clear whether or to what extent state insurance licensing laws apply to activities similar to ours. Given these uncertainties, we currently hold, through a wholly-owned subsidiary, insurance agent licenses or are otherwise authorized to transact insurance in numerous states.

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

There are many risks associated with consummated and potential acquisitions.

We recently acquired Autoweb. The acquisition was completed in the third quarter of 2001.

Acquisitions involve numerous risks. For example:

- It may be difficult to assimilate the operations and personnel of an acquired business into our own business;
- Management information and accounting systems of an acquired business must be integrated into our current systems;
- We may lose dealers participating in both our network as well as that of the acquired business, if any;
- Our management must devote its attention to assimilating the acquired business which diverts attention from other business concerns;
- We may enter markets in which we have limited prior experience; and
- We may lose key employees of an acquired business.

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

Internet commerce has yet to attract significant regulation. Government regulations may result in administrative monetary fines, penalties or taxes that may reduce our future earnings.

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

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

Evolving government regulations may require future licensing which could increase administrative costs or adversely affect our revenues.

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

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

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

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

Our success is dependent on keeping pace with advances in technology. If we are unable to keep pace with advances in technology, consumers may stop using our services and our revenues will decrease.

The Internet and electronic commerce markets are characterized by rapid technological change, changes in user and customer requirements, frequent new service and product introductions embodying new technologies and the emergence of new industry standards and practices that could render our existing Web sites and technology obsolete. These market characteristics are exacerbated by the emerging nature of the market and the fact that many companies are expected to introduce new Internet products and services in the near future. If we are unable to adapt to changing technologies, our business, results of operations and financial condition could be materially and adversely affected. Our performance will depend, in part, on our ability to continue to enhance our existing services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our Web sites, Dealer Real Time and iManager systems and other proprietary technology entails significant technical and business risks. We may not be successful in using new technologies effectively or adapting our Web sites, Dealer Real Time and iManager systems, or other proprietary technology to customer requirements or to emerging industry standards.

We are vulnerable to electricity blackouts and communications system interruptions. The majority of our primary servers are located in a single location. If electricity or communications to that location or to our headquarters were interrupted, our operations could be adversely affected.

We presently host our production Web Sites and certain systems, including Autobytel.com, Autoweb.com, CarSmart.com, Dealer Real Time and iManager, at a secure hosting facility in Irvine, California. Although backup servers are available, our primary servers are vulnerable to interruption by damage from fire, earthquake, flood, power loss, telecommunications failure, break-ins and other events beyond our control. In the event that we experience significant system disruptions, our business, results of operations and financial condition would be materially and adversely affected. We have, from time to time, experienced periodic systems interruptions and anticipate that such interruptions will occur in the future.

As a result of a variety of factors, available electricity supply in California may not be sufficient to meet demand at all times in some areas, and these constraints may continue for several years. The supply constraints have been managed, and will likely continue to be managed, by a combination of obtaining additional supplies, requested conservation, interruption of certain customers whose rates include that possibility, and as a last resort, interruption of some or all customers in certain areas through “rolling blackouts.” Relieving the supply constraints is likely to cause increases in the retail rates to be paid. Our main production systems are hosted in a secure facility with generators and other alternate power supplies in case of a power outage. However, our corporate offices, where we maintain our accounting, finance and contract management systems, are vulnerable to wide-scale power outages. To date, we have not been significantly affected by rolling black-outs or other interruptions in service related to the constraints on electricity supply. In the event we are affected by increased electricity rates or interruptions due to electricity supply constraints, our business, results of operations and financial condition could be materially and adversely affected.

We maintain business interruption insurance which pays up to $6 million for the actual loss of business income sustained due to the suspension of operations as a result of direct physical loss of or damage to property at our offices. However, in the event of a prolonged interruption, this business interruption insurance may not be sufficient to fully compensate us for the resulting losses.

Internet commerce is new and evolving with few profitable business models. We cannot assure that our business model will be profitable.

The market for Internet-based purchasing services has only recently begun to develop and is rapidly evolving. While many Internet commerce companies have grown in terms of revenues, few are profitable. We cannot assure that we will be profitable. As is typical for a new and rapidly evolving industry, demand and market acceptance for recently introduced services and products over the Internet are subject to a high level of uncertainty and there are few proven services and products. Moreover, since the market for our services is new and evolving, it is difficult to predict the future growth rate, if any, and size of this market. The extent to which other participants in the automotive industry will accept the role of third party all make, all model services like us is not yet known.

If consumers do not adopt Internet commerce as a mainstream medium of commerce or if automotive industry participants resist the role of third party online services, our revenues may not grow and our earnings may suffer.

The success of our services will continue to depend upon the adoption of the Internet by consumers and dealers as a mainstream medium for commerce and/or the willingness of automotive manufacturers to cooperate with third party services. While we believe that our services offer significant advantages to consumers and dealers, there can be no assurance that widespread acceptance of Internet commerce in general, or of our services in particular, will occur or that automotive companies will continue to accept a role for third party services such as us. Our success assumes that consumers and dealers who have historically relied upon traditional means of commerce to purchase or lease vehicles, and to procure vehicle financing and insurance, will accept new methods of conducting business and exchanging information and that automotive manufacturers will accept, rather than resist, a role for all make, all model third party sites such as ours that allow for comparisons. In addition, dealers must be persuaded to adopt new selling models and be trained to use and invest in developing technologies. If the market for Internet-based vehicle marketing services fails to develop, develops slower than expected, faces opposition or becomes saturated with competitors, or if our services do not achieve market acceptance, our business, results of operations and financial condition will be materially and adversely affected.

Internet-related issues may reduce or slow the growth in the use of our services in the future.

Critical issues concerning the commercial use of the Internet, such as, ease of access, security, privacy, reliability, cost, and quality of service, remain unresolved and may impact the growth of Internet use. If Internet usage continues to increase rapidly, the Internet infrastructure may not be able to support the demands placed on it by this growth, and its performance and reliability may decline. The recent growth in Internet traffic has caused frequent periods of decreased performance, outages and delays. Our ability to increase the speed with which we provide services to consumers and to increase the scope and quality of such services is limited by and dependent upon the speed and reliability of the Internet, which is beyond our control. If periods of decreased performance, outages or delays on the Internet occur frequently or the other critical issues concerning the Internet are not resolved, overall Internet usage or usage of our Web sites could increase more slowly or decline, which would cause our business, results of operations and financial condition to be materially and adversely affected.

The public market for our common stock may continue to be volatile, especially since market prices for Internet-related and technology stocks have often been unrelated to operating performance.

Prior to the initial public offering of our common stock in March 1999, there was no public market for our common stock. We cannot assure that an active trading market will be sustained or that the market price of the common stock will not decline. Recently, the stock market in general and the shares of Internet companies in particular have experienced significant price fluctuations. The market price of the common stock is likely to continue to be highly volatile and could be subject to wide fluctuations in response to factors such as:

- actual or anticipated variations in our quarterly operating results;
- historical and anticipated operating metrics such as the number of participating dealers, the visitors to our Web sites and the frequency with which they transact;

- announcements of new product or service offerings;
- technological innovations;
- competitive developments, including actions by automotive manufacturers;
- changes in financial estimates by securities analysts;
- conditions and trends in the Internet and electronic commerce industries;
- adoption of new accounting standards affecting the technology or automotive industry; and
- general market conditions and other factors.

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

Changing legislation affecting the automotive industry could require increased regulatory and lobbying costs and may harm our business.

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

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

A decline in our international activities may adversely affect our financial condition.

Our licensees currently have Web sites in the United Kingdom, Sweden, The Netherlands, Australia and Japan. We intend to expand our brand into other foreign markets primarily through licensing our trade names and by establishing relationships with vehicle dealers and strategic investors located in foreign markets.

We cannot be certain that we will be successful in introducing or marketing our services abroad. Revenue from our licensees may be adversely affected by risks in conducting business in their markets, such as:

- changes in political conditions;
- regulatory requirements;
- potentially weaker intellectual property protections;
- fluctuations in currency exchange rates;and

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

One or more of such factors may have a material adverse effect on our licensees and the revenue we derive from them. As a result, our results of operations and financial condition may be adversely affected.

In June 2001, we announced the restructuring of Autobytel.Europe. The restructuring primarily consisted of significant staff reductions at Autobytel.Europe and is expected to lead to changes in the capital structure of Autobytel.Europe. Such changes are expected to substantially reduce the cash on hand at Autobytel.Europe, to require us to recognize material non-cash charges and to reduce our ownership from 76.5% to less than 50%. There is no assurance that the expected changes to the capital structure of Autobytel.Europe will be achieved.

Our computer infrastructure may be vulnerable to security breaches. Any such problems could jeopardize confidential information transmitted over the Internet, cause interruptions in our operations or cause us to have liability to third persons.

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

We depend on continued technological improvements in our systems and in the Internet overall. If we are unable to handle an unexpectedly large increase in volume of consumers using our Web sites, we cannot assure our consumers or dealers that purchase requests will be efficiently processed and our business may suffer.

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

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

Any of such failures regarding the Internet in general or our Web sites in particular, or with respect to our dealers, would have a material and adverse affect on our business, results of operations and financial condition.

Misappropriation of our intellectual property and proprietary rights could impair our competitive position.

Our ability to compete depends upon our proprietary systems and technology. While we rely on trademark, trade secret, 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 Web site maintenance are more essential in establishing and

maintaining a leadership position and strengthening our brands. As part of our confidentiality procedures, we generally enter into agreements with our employees and consultants and limit access to our trade secrets and technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our services or to obtain and use information that we regard as proprietary. Policing unauthorized use of our proprietary rights is difficult. We cannot assure that the steps taken by us will prevent misappropriation of technology or that the agreements entered into for that purpose will be enforceable. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our products and services are made available online. In addition, litigation may be necessary in the future to enforce or protect our intellectual property rights or to defend against claims or infringement or invalidity. Misappropriation of our intellectual property or potential litigation could have a material adverse effect on our business, results of operations and financial condition.

We face risk of claims from third parties relating to intellectual property and may incur liability for retrieving and transmitting information over the Internet that could harm our business.

As part of our business, we make Internet services and content available to our customers. This creates the potential for claims to be made against us, either directly or through contractual indemnification provisions with third parties. We could face liability for information retrieved from or transmitted over the Internet and liability for products sold over the Internet. We could be exposed to liability with respect to third-party information that may be accessible through our Web sites, links or car review services. Such 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. Such claims might assert, among other things, that, by directly or indirectly providing links to Web sites operated by third parties, we should be liable for copyright or trademark infringement or other wrongful actions by such third parties through such Web sites. It is also possible that, if any third-party content information provided on our Web sites contains errors, consumers could make claims against us for losses incurred in reliance on such information. Any claims could result in costly litigation, divert management’s attention and resources, cause delays in releasing new or upgrading existing services or require us to enter into royalty or licensing agreements.

We also enter into agreements with other companies under which any revenue that results from the purchase of services through direct links to or from our Web sites is shared. Such arrangements may expose us to additional legal risks and uncertainties, including local, state, federal and foreign government regulation and potential liabilities to consumers of these services, even if we do not provide the services ourselves. We cannot assure that any indemnification provided to us in our agreements with these parties, if available, will be adequate.

Even to the extent such claims do not result in liability to us, we could incur significant costs in investigating and defending against such claims. The imposition upon us of potential liability for information carried on or disseminated through our system could require us to implement measures to reduce our exposure to such liability, which might require the expenditure of substantial resources or limit the attractiveness of our services to consumers, dealers and others.

Litigation regarding intellectual property rights is common in the Internet and software 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. There can be no assurance that our services do not infringe on the intellectual property rights of third parties.

In the past, plaintiffs have brought these types of claims and sometimes successfully litigated them against online services. Our general liability insurance may not cover all potential claims to which we are exposed and may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of our insurance coverage could have a material adverse effect on our business, results of operations and financial condition. However, we are not aware of any infringements, events or circumstances that would result in these types of claims that would cause a material adverse effect on our business, results of operations or financial condition.

We could be adversely affected by litigation. If we were subject to a significant adverse litigation outcome, our financial condition could be materially adversely affected,

From time to time, we are involved in various legal proceedings arising from the normal course of our business activities.

We are a defendant in certain proceedings which are described in “Part I. Item 3. Legal Proceedings” herein.

We believe that we have meritorious defenses in the proceedings filed against us, and intend to vigorously defend the actions; however, this and other litigation, even if not meritorious could result in substantial costs and diversion of resources and management attention and an adverse outcome in litigation could materially affect our business, results of operations and financial condition.

If we are unable to maintain our Nasdaq National Market listing, the liquidity of our common stock would be seriously limited.

We cannot assure that we will be able to comply with the minimum requirements for continued listing on the Nasdaq National Market. In the event our shares are delisted from the Nasdaq National Market, we anticipate that we would attempt to have our common stock traded on the NASD over-the counter Bulletin Board. If our common stock is delisted, it would seriously limit the liquidity of our common stock and limit our potential to raise future capital through the sale of our common stock, which could have a material adverse effect on our business.

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

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

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

Provisions of our amended and restated certificate of incorporation and bylaws relating to our corporate governance could make it difficult for a third party to acquire us, and could discourage a third party from attempting to acquire control of us. These provisions allow us to issue preferred stock with rights senior to those of the common stock without any further vote or action by the stockholders. These provisions provide that the board of directors is divided into three classes, which may have the effect of delaying or preventing changes in control or change in our management because less than a majority of the board of directors are up for election at each annual meeting. In addition, these provisions impose various procedural and other requirements which could make it more difficult for stockholders to effect corporate actions such as a merger, asset sale or other change of control of us. Such charter provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock and may have the effect of delaying or preventing a change in control. The issuance of preferred stock also could decrease the amount of earnings and assets available for distribution to the holders of common stock or could adversely affect the rights and powers, including voting rights, of the holders of the common stock.

We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a “business combination” includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an “interested stockholder” is a person who, together with affiliates and associates, owns or did own 15% or more of the corporation’s voting stock.

Our actual results could differ from forward-looking statements in this report.

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

Item 2. ***Properties***

Our headquarters are located in a single office building in Irvine, California. We occupy four floors, for a total of approximately 49,000 square feet. The lease expires in September 2002. AIC is located in a single office building in Westborough, Massachusetts and occupies approximately 18,000 square feet. The lease expires in May 2005. CarSmart's operations occupied approximately 2,700 square feet in a single office building in San Ramon, California through April 2001. As a part of restructuring CarSmart, these premises were sublet for the duration of the lease which expires in March 2003. Autobytel.Europe is located in a single office building in The Netherlands and occupies approximately 1,800 square meters. The lease expires in August 2005. As a part of the restructuring of Autobytel.Europe, Autobytel.Europe expects to sublease substantially all of these premises.

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***

A.I.N. Corporation was sued on September 1, 1999 in a lawsuit entitled Robert Martins v. Michael J. Gorun, A.I.N., Inc., et al., in Los Angeles Superior Court. The complaint contained causes of action for breach of written and oral contracts, promissory estoppel, breach of fiduciary duty and fraud, and sought compensatory and punitive damages and equitable relief. The plaintiff contended he was entitled to a 49.9% ownership interest in A.I.N.'s CarSmart online business based on a purported agreement for the formation of a company called CarSmart On-Line Services. On December 14, 1999, A.I.N. filed a complaint for declaratory relief on the subject of Mr. Martins' lawsuit in Contra Costa County Superior Court. The Los Angeles action has been transferred to Contra Costa County and the two cases have been consolidated. Autobytel was added and then dismissed as a cross defendant in such action. On December 14, 2001, the jury returned a unanimous verdict finding that A.I.N. and Mr. Gorun were not liable for breach of contracts, breach of fiduciary duty or fraud and denying Martins any damages. Presently under submission with the court are Martins' equitable claims for promissory estoppel and constructive trust. We intend to vigorously contest any appeal by Martins.

The selling shareholders of A.I.N. are obligated to fully indemnify us for all losses, including attorney's fees, expenses, settlements and judgments, arising out of the lawsuit. The indemnification obligation was initially secured by 450,000 shares of Autobytel common stock transferred to the selling shareholders as part of the acquisition of A.I.N., as well as $250,000 in cash. As of December 31, 2001, the obligation was secured by 199,960 remaining shares of common stock and approximately $294,000 in cash after expenses.

On July 15, 1998, Autobytel and certain of its past and current officers were sued by former employee Thomas Heshion in a lawsuit entitled Thomas Heshion, et al., v. Auto-By-Tel Corporation, et al., in Orange County Superior Court. Plaintiff claimed, among other things, that he was wrongfully terminated. In December 2000, a verdict in favor of plaintiff in the amount of $1.9 million was rendered. Mr. Heshion also filed an additional complaint against Autobytel claiming, among other things, malicious prosecution and abuse of process. In March 2002, Autobytel and Mr. Heshion agreed to settle the matters described above.

In August 2001, a purported class action lawsuit was filed in the United States District Court, Southern District of New York against Autobytel and certain of Autobytel's current directors and officers and underwriters involved in Autobytel's initial public offering. This action purports to allege violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. Plaintiffs allege that the underwriter defendants agreed to allocate stock in Autobytel's initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for Autobytel's initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. The complaint against Autobytel has been consolidated with two other complaints that relate to its initial public offering but do not name it as a defendant. Autobytel is not required to respond to plaintiffs' claims before a consolidated complaint is filed. We believe that we have meritorious defenses to the complaint and intend to vigorously defend the action.

Between April and June 2001, eight separate purported class actions virtually identical to the one filed against Autobytel were filed against Autoweb, certain of Autoweb's current and former directors and officers and underwriters involved in Autoweb's initial public offering. The foregoing actions purport to allege violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. Plaintiffs allege that the underwriter defendants agreed to allocate stock in Autoweb's initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for Autoweb's initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The actions seek damages in an unspecified amount. The complaints against Autoweb have been consolidated into a single action. Autoweb is not required to respond to plaintiffs' claims before a consolidated complaint is filed. We believe that we have meritorious defenses to the complaints and intend to vigorously defend the actions.

From time to time, we are involved in other litigation matters relating to claims arising out of the ordinary course of business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on our business, results of operations and financial condition. However, if a court or jury rules against us and the ruling is ultimately sustained on appeal and damages are awarded against us, such ruling could have a material and adverse effect on our business, results of operations and financial condition.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during the fourth quarter of 2001.

PART II

Item 5. ***Market for the Company's Common Equity and Related Stockholder Matters***

Our common stock, par value $0.001 per share, has been quoted on the Nasdaq National Market under the symbol "ABTL" since March 26, 1999. Prior to this time, there was no public market for our common stock. The following table sets forth, for the calendar quarters indicated, the range of high and low sales prices of our common stock as reported on the Nasdaq National Market.

Year	High	Low
2000		
First Quarter	$18.00	$7.69
Second Quarter	$ 9.56	$4.00
Third Quarter	$ 7.00	$3.94
Fourth Quarter	$ 6.81	$1.63
2001		
First Quarter	$ 3.16	$1.50
Second Quarter	$ 1.75	$1.13
Third Quarter	$ 1.67	$0.70
Fourth Quarter	$ 2.29	$0.78
2002		
First Quarter (through March 15, 2002)	$ 3.10	$2.95

As of March 15, 2002, there were 443 holders of record of our common stock. We have never declared or paid any cash dividends on our common stock. We intend to retain all of our future earnings, if any, for use in our business, and therefore we do not expect to pay any cash dividends on our common stock in the foreseeable future.

We have no specific plans at this time for the use of the balance of the proceeds received from the initial public offering and expect to use such proceeds for potential acquisitions, investments in businesses and for general corporate purposes.

Item 6. ***Selected Consolidated Financial Data***

(In thousands, except per share data)

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and related notes and Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K. The statement of operations data for the years ended December 31, 2001, 2000, 1999, 1998 and 1997 and the balance sheet data as of December 31, 2001, 2000, 1999, 1998 and 1997 are derived from our consolidated financial statements which have been audited by Arthur Andersen LLP, independent public accountants.

	Years Ended December 31,				
	2001	2000	1999	1998	1997
Statement of Operations Data:					
Revenues	$ 71,068	$ 66,532	$ 40,298	$ 23,826	$ 15,338
Operating expenses:					
Sales and marketing	50,648	65,266	44,176	30,033	21,454
Product and technology development	20,410	22,847	14,262	8,528	5,448
General and administrative	14,973	13,797	8,595	5,908	5,851
Goodwill impairment	22,867	—	—	—	—
International restructuring and related charges	7,229	—	—	—	—
Domestic restructuring and other charges	4,514	—	—	—	—
Total operating expenses	120,641	101,910	67,033	44,469	32,753
Loss from operations	(49,573)	(35,378)	(26,735)	(20,643)	(17,415)
Other income, net	3,264	6,017	3,468	1,280	620
Loss before minority interest and income taxes	(46,309)	(29,361)	(23,267)	(19,363)	(16,795)
Minority interest	1,485	369	—	—	—
Loss before income taxes	(44,824)	(28,992)	(23,267)	(19,363)	(16,795)
Provision for income taxes	27	42	53	35	15
Net loss	$ (44,851)	$ (29,034)	$(23,320)	$(19,398)	$(16,810)
Basic and diluted net loss per share	$ (1.84)	$ (1.45)	$ (1.48)	$ (2.30)	$ (2.03)
Shares used in computing basic and diluted net loss per share	24,404	20,047	15,766	8,423	8,291

	December 31,				
	2001	2000	1999	1998	1997
Balance Sheet Data:					
Domestic cash and cash equivalents	$ 30,006	$ 47,758	$ 85,232	$ 27,736	$ 15,565
International cash and cash equivalents	28,784	19,158	19	—	—
Restricted cash	3,047	15,059	206	248	248
Working capital	51,562	68,447	74,756	23,436	10,938
Total assets	90,781	123,618	93,582	34,207	20,513
Accumulated deficit	(140,478)	(95,627)	(66,593)	(43,273)	(23,875)
Stockholders' equity	$ 60,395	$ 91,806	$ 76,706	$ 25,868	$ 13,259

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 our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in such forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" in Part I. Item 1. "Business" in this Annual Report on Form 10-K.

Overview

We are an Internet automotive marketing services company that helps dealers sell cars and manufacturers build brands through efficient marketing and customer relationship management tools and programs. We own and operate four Web sites — Autobytel.com, Autoweb.com, CarSmart.com and AutoSite.com. We are also a leading provider of automotive marketing data and technology through our Automotive Information Center (AIC) division.

We realigned our organization in late 2001 to focus our resources on providing marketing services to dealers and automotive manufacturers. In so doing, we redirected resources from certain consumer related products, including insurance, credit unions and warranties. We are de-emphasizing these consumer products. In connection with our new focus, we realigned our revenue classifications in the fourth quarter of 2001 to reflect our emphasis on offering marketing services to dealers and automotive manufacturers. We now classify revenues in four categories — program fees, advertising, enterprise sales and other products and services. Prior year revenues have been presented to conform to the current year presentation. We conduct our business within one business segment, which is defined as providing Internet automotive marketing services.

We derive the majority of our revenues from program fees paid by participating dealers, and we expect to be primarily dependent on our dealer networks for revenues in the foreseeable future. Autobytel.com and CarSmart.com dealers using our services pay initial subscription fees, as well as ongoing monthly subscription fees based, among other things, on the size of territory, demographics and, indirectly, the transmittal of purchase requests to them. Autoweb.com dealers using our services primarily pay transaction fees based on the number of qualified purchase requests provided to them each month, and in certain instances, initial fees.

Our dealer contract terms generally range from 90 days to one year. The initial subscription fee from a dealer is recognized ratably over the first twelve months of the dealer's contract. The majority of our program fees consist of monthly fees which are recognized in the period service is provided. For the years ended December 31, 2001, 2000 and 1999, program fees were $52.3 million, $53.8 million and $35.7 million or 74%, 81% and 89% of total revenues, respectively. Average monthly program fees per dealer were $721, $763 and $868 in 2001, 2000 and 1999, respectively.

Our advertising sales effort is primarily targeted to vehicle manufacturers and automotive-related mass market consumer vendors. Using the targeted nature of Internet advertising, manufacturers can advertise their brand image effectively to specific subsets of our consumers. Vehicle manufacturers can target advertisements to consumers who are researching vehicles, thereby increasing the likelihood of influencing their purchase decisions. Campaign specifications are typically negotiated with the advertising agency or directly with the manufacturer or automotive-related vendor. This new focus supplements our previously existing Web site advertising efforts. Revenues from advertising were $4.3 million, $2.1 million and $0.9 million in 2001, 2000 and 1999 or 6%, 3% and 2% of total revenues, respectively .

We also provide major dealer groups and automotive manufacturers with marketing services and access to a large number of purchase-minded consumers from an attractive demographic base. Major dealer groups are dealerships that have corporate agreements with us. We have existing relationships with the majority of automotive manufacturers, such as General Motors and Ford, who use our data and technology tools. We began recognizing revenues from enterprise sales in 2001 and intend to focus on strengthening the size and quality of our relationships with major dealer groups and automotive manufacturers. Revenues from enterprise sales were $6.6 million or 9%, of total revenues in 2001 including $4.0 million in fees from General Motors Corporation for services related to an online locate-to-order vehicle test program.

In addition, we derive a portion of our revenues from international licensing agreements and other products and services on a monthly fee and per transaction basis. In 2001, 2000 and 1999, revenues from international licensing and other products and services were $7.8 million, $10.6 million and $3.7 million or 11%, 16% and 9% of total revenues, respectively.

We believe our ability to increase our revenues is related to the number of participating dealers in our networks and the average monthly fees paid by those dealers and the volume of purchase requests routed through our Web sites. Vehicle purchase requests routed through our online systems, including those routed through Autoweb.com from the date of acquisition on August 14, 2001, were approximately 3.6 million, 2.9 million and 2.1 million in 2001, 2000 and 1999, respectively, or an increase of 24%, 39% and 56% sequentially. Immediately following the events of September 11, 2001, purchase requests declined but have since recovered.

Our revenue is primarily dependent on:

- our number of dealer, major dealer group and automotive manufacturer relationships,
- the quality and number of purchase requests delivered to our participating dealers, major dealer groups and automotive manufacturers, and
- the fees paid by each dealer, major dealer group and automotive manufacturer on a subscription or per transaction lead basis.

We believe our revenues in the foreseeable future will be dependent on the above factors as well as our ability to generate revenues from new dealer, major dealer group and automotive manufacturer products. Although we expect our program, enterprise and advertising revenue to increase in the future, our revenue is subject to considerable uncertainty. See “Risk Factors” in Part I. Item 1. “Business” in this Annual Report on Form 10-K.

In the fourth quarter of 2001, we revised our methodology of counting dealers to reflect our operation of three separate online car buying brands. A dealer can have multiple dealer relationships with us. A dealer who participates in the Autobytel.com new car program, Used Vehicle Cyberstore program and the Autoweb.com new car program accounts for three dealer relationships. As of December 31, 2001, we had approximately 8,800 dealer relationships representing every major domestic and imported make of vehicle and light truck sold in the United States and Canada. Of these, approximately 6,800 relationships were with program dealers that participate in our online car buying referral network programs. Approximately 4,000 relationships were with the Autobytel.com brand, 2,000 were with the Autobweb.com brand and 800 were with the CarSmart.com brand. The Autobytel.com, Autoweb.com and CarSmart.com brands have low audience overlap. As of December 31, 2001, approximately 700 program dealers had more than one dealer relationship with us. Also included in our approximately 8,800 dealer relationships as of December 31, 2001, were approximately 2,000 enterprise relationships with major dealer groups and automotive manufacturers through our enterprise sales initiatives.

In 2001, approximately 5,900 program dealer relationships were added to our North American dealer networks, including 4,100 program dealer relationships which were added as a result of the Autoweb acquisition, and approximately 3,200 program dealer relationships were terminated by dealers or us. The net number of program dealer relationships as of December 31, 2001, excluding Autoweb program dealer relationships, decreased by 21% over 2000. The decline was primarily due to a decrease in the number of CarSmart program dealer relationships because of a decrease in sales and marketing resources allocated to the CarSmart.com brand.

As of February 28, 2002, we had approximately 8,900 dealer relationships. Of these, approximately 6,300 relationships were with program dealers. Approximately 3,800 relationships were with the Autobytel.com brand, 1,800 were with the Autobweb.com brand and 700 were with the CarSmart.com brand. Approximately 800 program dealers had more than one dealer relationship with us. Also included in our approximately 8,900 dealer relationships as of February 28, 2002, were approximately 2,600 enterprise relationships with major dealer groups and automotive manufacturers. Plymouth dealer relationships have been excluded due to the discontinuance of the brand at the end of the 2001 model year. Program dealer relationships consist of subscriptions to our new car marketing programs and our Used Vehicle CyberStore program. The decline of 500 program dealer relationships from December 31, 2001 to February 28, 2002 was primarily a result of the termination of approximately 600 program dealer relationships by the

dealers or us, the reclassification of approximately 200 program dealer relationships to enterprise relationships due to new corporate agreements between the dealer group and us offset by the addition of approximately 300 program dealer relationships. Our renewed focus on dealer marketing services should help us reduce our dealer attrition. However, we cannot assure that we will be able to do so. Our inability or failure to reduce dealer attrition could have a material adverse effect on our business, results of operations and financial condition.

Dealer participation in our programs may terminate for various reasons including:

- extinction of the manufacturer brand,
- selling or termination of the dealer franchise,
- termination of the relationship by the dealer and
- termination by us.

Because our primary revenue source is from program fees, our business model is significantly different from many other Internet commerce sites. The automobiles requested through our Web sites are sold by dealers; therefore, we derive no direct revenues from the sale of a vehicle and have no significant cost of goods sold, no procurement, carrying or shipping costs and no inventory risk.

Sales and marketing costs consist primarily of:

- fees paid to our Internet purchase request providers,
- promotion and advertising expenses to build our brand awareness and encourage potential customers to visit our Web sites and
- personnel and other costs associated with sales, marketing, training and support of our dealer networks.

The majority of our Internet advertising is comprised of:

- sponsorship and agreements with Internet portals, among others, and
- advertising and marketing relationships with online automotive information providers.

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

- Set-up fees are incurred for the development of the link between our Web sites and the Internet portal or online information provider and are expensed in the period the link is established.
- Initial and annual fees are amortized over the period they relate to.
- Monthly fees are expensed in the month they relate to.
- Variable fees are fees paid for purchase requests and are expensed in the period the purchase requests are received.

Our Internet marketing and advertising costs, including annual, monthly and variable fees, were $24.9 million, $20.6 million and $14.3 million in 2001, 2000 and 1999, respectively. Also included in sales and marketing expenses are the costs associated with traditional media, such as television, radio and print advertising and with signing up new dealers and their ongoing training and support. Sales and marketing costs are recorded as an expense in the period the service is provided. Sales and marketing expenses have historically fluctuated quarter-to-quarter due to varied levels of marketing and advertising and we believe this will continue in the future.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. 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. There can be no assurance that actual results will not differ from our estimates and assumptions. 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 IV. Item 14. "Exhibits, Financial Statement Schedules and Reports on Form 8-K" of this Annual Report on Form 10-K.

Accounts Receivable. We maintain allowances for doubtful accounts based on our estimate of losses that will result from the inability of our customers to pay us and for the refusal of customers to pay us because of disputes regarding our services. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments to us, or if our customers were dissatisfied with our services resulting in their refusal to make payments to us, additional allowances may be required. Significant increases in required reserves have been recorded in recent periods and may occur in the future 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.

We have had a significant increase in our allowance for doubtful accounts in 2001 as a result of issues with the delivery of purchase requests to Autoweb.com dealers. The delivery issues arose due to the conversion of the Autoweb.com Web site to a new technology platform. We expect our allowance for doubtful accounts as a percentage of revenue to decline in 2002 and thereafter. If the delivery issues regarding purchase requests do not decline in the future, our allowance for doubtful accounts as a percentage of revenue could increase and the impact on our business, results of operations or financial condition could be material.

Goodwill. In assessing whether goodwill recorded on our balance sheet is recoverable, we estimate undiscounted future cash flows and make assumptions to determine the fair value of goodwill. If the assumptions change in the future, we may be required to record goodwill impairment charges. In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and SFAS No. 142, "Goodwill and Other Intangible Assets," we are required to analyze goodwill for impairment whenever events or circumstances indicate that the carrying value of goodwill may not be recoverable or at least on an annual basis. During 2001, we recorded a $22.9 million non-cash charge for the impairment of goodwill related to our acquisition of A.I.N. Corporation.

Restructuring. During 2001, we recorded reserves in connection with the restructuring of our domestic and international operations. These reserves were based on estimates related to employee separation costs, settlements of contractual obligations and other related costs. Although we do not anticipate significant changes, the actual costs may differ from these estimates. During 2001, we recorded $7.2 million and $4.5 million in international and domestic restructuring charges, respectively.

Contingencies. We are subject to proceedings, lawsuits and other claims. We are required to assess the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. The amount of reserves required, if any, for these contingencies is determined after careful analysis of each individual case. The amount of reserves may change in the future if there are new developments in each matter.

Results of Operations

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

	Years Ended December 31,		
	2001	2000	1999
STATEMENT OF OPERATIONS DATA:			
Revenues			
Program fees	74%	81%	89%
Advertising	6	3	2
Enterprise sales	9	—	—
Other products and services	11	16	9
Total revenues	100	100	100
Operating expenses:			
Sales and marketing	71	98	110
Product and technology development	29	34	35
General and administrative	21	21	21
Goodwill impairment	32	—	—
International restructuring and related charges	10	—	—
Domestic restructuring and other charges	6	—	—
Total operating expenses	170	153	166
Loss from operations	(70)	(53)	(66)
Interest income, net	5	9	10
Foreign currency exchange gain (loss)	1	—	—
Equity loss in unconsolidated subsidiary	(1)	—	—
Other income (expense)	—	—	(1)
Loss before minority interest and income taxes	(65)	(44)	(58)
Minority interest	2	1	—
Loss before income taxes	(63)	(44)	(58)
Provision for income taxes	—	—	—
Net loss	(63)%	(44)%	(58)%

2001 Compared to 2000

Revenues. Our revenues increased $4.6 million, or 7%, to $71.1 million in 2001 compared to $66.5 million in 2000.

Program Fees. Program fees consist of fees paid by dealers located in the United States and Canada who participate in our Autobytel.com, Autoweb.com and CarSmart.com online car buying referral networks. These fees are comprised of initial fees and monthly subscription and transaction fees for consumer leads, or purchase requests, directed to participating dealers through our Web sites. Program fees decreased by $1.5 million, or 3%, to $52.3 million in 2001 compared to $53.8 million in 2000. The decrease was primarily due to a $7.7 million, or 14%, decline in Autobytel and CarSmart program fees due to a decline in average program fees per dealer and our number of dealer relationships, partially offset by a $6.2 million increase due to our acquisition of Autoweb. Our average fees per dealer and number of dealer relationships declined due to increased competition. With our acquisition of Autoweb and renewed focus on offering marketing services to dealers and automotive manufacturers, we expect our program revenues and dealer relationships to increase in 2002.

Advertising. Revenues from advertising represent fees received from automotive manufacturers and other advertisers who target car buyers during the research, consideration and decision making process on our Web sites. Advertising revenue increased by $2.2 million, or 110%, to $4.3 million in 2001 compared to $2.1 million in 2000.

The increase was due to a $2.8 million increase as a result of our acquisition of Autoweb, partially offset by a decrease of $0.6 million, or 26%, in Autobytel and CarSmart advertising revenues. As a result of the acquisition of Autoweb and the subsequent creation of our advertising sales media organization we expect our advertising revenues to increase in 2002.

Enterprise Sales. Enterprise sales represent fees from major dealer groups and automotive manufacturers. Major dealer groups are dealerships that have corporate agreements with us. In 2001, we recognized revenues from enterprise sales for the first time. Enterprise sales of $6.6 million primarily includes fees of $4.0 million received from General Motors Corporation for services related to an online locate-to-order vehicle test program. The agreement commenced in February 2001 and expired in November 2001. Enterprise sales in 2001 also include $2.6 million from major dealer groups for purchase requests and from manufacturers for automotive marketing data and technology provided by AIC, a division of Autoweb. As a result of the acquisition of Autoweb and the anticipated addition of major dealer groups and automotive manufacturers through our enterprise sales initiatives we expect revenues from enterprise sales to increase in 2002.

Other Products and Services. Revenues from other products and services include fees from license and service agreements with international licensees and insurance, financing and warranty products. Revenues from other products and services decreased by $2.8 million, or 26%, to $7.8 million in 2001 compared to $10.6 million in 2000. The decrease was primarily due to a $3.3 million decline in international licensing fees, insurance and financing, and database marketing partially offset by an increase of $0.5 million as a result of our acquisition of Autoweb. The decrease in other product and service revenues is expected to continue as we have redirected resources away from consumer products to focus our efforts on offering marketing services to dealers and automotive manufacturers.

Sales and Marketing. Sales and marketing expense primarily include advertising and marketing expenses paid to our purchase request providers and for developing our brand equity, as well as personnel and other costs associated with sales, training and support. Sales and marketing expense decreased by $14.7 million, or 22%, to $50.6 million in 2001 compared to $65.3 million in 2000. The decrease was primarily due to a $16.7 million, or 68%, decrease in television, print and radio advertising, and a $2.3 million, or 11%, decrease in other advertising and sales expenses which was partially offset by an increase in online advertising of $4.3 million, or 21%. The increase in online advertising expenses was a result of $6.0 million in online advertising for Autoweb partially offset by a decrease of $1.7 million in online advertising for Autobytel. We continue to refine our marketing strategy to reduce our cost of acquiring new customers.

Product and Technology Development. Product and technology expense primarily include personnel costs related to enhancing the features, content and functionality of our Web sites and our Internet-based communications platform and costs associated with customizing our software for international licensees and telecommunications and computer infrastructure. Product and technology development expense decreased by $2.4 million, or 11%, to $20.4 million in 2001 compared to $22.8 million in 2000. The decrease was primarily due to a $4.4 million, or 61%, decrease in software development costs partially offset by a $0.8 million, or 5%, increase in personnel costs, Web site data content and licensing fees, and additional product and technology expenses due to the addition of the Autoweb operations to our business, $0.7 million in amortization of capitalized software and $0.5 million for an executive severance payment. In accordance with SFAS No. 86, we capitalized $3.1 million of software development costs in 2001 which were primarily related to the enhancement of our existing proprietary software for use by our international licensees.

General and Administrative. General and administrative expense primarily consists of executive, financial and legal personnel expenses and costs related to being a public company. General and administrative expense was $15.0 million and $13.8 million for 2001 and 2000, respectively. General and administrative expense increased by $1.2 million, or 9%. The increase was primarily due to a $1.9 million, or 115%, increase in legal and professional fees for certain litigation, abandoned transaction costs and general corporate expenses and a $1.0 million charge related to severance for an executive. The increase was partially offset by a decrease of $0.7 million, or 44%, in financial consulting and public company infrastructure costs, $0.6 million, or 40%, in goodwill amortization as a result of the goodwill write-down in 2001 related to CarSmart, and $0.4 million, or 4%, in other general and administrative expenses. In accordance with SFAS No. 142, goodwill of $8.6 million recorded on our balance sheet in connection with our acquisition of Autoweb in August 2001 is not amortized. Instead, on at least an annual basis, we will assess the carrying value of goodwill for impairment.

Goodwill Impairment. During 2001, based on an analysis of undiscounted expected future cash flows, we determined that goodwill recorded on our balance sheet in connection with our acquisition of CarSmart was in excess of its current estimated fair value. Undiscounted expected future cash flows were unfavorably impacted due to a decline in the number of CarSmart dealers, primarily resulting from a reduction in sales and marketing resources allocated to the CarSmart.com brand. As a result, in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," we recorded a non-cash charge of $22.9 million to reflect the write-off of goodwill related to the acquisition of CarSmart.

International restructuring and related charges. Due to a decline in the general economic climate and the environment for Internet related activities in Europe in 2001, we recorded a charge of $7.2 million related to our international operations in 2001. The charge consists of $3.1 million related to the restructuring of Autobytel.Europe's operations primarily for employee separation costs, facilities and contract termination costs, $1.4 million related to the write-off of obsolete international software, and $2.7 million related to the write-off of investments in certain European joint ventures largely due to our inability to obtain additional capital to support continued operations of the joint ventures.

Domestic restructuring and other charges. In 2001, we recorded $4.5 million for domestic restructuring and other charges. The charges primarily consist of $2.6 million in post acquisition compensation costs related to the integration of Autoweb into our business, $1.0 million related to the reorganization of our dealer operations, including personnel costs, the elimination of duplicate facilities and the write-down of fixed assets, and $0.9 million in contract termination costs related to online advertising and the aftermarket program on our Autobytel.com Web site as well as the write-off of previously capitalized software related to the aftermarket program.

Interest Income, Net. For 2001, interest income decreased by $2.8 million, or 45%, to $3.3 million in 2001 compared to $6.1 million in 2000 due to lower cash balances and declining interest rates.

Foreign Currency Exchange Gain, Net. Autobytel.Europe, our subsidiary, operates its business in the Euro, which is its functional currency. It enters into transactions which require the use of currencies other than the Euro. Due to foreign exchange rate fluctuations, a $0.5 million gain on transactions executed in currencies other than the Euro was realized in 2001. In the future, we may experience gains or losses attributable to fluctuations in foreign currency exchange rates.

Equity Loss in Unconsolidated Subsidiary. Equity loss in an unconsolidated subsidiary represents our share of the loss in our Australian venture. The loss recognized has been limited to the amount of our investment, or $0.5 million, in 2001.

Minority Interest Gain. Minority interest represents our majority-owned subsidiary's net loss allocable to minority shareholders. A portion of the loss generated by our majority-owned subsidiary, Autobytel.Europe, was allocated to its minority interest shareholders resulting in a gain of $1.5 million in 2001.

Income Taxes. No provision for federal income taxes has been recorded as we incurred net operating losses through December 31, 2001. As of December 31, 2001, we had approximately $164.6 million of federal and $80.4 million of state net operating loss carryforwards available to offset future taxable income. Of the $164.6 million of federal and $80.4 million of state net operating loss carryforward, $71.2 million and $33.4 million, respectively, relate to Autoweb activities prior to the acquisition. These net operating loss carryforwards expire in various years through 2021. Utilization of the net operating losses may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation may result in the expiration of net operating loss carryforwards before utilization.

2000 Compared to 1999

Revenues. Our revenues increased $26.2 million, or 65%, to $66.5 million in 2000 compared to $40.3 million in 1999.

Program Fees. Program fees increased by $18.1 million, or 51%, to $53.8 million in 2000 compared to $35.7 million in 1999. The growth in program revenue was attributable to a $12.0 million, or 34%, increase in Autobytel program fees and $6.1 million in CarSmart program fees as a result of the acquisition of CarSmart in February 2000.

Advertising. Advertising revenue increased by $1.2 million, or 130%, to $2.1 million in 2000 compared to $0.9 million in 1999. The increase in advertising revenue was due to a $0.7 million increase in CarSmart advertising revenue, and $0.5 million, or 56%, increase in Autobytel advertising revenue.

Other Product and Services. Revenues from other products and services increased by $6.9 million, or 190%, to $10.6 million in 2000 compared to $3.7 million in 1999. The increase was primarily due to a $6.5 million, or 179%, increase in international licensing agreement fees, Web site advertising, database marketing, insurance and finance products, and a $0.4 million increase from CarSmart related products and services.

Sales and Marketing. Sales and marketing expense increased by $21.1 million, or 48%, to $65.3 million in 2000 compared to $44.2 million in 1999. The increase was primarily due to a $9.0 million, or 57%, increase in print, television and radio advertising to build brand awareness, a $6.3 million, or 44%, increase in online advertising for increased purchase requests and agreements with additional Internet affiliates, and a $1.3 million, or 53%, increase in other marketing and advertising expenses. The increase in sales and marketing was further attributable to a $4.5 million, or 39%, increase in sales, dealer support and call center personnel to support the growth of our business.

Product and Technology Development. Product and technology development expense increased by $8.5 million, or 60%, to $22.8 million in 2000 compared to $14.3 million in 1999. The increase was primarily due to $6.1 million for international software development costs, and a $2.4 million, or 18%, increase for additional personnel and retention costs, both domestic and international, and Web site data content and licensing fees. We capitalized $3.3 million of product and technology costs incurred in 2000.

General and Administrative. General and administrative expense was $13.8 million and $8.6 million for 2000 and 1999, respectively. General and administrative expense increased by $5.2 million, or 61%. The increase was primarily due to a $2.7 million, or 78%, increase in recruiting and personnel costs, $1.5 million for goodwill amortization related to our acquisition of CarSmart, and a $1.0 million, or 145%, increase in legal and general corporate expenses.

Interest Income, Net. In 2000, interest income increased by $2.2 million, or 56%, compared to 1999. Interest income increased due to higher cash balances resulting from the initial public offering late in the first quarter of 1999 and the funding of Autobytel.Europe early in the first quarter of 2000.

Foreign Currency Exchange Loss, Net. Autobytel.Europe, our subsidiary operates its business in Europe. As such, it incurs general operating expenses and enters into transactions, including investments in joint ventures and licensees, which require the use of local currencies. Accordingly, Autobytel.Europe engaged in foreign currency exchange transactions. Due to foreign exchange rate fluctuations, a $0.7 million loss on cash held in foreign currency was realized in 2000. Also, based on the six month forward exchange rate at December 31, 2000, an unrealized loss of $0.1 million was recognized on foreign exchange forward contracts expiring in June 2001. From inception through December 31, 2000, Autobytel.Europe's functional currency was the U.S. dollar. On January 1, 2001, Autobytel.Europe adopted the Euro as its functional currency. Foreign exchange transaction gains and losses in Canada were minimal. In the future, we may experience gains or losses attributable to fluctuations in foreign currency exchange rates.

Other Income (Expense), Net. In 2000, there were no significant transactions included in other income (expense). Other expense in 1999 of $0.3 million consisted primarily of costs related to our Japanese joint venture.

Minority Interest Losses. Minority interest losses represent the share of net losses attributable to the minority shareholders in majority owned subsidiaries. In 2000, $0.4 million in losses related to our subsidiary, Autobytel.Europe, were allocated to the minority shareholders. Autobytel.Europe was wholly-owned in 1999.

Income Taxes. No provision for federal income taxes has been recorded as we incurred net operating losses through December 31, 2000. As of December 31, 2000, we had approximately $76.7 million of federal and $38.2 million of state net operating loss carryforwards that we believe are available to offset future taxable income. These

carryforwards expire in various years through 2020. Under the Tax Reform Act of 1986, the amounts of and benefits from our net operating loss carryforwards will be limited due to a cumulative ownership change of more than 50% over a three year period. Based on preliminary estimates, we believe the effect of such limitation will not have a material adverse effect on our business, results of operations and financial condition.

Stock-Based Compensation

In the first quarter of 1999, stock options were granted to employees and directors at exercise prices of $13.20 and $16 per share which were below the fair market value at the date of grant. In relation to these grants, we will recognize estimated compensation expense of approximately $2.0 million ratably over the vesting terms of one to four years. Compensation expense of $0.2 million, $0.4 million and $1.1 million was classified as general and administrative expense in 2001, 2000 and 1999, respectively, and approximately $0.2 million and $36,000 will be classified as general and administrative expense in the years ending 2002 and 2003, respectively.

Liquidity and Capital Resources

Net cash used in operating activities was $19.7 million in 2001, $23.7 million in 2000 and $14.5 million in 1999. Net cash used in 2001 resulted primarily from the net loss for the year before non-cash charges and a decrease in prepaid expenses, interest income receivable, accounts payable, accrued expenses and restructuring liabilities.

Net cash used in operating activities in 2000 resulted primarily from the net loss for the year and increased accounts receivable offset by increased accounts payable for sales and marketing, product and technology development and general and administrative expenditures, provision for bad debt and additional depreciation and goodwill amortization related to the acquisition of A.I.N.

Net cash used in operating activities in 1999 resulted primarily from the net loss for the year, increased accounts receivable and prepaid expenses, partially offset by increased deferred revenues related to growth in the number of our paying dealers, accounts payable and accrued expenses for sales and marketing, product and technology development and general and administrative expenditures, non-cash stock-based compensation expense related to options granted in March 1999 and depreciation expense.

Net cash used in investing activities was $0.1 million in 2001, $12.0 million in 2000 and $0.9 million in 1999. Cash used in investing in 2001 primarily was for expenditures for capitalized software and the purchase of computer hardware and software offset by cash acquired in the Autoweb transaction. Cash used in investing in 2000 was related to the acquisition of A.I.N., expenditures for capitalized software, investments in our joint ventures in Spain, Sweden and France, notes receivable from our joint venture in France and the purchase of property and equipment. Cash for investing activities in 1999 was primarily for the purchase of property and equipment, including computer hardware, telecommunications equipment and furniture.

Net cash provided by financing activities was $2.1 million in 2001, $32.3 million in 2000 and $72.9 million in 1999. Cash provided by financing activities in 2001 was from funding received from an investor for investment in Autobytel.Europe. Cash provided by financing activities in 2000 was primarily from funding received from strategic investors for investment in Autobytel.Europe. In January 2000, we invested $5 million in Autobytel.Europe which has been eliminated in consolidation. Cash for financing in 1999 was primarily from the consummation of our initial public offering in March 1999. We intend to use the remaining net proceeds from our initial public offering for potential acquisitions, investments in businesses and for general corporate purposes.

As of February 28, 2002, we had approximately $33.0 million in domestic cash and cash equivalents and $28.8 million in international cash and cash equivalents. Approximately $3.0 million of domestic cash is restricted as a deposit to secure an appeal bond in connection with the Heshion litigation. As a result of the agreement to settle the litigation with Mr. Heshion, the appeal bond is expected to be released in the second quarter of 2002. International cash and cash equivalents represent funds of Autobytel.Europe and are for the operations of Autobytel.Europe. Cash on hand at Autobytel.Europe is expected to be substantially reduced as a result of on-going discussions related to future changes in Autobytel.Europe’s capital structure with the other investors in Autobytel.Europe. We do not anticipate contributing additional cash to Autobytel.Europe above our initial $5.0 million contribution. International cash and cash equivalents are not available to Autobytel. We expect that following the restructuring, our ownership of

Autobytel.Europe will decline from 76.5%to less than 50% and that we will no longer consolidate Autobytel.Europe in our financial statements but will account for our investment in Autobytel.Europe under the equity method. There is no assurance that the expected changes to the capital structure of Autobytel.Europe will be achieved.

Our cash requirements depend on several factors, including:

- the level of expenditures on marketing and advertising,
- the level of expenditures on product and technology development,
- the ability to increase the volume of purchase requests and transactions related to our Web sites,
- the cost of contractual arrangements with Internet portals, online information providers, and other referral sources,
- the level of investments in joint ventures and licensees, and
- the cash portion of acquisition transactions.

We do not have debt. We believe our current cash and cash equivalents are sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months.

In January 2002, we invested $0.2 million in Autobytel Australia. We agreed to invest an additional $0.2 million in April 2002 subject to Autobytel Australia meeting agreed upon performance targets.

With respect to years beyond fiscal 2002, we may be required to raise additional capital to meet our long term operating requirements. Since inception, our expenses have exceeded our revenues. We expect to be able to fund our operations from internally generated funds beginning in 2003. However, we cannot assure that we will be able to fund our operations from internally generated funds during such period or thereafter.

While we forecast and budget cash requirements, assumptions underlying the estimates may change and could have a material impact on our cash requirements. If capital requirements vary materially from those currently planned, we may require additional financing sooner than anticipated. We have no commitments for any additional financing, and there can be no assurance that any such commitments can be obtained on favorable terms, if at all.

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

Recent Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” which is effective for fiscal years beginning after June 15, 2000 (as amended by SFAS No. 137 and 138.) SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments. We adopted SFAS No. 133 in January 2001. The adoption did not have a material effect on our financial position or results of operations.

In June 2001, the FASB issued SFAS No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 141 addresses financial accounting and reporting for business combinations. It requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. It also requires recognition of intangible assets, other than goodwill, in business combinations completed after June 30, 2001 and accounted for using the purchase method of accounting. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. With the adoption of SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life, rather goodwill will be subject to at least an annual assessment for impairment. If goodwill is determined to be impaired, we will be required to recognize a non-cash

charge equal to the excess of the carrying value over the determined fair value. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, except for goodwill and intangible assets acquired after June 30, 2001, for which it is immediately applicable. The acquisition of Autoweb has been accounted for in accordance with SFAS Nos. 141 and 142 as the acquisition was completed after June 30, 2001. We adopted SFAS Nos. 141 and 142, as it applies to business combinations, goodwill and other intangible assets existing prior to June 30, 2001, on January 1, 2002 and we do not expect it to have a material effect on our financial position or results of operation. As of December 31, 2001, goodwill recorded in connection with the acquisition of A.I.N. Corporation in February 2000 was determined to be fully impaired and, as a result, the remaining unamortized balance was recorded as an impairment charge. Goodwill amortization expense and impairment charges related to A.I.N. were $0.9 million and $22.3 million, respectively, in 2001.

In October 2001, the FASB issued SFAS No. 144, " Accounting for the Impairment or Disposal of Long-Lived Assets." It establishes standards for performing certain tests of impairment on long-lived assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. We adopted SFAS No. 144 on January 1, 2002 and are currently evaluating the impact of this new statement.

Item 7A. ***Quantitative And Qualitative Disclosures About Market Risk***

Autobytel.Europe, our majority-owned subsidiary, operates its business in the Euro, which is its functional currency. Autobytel.Europe generates revenues, incurs general operating expenses and enters into transactions, including investments in joint ventures and licensees, which require the use of local foreign currencies. As a result of these transactions, we are exposed to gains and losses resulting from changes in foreign currency exchange rates. These fluctuations may adversely affect our consolidated results of operations and financial position. In prior years, Autobytel.Europe has entered into foreign currency forward contracts in an effort to minimize the risks and costs associated with these fluctuations. Neither we nor Autobytel.Europe enter into foreign currency forward contracts or other financial instruments for trading or speculative purposes.

In July 2000, Autobytel.Europe entered into foreign currency forward exchange contracts which obligated Autobytel.Europe to exchange U. S. dollars for predetermined amounts of Netherlands guilders at specified exchange rates on specified dates. These contracts matured on June 26, 2001. In accordance with SFAS No. 133, these contracts were accounted for as hedged contracts. Our consolidated statements of operations include a gain of $0.4 million in 2001 and a loss of $0.1 million in 2000, resulting from changes in the spot exchange rate, including those from settled and open contracts. As of December 31, 2001, we had no outstanding foreign currency forward exchange contracts.

A sensitivity analysis indicates that a 5% change in foreign currency exchange rates would not have a significant effect on our consolidated results of operations or financial condition.

Item 8. ***Financial Statements And Supplementary Data***

Our Balance Sheets as of December 31, 2001 and 2000 and our Statements of Operations, Stockholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 2001, together with the reports of Arthur Andersen LLP, independent auditors, 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.

PART III

Item 10. ***Directors And Executive Officers Of The Registrant***

The information called for in this item will be filed not later than 120 days after our fiscal year end (December 31, 2001) in our definitive Proxy Statement in connection with our 2002 Annual Meeting of Stockholders pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or in an amendment to this Annual Report on Form 10-K.

Item 11. ***Executive Compensation***

The information called for in this item will be filed not later than 120 days after our fiscal year end (December 31, 2001) in our definitive Proxy Statement in connection with our 2002 Annual Meeting of Stockholders pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or in an amendment to this Annual Report on Form 10-K.

Item 12. ***Security Ownership Of Certain Beneficial Owners And Management***

The information called for in this item will be filed not later than 120 days after our fiscal year end (December 31, 2001) in our definitive Proxy Statement in connection with our 2002 Annual Meeting of Stockholders pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or in an amendment to this Annual Report on Form 10-K.

Item 13. ***Certain Relationships And Related Transactions***

The information called for in this item will be filed not later than 120 days after our fiscal year end (December 31, 2001) in our definitive Proxy Statement in connection with our 2002 Annual Meeting of Stockholders pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or in an amendment to this Annual Report on Form 10-K.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) The following documents are filed as a part of this Annual Report:

(1) *Financial Statements:*

(2) *Financial Statement Schedules:*

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

(3) *Exhibits:*

The exhibits filed as part of this Annual Report are listed in the Index to Exhibits immediately preceding such exhibits, which Index to Exhibits is incorporated herein by reference.

(b) *Reports on Form 8-K:*

The following reports on Form 8-K were filed during the last quarter of the period covered by this Annual Report:

On October 26, 2001, we filed a Form 8-K under Item 5 announcing our financial results for the third quarter of 2001.

On December 6, 2001, we filed a Form 8-K under Item 5 announcing the appointment of Jeffrey A. Schwartz as Chief Executive Officer and President.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 21st day of March 2002.

Autobytel Inc.

By: /s/ JEFFREY A. SCHWARTZ

Jeffrey A. Schwartz
Chief Executive Officer,
President 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 A. Schwartz, Hoshi Printer or Ariel Amir as its, his or her true and lawful attorneys-in-fact and agents, for it, him or her and in its, his or her 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, he or she 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.

Signature	Title	Date
/s/ MICHAEL FUCHS Michael Fuchs	Chairman of the Board and Director	March 21, 2002
/s/ JEFFREY A. SCHWARTZ Jeffrey A. Schwartz	Chief Executive Officer, President and Director (Principal Executive Officer)	March 21, 2002
/s/ HOSHI PRINTER Hoshi Printer	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 21, 2002
/s/ AMIT KOTHARI Amit Kothari	Vice President and Controller (Principal Accounting Officer)	March 21, 2002
/s/ JEFFREY H. COATS Jeffrey H. Coats	Director	March 21, 2002
/s/ MARK N. KAPLAN Mark N. Kaplan	Director	March 21, 2002
/s/ KENNETH J. ORTON Kenneth J. Orton	Director	March 21, 2002
/s/ ROBERT S. GRIMES Robert S. Grimes	Director	March 21, 2002

Signature	Title	Date
/s/ PETER TITZ Peter Titz	Director	March 21, 2002
/s/ RICHARD POST Richard Post	Director	March 21, 2002
/s/ MARK ROSS Mark Ross	Director	March 21, 2002

Autobytel Inc.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Autobytel Inc.:

We have audited the accompanying consolidated balance sheets of Autobytel Inc., a Delaware corporation, and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Autobytel Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index of financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Los Angeles, California
January 25, 2002

Autobytel Inc.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

ASSETS

	December 31, 2001	December 31, 2000
Current assets:		
Domestic cash and cash equivalents	$ 30,006	$ 47,758
International cash and cash equivalents	28,784	19,158
Restricted cash	3,047	15,029
Accounts receivable, net of allowance for doubtful accounts of $7,109 and $2,185, respectively	8,519	5,947
Prepaid expenses and other current assets	4,419	4,127
Total current assets	74,775	92,019
Property and equipment, net	2,889	2,537
Investments, at cost	—	1,353
Goodwill, net	8,644	23,755
Capitalized software, net	4,319	3,338
Notes receivable	—	530
Other assets	154	86
Total assets	$ 90,781	$123,618
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,108	$ 9,828
Accrued expenses	9,005	7,519
Deferred revenues	4,708	5,669
Customer deposits	92	185
Other current liabilities	300	371
Total current liabilities	23,213	23,572
Long-term liabilities	—	47
Total liabilities	23,213	23,619
Minority interest	7,173	8,193
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 11,445,187 shares authorized	—	—
Common stock, $0.001 par value; 200,000,000 shares authorized; 30,969,377 and 20,336,083 shares issued and outstanding, respectively	31	20
Warrants	—	1,332
Additional paid-in capital	203,280	186,097
Accumulated other comprehensive loss	(2,438)	(16)
Accumulated deficit	(140,478)	(95,627)
Total stockholders' equity	60,395	91,806
Total liabilities and stockholders' equity	$ 90,781	$123,618

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

Autobytel Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share data)

	Years Ended December 31,		
	2001	2000	1999
Revenues			
Program fees	$ 52,306	$ 53,843	$ 35,739
Advertising	4,321	2,062	898
Enterprise sales	6,610	—	—
Other products and services	7,831	10,627	3,661
Total revenues	71,068	66,532	40,298
Operating expenses:			
Sales and marketing	50,648	65,266	44,176
Product and technology development	20,410	22,847	14,262
General and administrative	14,973	13,797	8,595
Goodwill impairment	22,867	—	—
International restructuring and related charges	7,229	—	—
Domestic restructuring and other charges	4,514	—	—
Total operating expenses	120,641	101,910	67,033
Loss from operations	(49,573)	(35,378)	(26,735)
Interest income, net	3,338	6,114	3,922
Foreign currency exchange gain (loss)	426	(106)	(6)
Equity loss in unconsolidated subsidiary	(500)	—	(126)
Other income (expense)	—	9	(322)
Loss before minority interest and income taxes	(46,309)	(29,361)	(23,267)
Minority interest	1,485	369	—
Loss before income taxes	(44,824)	(28,992)	(23,267)
Provision for income taxes	27	42	53
Net loss	$ (44,851)	$ (29,034)	$ (23,320)
Basic and diluted net loss per share	$ (1.84)	$ (1.45)	$ (1.48)
Shares used in computing basic and diluted net loss per share	24,403,609	20,047,173	15,766,406
Comprehensive loss:			
Net loss	$ (44,851)	$ (29,034)	$ (23,320)
Translation adjustment	(2,422)	(8)	11
Comprehensive loss	$ (47,273)	$ (29,042)	$ (23,309)

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

Autobytel Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock				Accumulated		
	Number of Shares	Amount	Number of Shares	Amount	Warrants	Additional Paid-In Capital	Other Comprehensive Loss	Accum-ulated Deficit	Total
Balance, December 31, 1998	7,436,653	$ 7	8,506,455	$ 8	$ 1,332	$ 67,813	$ (19)	$ (43,273)	$ 25,868
Conversion of Series A, B and C convertible preferred stock to common stock	(7,436,653)	(7)	5,852,290	6	—	1	—	—	—
Issuance of common stock in initial public offering, net of issuance cost	—	—	3,500,000	4	—	72,080	—	—	72,084
Issuance of common stock upon exercise of stock options	—	—	362,630	—	—	790	—	—	790
Issuance of common stock under employee stock purchase plan	—	—	3,161	—	—	48	—	—	48
Compensation expense recorded for fair market value of warrant in excess of exercise price	—	—	10,077	—	—	162	—	—	162
Compensation expense recorded for fair market value of stock options in excess of exercise price	—	—	—	—	—	1,063	—	—	1,063
Foreign currency translation adjustment	—	—	—	—	—	—	11	—	11
Net loss	—	—	—	—	—	—	—	(23,320)	(23,320)
Balance, December 31, 1999	—	—	18,234,613	18	1,332	141,957	(8)	(66,593)	76,706
Issuance of common stock upon acquisition of A.I.N. Corporation	—	—	1,800,000	2	—	19,690	—	—	19,692
Issuance of common stock upon exercise of stock options	—	—	280,000	—	—	646	—	—	646
Issuance of common stock under employee stock purchase plan	—	—	21,470	—	—	134	—	—	134
Compensation expense recorded for fair market value of stock options in excess of exercise price	—	—	—	—	—	393	—	—	393
Net gain on sale of subsidiary stock	—	—	—	—	—	23,277	—	—	23,277
Foreign currency translation adjustment	—	—	—	—	—	—	(8)	—	(8)
Net Loss	—	—	—	—	—	—	—	(29,034)	(29,034)
Balance, December 31, 2000	—	—	20,336,083	20	1,332	186,097	(16)	(95,627)	91,806
Issuance of common stock upon acquisition of Autoweb	—	—	10,504,803	11	—	14,320	—	—	14,331
Issuance of common stock upon exercise of stock options	—	—	6,667	—	—	5	—	—	5
Issuance of common stock under employee stock purchase plan	—	—	121,824	—	—	118	—	—	118
Expiration of warrants	—	—	—	—	(1,332)	1,332	—	—	—
Compensation expense recorded for fair market value of stock options in excess of exercise price	—	—	—	—	—	242	—	—	242
Net gain on sale of subsidiary stock	—	—	—	—	—	1,166	—	—	1,166
Foreign currency translation adjustment	—	—	—	—	—	—	(2,422)	—	(2,422)
Net loss	—	—	—	—	—	—	—	(44,851)	(44,851)
Balance, December 31, 2001	—	$ —	30,969,377	$ 31	$ —	$203,280	$(2,438)	$(140,478)	$ 60,395

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

Autobytel Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands, except share and per share data)

	Years Ended December 31,		
	2001	2000	1999
Cash flows from operating activities:			
Net loss	$(44,851)	$(29,034)	$(23,320)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash charges:			
Depreciation and amortization	3,092	2,752	1,298
Provision for bad debt	3,356	1,409	189
Loss on disposal of property and equipment	561	30	103
Foreign currency exchange loss	—	132	—
Compensation expense recorded for fair market value of stock options in excess of exercise price	242	393	1,063
Compensation expense recorded for fair market value of warrant in excess of exercise price	—	—	162
Equity losses in unconsolidated subsidiary	500	—	126
Minority interest	(1,485)	—	—
Impairment of goodwill	22,867	—	—
Write-down of capitalized software costs	1,434	—	—
Write-off of investments in foreign entities	2,142	—	—
Write-down of property and equipment	257	—	—
Changes in assets and liabilities:			
Accounts receivable	978	(3,387)	(1,526)
Prepaid expenses and other current assets	3,026	(670)	(1,466)
Other assets	3	289	(26)
Accounts payable	(1,781)	4,518	1,362
Accrued expenses	(4,858)	576	5,857
Restructuring liabilities	(3,644)	—	—
Deferred revenues	(920)	463	1,198
Customer deposits	(84)	(531)	371
Other current liabilities	(71)	(613)	168
Other long-term liabilities	(482)	(69)	(70)
Net cash used in operating activities	(19,718)	(23,742)	(14,511)
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	5,697	(4,374)	—
Investment in foreign entities	(413)	(1,353)	—
Sale of investment in foreign entities	109	—	—
Investment in debt security of foreign entities	(88)	(830)	—
Investment in unconsolidated subsidiary	—	—	(126)
Notes receivable from foreign entity	(109)	(268)	—
Repayment of notes receivable from foreign entity	292	—	—
Purchases of property and equipment	(2,444)	(1,849)	(823)
Capitalized software costs	(3,135)	(3,338)	—
Net cash used in investing activities	(91)	(12,012)	(949)
Cash flows from financing activities:			
Net proceeds from sale of common stock	123	780	72,922
Net proceeds from sale of subsidiary company stock	2,000	31,470	—
Net cash provided by financing activities	2,123	32,250	72,922
Effect of exchange rates on cash	(2,422)	(8)	11
Net increase (decrease) in cash and cash equivalents	(20,108)	(3,512)	57,473
Cash and cash equivalents, beginning of period	81,945	85,457	27,984
Cash and cash equivalents, end of period	$ 61,837	$ 81,945	$ 85,457

	Years Ended December 31,		
	2001	2000	1999
Supplemental disclosure of cash flow information:			
Cash paid during the period for income taxes	$27	$42	$53
Cash paid during the period for interest	$ 5	$51	$ 2

Supplemental disclosure of non-cash investing and financing activities:

* In February 2000, in conjunction with the acquisition of a business, assets of $950 were acquired, liabilities of $1,966 were assumed and 1,800,000 shares of common stock were issued. (See Note 3)
* In August 2001, in conjunction with the acquisition of Autoweb.com, Inc., assets of $19,701 were acquired, liabilities of $12,819 were assumed and 10,504,803 shares of common stock were issued. (See Note 4)
* In November 2001, warrants to purchase 150,000 shares of common stock valued at $270 expired. (See Note 10.)
* In December 2001, warrants to purchase 589,800 shares of common stock valued at $1,062 expired. (See Note 10.)

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

Autobytel Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

1. Organization and Operations of Autobytel

Autobytel Inc. (Autobytel) is an Internet automotive marketing services company that helps dealers sell cars and manufacturers build brands through efficient marketing and customer relationship management tools and programs. Autobytel owns and operates four Web sites — Autobytel.com, Autoweb.com, CarSmart.com and AutoSite.com. Autobytel is also a leading provider of automotive marketing data and technology through its Automotive Information Center (AIC) division.

Autobytel provides tools and programs to dealers and manufacturers to help them increase market share and reduce customer acquisition costs.

Autobytel is a Delaware corporation incorporated on May 17, 1996. Autobytel was previously formed in Delaware in January 1995 as a limited liability company under the name Auto-By-Tel LLC. Its principal corporate offices are located in Irvine, California. Autobytel completed an initial public offering in March 1999 and its common stock is listed on the Nasdaq National Market under the symbol ABTL.

Since its inception in January 1995, Autobytel has experienced operating losses and has an accumulated deficit of $140,478 as of December 31, 2001. Autobytel believes current cash and cash equivalents are sufficient to meet anticipated cash needs for working capital and capital expenditures for at least the next 12 months.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Autobytel and its wholly and majority owned direct and indirect subsidiaries. Autobytel's wholly and majority owned subsidiaries include: Autobytel Services Corporation, Autoweb.com, Inc., A.I.N. Corporation, Auto-By-Tel Acceptance Corporation, Auto-By-Tel Insurance Services, Inc., Autobytel.ca inc., Kre8.net inc., e-autosdirect.com inc., Autobytel.Europe LLC, Autobytel.Europe Investment B.V., Autobytel.Europe Holdings B.V., Autobytel France SA, I-Net Training Technologies, LLC, Autobytel Information Services Inc., AutoVisions Communications, Inc. and iBuy Inc.

Investments in entities in which Autobytel has the ability to exercise significant influence, but not control, are accounted for using the equity method. Autobytel accounts for its investments in Autobytel Japan and Autobytel Australia under the equity method. The application of the equity method with respect to Autobytel's investment of $126 in Autobytel Japan and $500 in Autobytel Australia has been suspended, as these amounts were fully expensed in 1999 and 2001, respectively. Autobytel will resume application of the equity method when its share of net income equals its share of net losses unrecognized during the suspension period.

Investments in entities in which Autobytel does not have the ability to exercise significant influence or control are carried at cost. Autobytel accounts for its investments in Auto-By-Tel AB, Automoviles Bytel S.A. and Autoatnet S.A. using the cost method. As of December 31, 2001, Autobytel's investments in the entities were determined to be nonrecoverable and were written-off. (See Note 13.)

All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

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

Reclassifications

Certain prior year accounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2001 and 2000 were as follows:

	2001			2000		
	Available	Restricted	Total	Available	Restricted	Total
Domestic	$30,006	$2,994	$33,000	$47,758	$ 29	$47,787
International	28,784	53	28,837	19,158	15,000	34,158
Total	$58,790	$3,047	$61,837	$66,916	$15,029	$81,945

For the purposes of the consolidated balance sheets and the consolidated statements of cash flows, Autobytel considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Domestic cash and cash equivalents represent amounts held by Autobytel for use by Autobytel. As of December 31, 2001, $2,966 was held in a restricted interest bearing account to secure an appeal bond related to litigation (see Note 8.) and $28 was held by financial institutions as collateral for business credit cards. As of December 31, 2000, $29 was held by financial institutions as collateral for business credit cards.

International cash and cash equivalents represent amounts held by Autobytel.Europe for use as directed by Autobytel.Euorpe. These funds are not available to Autobytel. As of December 31, 2001, $53 was held by Autobytel.Europe's landlord as a security deposit. As of December 31, 2000, $15,000 was held in a restricted interest bearing account as a reserve for three foreign exchange forward contracts which expired in June 2001.

Financial Instruments

Autobytel does not hold or issue financial instruments for speculative purposes. In 2000, Autobytel entered into foreign currency forward exchange instruments in order to hedge certain financing and investment transactions denominated in foreign currencies at Autobytel.Europe. Gains and losses on the investing and financing transactions are included in other income (expense). These forward contracts expired in June 2001. As of December 31, 2001, Autobytel had no outstanding foreign currency forward exchange contracts.

Concentration of Credit Risk

Financial instruments that potentially subject Autobytel to significant concentrations of credit risk consist primarily of accounts receivable. Accounts receivable are primarily derived from fees billed to subscribing dealers and international licensees. Autobytel generally requires no collateral to support customer receivables and maintains reserves for potential credit losses. Historically, such losses have been within Autobytel's expectations. As of December 31, 2001 and 2000, no subscribing dealer, international licensee or other customer accounted for greater than 10% of accounts receivable.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, generally three years. 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. In accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," Autobytel evaluated the carrying value of property and equipment and noted no impairment as of December 31, 2001.

Capitalized Software in Process

In accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed", Autobytel expenses software development costs until technological feasibility has been established. Costs incurred subsequent to technological feasibility are capitalized on a product by product basis. Amortization is provided using the greater of (i) the ratio that current gross revenues for a product bear to the total of current anticipated future gross revenues from that product or (ii) the straight-line method over the remaining estimated economic life of the product, beginning when the product is available for general release to customers. The economic life of each product is generally three years. As of December 31, 2001 and 2000, capitalized software in process costs totaled $6,473 and $3,338, respectively. Related amortization expense of $720 and a write-down of $1,434 (see Note 13) were recognized in 2001. No amortization expense or write-downs were recognized in 2000.

Goodwill

Autobytel evaluates the carrying value of goodwill on the balance sheet in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and SFAS No. 142, "Goodwill and Other Intangible Assets," whenever events or circumstances indicate that the carrying value of goodwill may not be recoverable or on at least an annual basis. An analysis of undiscounted expected future cash flows is used to estimate the fair value of goodwill. If the sum of the undiscounted expected future cash flows is less than the carrying value an impairment loss is recognized. (See Note 13.) Goodwill acquired prior to June 30, 2001 was amortized using the straight-line method over its estimated useful life, generally 15 years. In accordance with SFAS No. 142, goodwill acquired subsequent to June 30, 2001 will not be amortized, rather Autobytel will evaluate the carrying value of goodwill on the balance sheet for impairment on at least an annual basis.

Stock-Based Compensation

Autobytel accounts for stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." Under APB No. 25, compensation expense is recognized over the vesting period based on the excess of the fair market value over the exercise price on the grant date. (See Note 11.)

In 1996, Autobytel adopted SFAS No. 123, "Accounting for Stock-Based Compensation." Autobytel has elected to continue accounting for stock-based compensation issued to employees using APB No. 25 and, accordingly, pro forma disclosures required under SFAS No. 123 have been presented. (See Note 11.)

Revenue Recognition

Autobytel recognizes revenues from program fees, advertising, enterprise sales and other products and services. Autobytel's revenues primarily consist of program fees paid by dealers located in the United States and Canada who participate in the Autobytel.com, Autoweb.com and CarSmart.com online car buying referral networks. These fees are comprised of an initial fee and a monthly subscription or transaction fee for consumer leads, or purchase requests, directed to them through the Web sites. The initial fee is recognized ratably over the service period of 12 months. Monthly fees are recognized in the period services are provided.

Revenues from advertising represent fees received from automotive manufacturers and other advertisers who target car-buyers during the research, consideration and decision making process on the Web sites. Advertising revenues are recognized in the period the advertisement is displayed on the Web sites.

Enterprise sales represent fees from major dealer groups and automotive manufacturers. Major dealer groups are dealerships that have corporate agreements with us. Enterprise sales for the year ended December 31, 2001, include fees received from General Motors Corporation for consulting services related to an online locate-to-order vehicle inventory test program. The test program involved modification of the existing Autobytel.com Web site, project management, dealer training, demonstration and debriefings. The consulting agreement commenced in February 2001 and expired in November 2001. Revenues and expenses related to the test program were accounted for using the percentage of completion method based upon the achievement of certain agreed upon milestones specified in the agreement. Consulting fees of $4,035 are included in enterprise sales for the year ended December 31, 2001. Other fees

from major dealer groups and automotive manufacturers, including fees paid by major dealer groups for purchase requests, are recognized as services are provided.

Autobytel also derives revenues from other products and services, including license and service agreements with international licensees. These agreements grant the licensees the right to use Autobytel's proprietary software, technology and other business procedures to market new and used vehicles in exchange for certain fees. These fees include: (i) orientation fees, which are recognized on the effective date of the license and service agreements, (ii) localization and development fees and minimum annual maintenance fees, which are recognized as services are provided, and (iii) minimum annual license fees, which are recognized ratably over a 12 month period beginning on the date the international Web site is launched. Other revenues are recognized as services are provided.

Deferred revenues are comprised of fees received but not earnedand are recognized as revenue in the period services are provided.

Risks Due to Concentration of Significant Customers and Export Sales

For all periods presented in the accompanying consolidated statements of operations, no dealer, major dealer group, manufacturer, international licensee or other customer accounted for greater than 10% of revenues.

Autobytel conducts its business within one industry segment. Revenues from customers outside of the United States were less than 10% of total revenues for all periods presented in the accompanying consolidated statements of operations.

Sales and Marketing

Sales and marketing expense primarily includes Internet marketing and advertising expenses, fees paid to purchase request providers, promotion and advertising expenses to develop brand equity and encourage potential customers to visit Autobytel's Web sites and personnel and other costs associated with sales, marketing, training and support of Autobytel's dealer networks. Sales and marketing costs are recorded as expenses as incurred.

Product and Technology Development

Product and technology development expense primarily includes personnel costs related to developing new dealer and manufacturer programs and products and enhancing the features, content and functionality of Autobytel's Web sites and its Internet-based dealer communications platform. It also includes expenses associated with the customization of Autobytel's software for international licensees and telecommunications and computer infrastructure. Product and technology development expenditures are expensed as incurred or capitalized as appropriate. In 2001, product and technology development expense includes a non-recurring charge of $500 related to an executive severance payment.

General and Administrative

General and administrative expense primarily consists of executive, financial and legal personnel expenses, costs related to being a public company and non-cash compensation charges related to stock options granted in 1999. Non-cash compensation expense in 2001, 2000 and 1999 was $242, $393 and $1,063, respectively (see Note 11.) General and administrative expense includes a non-recurring charge of $1,006 related to an executive severance payment in 2001 and $601 associated with an aborted acquisition in 1999.

Foreign Currency Translation

The assets and liabilities of Autobytel's foreign subsidiaries are translated into United States dollars at the current exchange rate as of the applicable balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the period. Gains and losses resulting from the translation of the financial statements are reported as a separate component of stockholders' equity.

Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those transactions which operate as a hedge of an identifiable foreign currency commitment, are included in other income (expense).

Computation of Basic and Diluted Net Loss Per Share

Net loss per share has been calculated under SFAS No. 128, "Earnings per Share." SFAS No. 128 requires companies to compute earnings per share under two different methods (basic and diluted). Basic net loss per share is calculated by dividing the net loss by the weighted average shares of common stock outstanding during the period. For the years ended December 31, 2001, 2000 and 1999, diluted net loss per share is equal to basic net loss per share since potential common shares from the conversion of preferred stock, stock options and warrants are antidilutive. Autobytel evaluated the requirements of the Securities and Exchange Commission Staff Accounting Bulletin (SAB) No. 98, and concluded that there are no nominal issuances of common stock or potential common stock which would be required to be shown as outstanding for all periods as outlined in SAB No. 98.

New Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal years beginning after June 15, 2000 (as amended by SFAS No. 137 and 138.) SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments. Autobytel adopted SFAS No. 133 in January 2001. The adoption did not have a material effect on its financial position or results of operations.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses financial accounting and reporting for business combinations. It requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. It also requires recognition of intangible assets, other than goodwill, in business combinations completed after June 30, 2001 and accounted for using the purchase method of accounting. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. With the adoption of SFAS No. 142, goodwill is no longer subject to amortization over its estimated useful life, rather goodwill will be subject to at least an annual assessment for impairment. If goodwill is determined to be impaired, Autobytel may be required to recognize a non-cash charge equal to the excess of the carrying value over the determined fair value. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, except for goodwill and intangible assets acquired after June 30, 2001, for which it is immediately applicable. The acquisition of Autoweb (see Note 4) has been accounted for in accordance with SFAS Nos. 141 and 142 as the acquisition was completed after June 30, 2001. Autobytel adopted SFAS Nos. 141 and 142, as it applies to business combinations, goodwill and other intangible assets existing prior to June 30, 2001, on January 1, 2002 and does not expect it to have a material effect on its financial position or results of operations. As of December 31, 2001, goodwill recorded in connection with the acquisition of A.I.N. Corporation in February 2000 was determined to be fully impaired and, as a result, the remaining unamortized balance was recorded as an impairment charge. Goodwill amortization expense and impairment charges related to A.I.N. were $888 and $22,867, respectively, in 2001. (See Note 13.)

In October 2001, the FASB issued SFAS No. 144, " Accounting for the Impairment or Disposal of Long-Lived Assets." It establishes standards for performing certain tests of impairment on long-lived assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Autobytel adopted SFAS No. 144 on January 1, 2002 and is currently evaluating the impact of this new statement.

3. Acquisition of A.I.N. Corporation

On February 15, 2000, Autobytel acquired all of the outstanding common stock of A.I.N. Corporation, the owner of CarSmart.com, an online buying site for new and used vehicles.

A.I.N stockholders were issued 1,800,000 shares of Autobytel common stock and $3,000 in cash. The acquisition has been accounted for using the purchase method of accounting.

The aggregate purchase price was $24,144 and consisted of common stock valued at $19,692, cash of $3,000 and transaction costs of $1,452. The value of the stock was determined based on the average market price of Autobytel's

common stock for the three days before and after the date the acquisition was announced. The purchase price has been allocated to the assets acquired and liabilities assumed on the basis of their respective estimated fair values on the acquisition date. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed was recorded as goodwill in the amount of $25,226 and was initially amortized over a 15 year period. In 2001, as a result of a decrease in sales and marketing resources allocated to the CarSmart.com brand and a decline in the number of CarSmart dealers, Autobytel determined that the remaining unamortized goodwill related to A.I.N. was fully impaired and recorded a non-cash charge of $22,867 for the impairment of goodwill. (See Note 13.)

A.I.N. Corporation's results of operations from the date of acquisition on February 15, 2000 through December 31, 2001 have been included in the accompanying consolidated statements of operations.

The following summarized unaudited pro forma consolidated results of operations are presented as if the acquisition of A.I.N. Corporation had occurred on January 1, 1999. The unaudited pro forma results are not necessarily indicative of future earnings or earnings that would have been reported had the acquisition been completed as presented.

	Years Ended December 31,	
	2000	1999
	(unaudited)	
Revenue	$ 67,806	$ 45,120
Net loss	(30,137)	(27,237)
Basic and diluted net loss per share	$ (1.50)	$ (1.55)

4. Acquisition of Autoweb.com, Inc.

On August 14, 2001, Autobytel acquired all of the outstanding common stock of Autoweb.com, Inc., an Internet automotive service. Autobytel believes the acquisition created a stronger, more competitive company capable of achieving operational efficiencies and growth potential.

Autoweb stockholders were issued 0.3553 shares of Autobytel common stock for each share of Autoweb common stock outstanding on the date of the acquisition for a total of 10,504,803 shares. The acquisition has been accounted for using the purchase method of accounting.

The aggregate purchase price was $17,131 and consisted of common stock valued at $14,331 and transaction costs of $2,800. The value of the stock issued was determined based on the average market price of Autobytel's common stock for the three days before and after the date the acquisition agreement was announced. The purchase price has been allocated to the assets acquired and liabilities assumed on the basis of their respective estimated fair values on the acquisition date as follows:

Purchase price:	
Common stock	$14,331
Transaction costs paid by Autobytel	2,800
Total purchase price	$17,131
Allocation of purchase price:	
Assets:	
Cash	$ 8,647
Accounts receivable	6,906
Prepaid expenses and other	4,148
Goodwill	8,645
Liabilities:	
Historical liabilities	(6,530)

Liabilities from exit costs and restructuring	(4,685)
Total purchase price	$17,131

The excess of the purchase price over the estimated fair value of the assets acquired and the liabilities assumed was initially recorded as goodwill in the amount of $10,399. In December 2001, the allocation of the purchase price was adjusted as described below and goodwill was reduced to $8,645. In accordance with SFAS No. 142, goodwill acquired in the Autoweb acquisition will not be amortized, rather it will be evaluated on at least an annual basis for impairment as the acquisition was completed subsequent to June 30, 2001.

In conjunction with the acquisition, Autobytel estimated the exit costs of anticipated facilities integration, personnel costs and other expenses directly related to the contemplated consolidation of significant operations of Autoweb and Autobytel and accrued $5,789 for such costs and expenses. The employee termination costs consist primarily of compensation and benefits for approximately 80 employees at Autoweb in conjunction with the integration of operations into the Autobytel Irvine facility. In December 2001, the allocation of the purchase price was adjusted as a result of a reduction in Autobytel's estimates and events and circumstances. Estimated outstanding transaction costs were reduced by $150, historical liabilities were reduced by $500 and liabilities from exit costs and restructuring were reduced by $1,104. The reduction in liabilities from exit costs and restructuring was a result of a negotiated release from Autoweb's facilities lease and lower than expected employee termination costs. From the date of acquisition through December 31, 2001, $1,734 and $2,731 was paid for rent and compensation, respectively. As of December 31, 2001, the remaining accrual balance was $220.

Autoweb's results of operations from the date of acquisition on August 14, 2001 through December 31, 2001 have been included in the accompanying consolidated statements of operations.

The following summarized unaudited pro forma consolidated results of operations are presented as if the acquisition of Autoweb had occurred on January 1, 2000. The unaudited pro forma results are not necessarily indicative of future earnings or earnings that would have been reported had the acquisition been completed as presented.

	Years Ended December 31,	
	2001	2000
	(unaudited)	
Revenue	$ 94,794	$118,812
Net loss	(65,131)	(58,494)
Basic and diluted net loss per share	$ (2.11)	$ (1.91)

5. Autobytel.Europe LLC

Autobytel.Europe LLC (Autobytel.Europe), formerly Auto-By-Tel International LLC, a subsidiary of Autobytel, was incorporated in August 1997 and began operations in the fourth quarter of 1999. Autobytel.Europe was formed to expand the Autobytel business model and operations throughout Europe.

In January 2000, Autobytel.Europe and Autobytel entered into an operating agreement with strategic investors to carryout the expansion plan. In the first quarter of 2000, a total of $36,700 was invested in Autobytel.Europe. The investment was comprised of a $31,700 contribution from strategic investors. Autobytel contributed $5,000, an exclusive, royalty-free, perpetual license to use or sublicense the "Autobytel" brand name and proprietary software, and assigned its existing License and Services Agreements for the United Kingdom, Scandinavia and Finland to Autobytel.Europe. In March 2001, a strategic investor contributed $2,000 to Autobytel.Europe. As of December 31, 2001, Autobytel owned a 76.5% controlling interest. The remaining 23.5% minority interest is owned by the other investors.

Autobytel.Europe is considered a start-up company. In accordance with Staff Accounting Bulletin No. 51, the difference between Autobytel's carrying amount of the investment in Autobytel.Europe and the underlying net book

value of Autobytel.Europe immediately after the investment was reflected as a capital transaction and credited directly to Autobytel's stockholders' equity.

Effective January 1, 2001, Autobytel.Europe changed its functional currency from U.S. Dollars to the Euro.

In June 2001, due to a decline in the general economic climate and the environment for Internet related activities in Europe, Autobytel announced the restructuring of Autobytel.Europe. The restructuring primarily consisted of significant staff reductions at Autobytel.Europe and is expected to lead to changes in Autobytel.Europe's capital structure because of the reduction of its business activities. Autobytel is currently discussing the future capital structure of Autobytel.Europe with the other investors of Autobytel.Europe. Changes to the capital structure of Autobytel.Europe are expected to substantially reduce the $28,837 cash on hand as of December 31, 2001 at Autobytel.Europe and to require Autobytel to recognize material non-cash charges. Autobytel does not anticipate contributing additional cash to Autobytel.Europe above the $5,000 it initially contributed. Autobytel expects that following the restructuring, its ownership of Autobytel.Europe will decline from 76.5% to less than 50% and that it will no longer consolidate Autobytel.Europe in its financial statements but will account for its investment in Autobytel.Europe under the equity method. There is no assurance that the expected changes to the capital structure of Autobytel.Europe will be achieved.

As of December 31, 2001, international cash and cash equivalents held by Autobytel.Europe were $28,837. These funds are for use as directed by Autobytel.Europe and are not available to Autobytel.

6. Property and Equipment

Property and equipment consists of the following:

	As of December 31,	
	2001	2000
Computer software and hardware	$ 6,646	$ 4,639
Furniture and equipment	1,341	1,614
Leasehold improvements	851	806
	8,838	7,059
Less — Accumulated depreciation and amortization	(5,949)	(4,522)
	$ 2,889	$ 2,537

7. Goodwill

Goodwill consists of the following:

	As of December 31,	
	2001	2000
Autoweb	$8,644	$ —
A.I.N. Corporation	—	25,226
	8,644	25,226
Less — Accumulated amortization	—	(1,471)
	$8,644	$23,755

8. Commitments and Contingencies

Operating Leases

Autobytel leases its facilities and certain office equipment under operating leases which expire on various dates through 2005. As of December 31, 2001, future minimum lease payments were as follows:

Years Ending December 31,	
2002	$1,536
2003	479
2004	384
2005	182
	$2,581

Future minimum lease payments above will be reduced by $202 and $67 in the years ended December 31, 2002 and 2003, respectively, for facilities which have been subleased under noncancelable leases.

Rent expense was $1,911, $1,202 and $756 for the years ended December 31, 2001, 2000 and 1999, respectively. In 2001, Autobytel leased cars for its Autobytel.Europe employees. The majority of these leases were terminated in 2001 as part of the restructuring of Autobytel.Europe. Approximately $210 and $35 related to the car leases has been included in rent expense for 2001 and 2000, respectively.

Marketing and Advertising Agreements

Autobytel has agreements with search engines and Internet service and automotive information providers, including AOL, Lycos, Edmund's and Kelley Blue Book, that make available to consumers vehicle research data over the Internet. These agreements are generally for a term of one to three years and require that Autobytel pay a combination of set-up, initial, annual, monthly and variable fees based on the volume of purchase requests received by Autobytel. The set-up fees are expensed as incurred, the initial fees and annual fees are amortized over the period they relate to. The monthly fees are expensed in the month they relate to and variable fees are expensed in the period purchase requests are received. As of December 31, 2001, the future minimum commitments under these agreements were as follows:

Years Ending December 31,	
2002	$6,066
2003	2,688
2004	250
	$9,004

For the years ended December 31, 2001, 2000 and 1999, Internet marketing and advertising costs were $24,855, $20,564 and $14,288, respectively.

Autobytel also enters into agreements with network and cable television stations under which it purchases television advertising. As of December 31, 2001, there were no minimum future commitments for television advertising. Amounts incurred for television advertising are expensed as advertisements are aired. For the years ended December 31, 2001, 2000 and 1999 television advertising expenses were $1,821, $10,720 and $8,485, respectively.

Employment Agreements

Autobytel has agreements with Jeffrey A. Schwarz, Chief Executive Officer, Hoshi Printer, Executive Vice President and Chief Financial Officer, Ariel Amir, Executive Vice President and General Counsel, and Andrew F. Donchak, Senior Vice President and Chief Marketing Officer. In the event of termination without cause, Mr. Schwartz and Mr. Donchak are entitled to a payment of two years and one year base salary, respectively, and Messrs. Printer and Amir are entitled to receive a lump sum severance payment equal to the greater of the base salary that would have been received by them over the remaining term of the agreement or for one year. Messrs. Schwartz, Printer and Amir are also entitled to additional severance payments in the event of termination within a specified time period of a change of control. The terms of Messrs. Schwartz, Printer and Amir's agreements are for two years with one year renewals or an extension upon mutual agreement as well as a one or two year extension upon a change of control. In addition, their agreements provide for vesting of options upon a change of control.

Litigation

A.I.N. Corporation was sued on September 1, 1999 in a lawsuit entitled Robert Martins v. Michael J. Gorun, A.I.N., Inc., et al., in Los Angeles Superior Court. The complaint contained causes of action for breach of written and oral contracts, promissory estoppel, breach of fiduciary duty and fraud, and sought compensatory and punitive damages and equitable relief. The plaintiff contended he was entitled to a 49.9% ownership interest in A.I.N.'s CarSmart online business based on a purported agreement for the formation of a company called CarSmart On-Line Services. On December 14, 1999, A.I.N. filed a complaint for declaratory relief on the subject of Mr. Martins' lawsuit in Contra Costa County Superior Court. The Los Angeles action has been transferred to Contra Costa County and the two cases have been consolidated. Autobytel was added and then dismissed as a cross defendant in such action. On December 14, 2001, the jury returned a unanimous verdict finding that A.I.N. and Mr. Gorun were not liable for breach of contract, breach of fiduciary duty or fraud and denying Martins any damages. Presently under submission with the court are Martins' equitable claims for promissory estoppel and constructive trust. Autobytel intends to vigorously contest any appeal by Martins.

The selling shareholders of A.I.N. are obligated to fully indemnify Autobytel for all losses, including attorney's fees, expenses, settlements and judgements, arising out of the lawsuit. The indemnification obligation was initially secured by 450,000 shares of Autobytel common stock transferred to the selling shareholders as part of the acquisition of A.I.N., as well as $250 in cash. As of December 31, 2001, the obligation was secured by 199,960 remaining shares of common stock and approximately $294 in cash after expenses.

In July 1998, Autobytel and certain of its past and current officers were sued by former employee Thomas Heshion in a lawsuit entitled Thomas Heshion, et al., v. Auto-By-Tel Corporation, et al., in Orange County Superior Court. Plaintiff claimed, among other things, that he was wrongfully terminated. In December 2000, a verdict in favor of plaintiff in the amount of $1,900 was rendered. The judgment has been appealed. In the meantime, the plaintiff has filed a new complaint against Autobytel and others stating, in part, that Autobytel's counterclaim in the original lawsuit constituted malicious prosecution, abuse of process or negligence, and seeks unspecified damages.

Autobytel believes the judgment is in error, and that it has meritorious defenses to the new claim, and has retained new counsel to handle the appeal and the new claim. Autobytel intends to vigorously contest the judgment and defend the new claim.

In August 2001, a purported class action lawsuit was filed in the United States District Court, Southern District of New York against Autobytel and certain of Autobytel's current directors and officers and underwriters involved in Autobytel's initial public offering. This action purports to allege violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. Plaintiffs allege that the underwriter defendants agreed to allocate stock in Autobytel's initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for Autobytel's initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. The complaint against Autobytel has been consolidated with two other complaints that relate to its initial public offering but do not name it as a defendant. Autobytel is not required to respond to plaintiffs' claims before a consolidated complaint is filed. Autobytel believes that it has meritorious defenses to the complaint and intends to vigorously defend the action.

Between April and June 2001, eight separate purported class actions virtually identical to the one filed against Autobytel were filed against Autoweb, certain of Autoweb's current and former directors and officers and underwriters involved in Autoweb's initial public offering. The foregoing actions purport to allege violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. Plaintiffs allege that the underwriter defendants agreed to allocate stock in Autoweb's initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases of stock in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for Autoweb's initial public offering was false and misleading in violation of the securities laws because it did not disclose these arrangements. The actions seek damages in an unspecified amount. The complaints against Autoweb have been consolidated into a single action. Autoweb is not required to respond to plaintiffs' claims before a consolidated complaint is filed. Autoweb believes that it has meritorious defenses to the complaints and intends to vigorously defend the actions.

From time to time, Autobytel is involved in other litigation matters relating to claims arising out of the ordinary course of business. Autobytel believes that there are no claims or actions pending or threatened against Autobytel, the ultimate disposition of which would have a material adverse effect on Autobytel's business, results of operations and financial condition. However, if a court or jury rules against Autobytel and the ruling is ultimately sustained on appeal and damages are awarded against Autobytel, such ruling could have a material and adverse effect on Autobytel's business, results of operations and financial condition.

9. Retirement Savings Plan

Autobytel has a retirement savings plan which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code (the 401(k) Plan.) The 401(k) Plan covers all full time employees of Autobytel who are over 21 years of age and have worked for Autobytel for at least three months. Under the 401(k) Plan, participating employees are allowed to defer up to 15% of their pretax salaries up to a maximum of $10.5 per year. Autobytel contributions to the 401(k) Plan are discretionary. In January 2000, Autobytel began to match employee contributions 50 cents per dollar up to a maximum of $3 per year in Autobytel common stock. During 2001, Autobytel matched employee contributions by contributing $327 or 216,492 shares of common stock at the current fair market value on the date the shares were issued.

10. Stockholders' Equity

Initial Public Offering

In March 1999, Autobytel consummated its initial public offering and issued 3,500,000 shares of common stock at a price of $23 per share. An additional 1,000,000 shares of common stock were offered by selling stockholders at a price of $23 per share. Autobytel received proceeds of approximately $72,084, net of underwriting discounts, fees and other initial public offering costs.

At the closing of the offering, outstanding shares of Series A, Series B and Series C convertible preferred stock were automatically converted to an aggregate total of 5,852,290 shares of common stock.

In addition, the selling stockholders granted the underwriters a 30-day option to purchase up to an additional 637,500 shares of common stock to cover over-allotments. The underwriters exercised this option in April 1999.

Preferred Stock

As of December 31, 2001, 11,445,187 shares of preferred stock with a $0.001 par value were authorized and undesignated.

Warrants

In November 1998, Autobytel issued a warrant to purchase 150,000 shares of common stock to Invision AG, an investor in its Series C convertible preferred stock (Series C Preferred), in exchange for its commitment to assist Autobytel with organizational and start-up activities related to a Pan-European entity in which Autobytel may invest with Invision AG. The warrant was exercisable at $13.20 per share and expired in November 2001. The warrant was valued at $270, which was expensed in 1998, as Invision AG had fulfilled its commitment and had no further obligation to Autobytel.

In December 1998, Autobytel issued warrants to purchase 289,800 shares of common stock to Aureus Private Equity AG (Aureus), an investor in its Series C Preferred, in exchange for its commitment to assist Autobytel with organizational and start-up activities related to a Pan-European entity in which Autobytel may invest with Aureus. The warrants were exercisable at $13.20 per share and expired in December 2001. The warrants were valued at $522, which was expensed in 1998, as Aureus had fulfilled its commitment and had no further obligation to Autobytel.

In December 1998, Autobytel issued a warrant to purchase 300,000 shares of common stock to MediaOne Interactive Services, Inc. in exchange for the right to participate in the development of broadband application

technology. The warrant was exercisable at $13.20 per share and expired in December 2001. The warrant was valued at $540 and expensed in 1999.

The value of the unexercised warrants was reclassified from warrants to additional paid-in capital upon expiration.

The fair value of each of these warrants was estimated using the Black-Scholes option-pricing model and the following assumptions: (1) no dividend yield, (2) volatility of 0.10%, (3) risk-free interest rate of 4.90%, and (4) a contractual life of three years.

2001 Restricted Stock Plan

Autobytel's 2001 Restricted Stock Plan (the "Restricted Plan") was approved by the Board of Directors in June 2001 and the stockholders at the Annual Meeting held on August 14, 2001. The Plan allows for the granting of restricted stock and deferred share awards to selected directors, officers, employees, consultants or other service providers of Autobytel. Autobytel has reserved 1,500,000 shares under the Restricted Plan. The Board may grant restricted share awards that vest immediately or based on future conditions, and may include a purchase price if it so determines. The Board has the discretionary authority to impose, in agreements, such restrictions on shares of common stock issued pursuant to the Restricted Plan as it may deem appropriate or desirable, including but not limited to the authority to impose a right of first refusal or to establish repurchase rights or both of these restrictions. Upon a change of control, all awards become fully vested. Any repurchase right of Autobytel lapses on consummation of a change of control. As of December 31, 2001, there were no outstanding shares of common stock under the Restricted Plan.

11. Stock Option Plans

1996 Stock Option Plan

Autobytel's 1996 Stock Option Plan (the Option Plan) was approved by the Board of Directors in May 1996. The Option Plan was terminated by a resolution of the Board of Directors in October 1996, at which time 870,555 options had been issued. The Option Plan provided for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the Code), and for the granting to employees, consultants and directors of nonstatutory stock options. Autobytel reserved 1,194,444 shares of common stock for exercise of stock options under the Option Plan. The exercise price of incentive stock options granted under the Option Plan could not be lower than the fair market value of the common stock, and the exercise price of nonstatutory stock options could not be less than 85% of the fair market value of the common stock, as determined by the Board of Directors, on the date of grant. With respect to any participants who, at the time of grant, owned stock that possessed more than 10% of the voting power of all classes of stock of Autobytel, the exercise price of any stock option granted to such person was to be at least 110% of the fair market value on the grant date, and the maximum term of such option was five years. The term of all other options granted under the Option Plan did not exceed 10 years. Stock options granted under the Option Plan vest according to vesting schedules determined by the Board of Directors.

1996 Stock Incentive Plan

Autobytel's 1996 Stock Incentive Plan (the Incentive Plan) was approved by the Board of Directors in October 1996. The Incentive Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Code, and for the granting to employees, directors and consultants of nonstatutory stock options and stock purchase rights. Autobytel has reserved a total of 833,333 shares of common stock for issuance under the Incentive Plan. The exercise price of stock options granted under the Incentive Plan cannot be lower than the fair market value of the common stock, as determined by the Board of Directors, on the date of grant. With respect to any participants who, at the time of grant, own stock possessing more than 10% of the voting power of all classes of stock of Autobytel, the exercise price of stock options granted to such person must be at least 110% of the fair market value on the grant date, and the maximum term of such options is five years. The term of all other options granted under the Incentive Plan may be up to 10 years. Stock options granted under the Incentive Plan vest according to vesting schedules determined by the Board of Directors.

Rescission Offer for Stock Options Granted in Excess of the 1996 Incentive Plan Limit

From May 1997 to January 1999, Autobytel issued grants of incentive stock options in excess of the Incentive Plan limit of 833,333 shares. Subsequent to December 31, 1998, Autobytel offered to exchange the affected options for a cash payment or a new grant of incentive stock options under the 1999 Option Plan. In 1999, Autobytel resolved this matter without a material impact on its financial statements. Total cash payments were less than $10. The new stock options were granted at the fair market value at the date of the new grant, which equaled the exercise price of the original options. All other significant provisions associated with the options remained the same.

1998 Stock Option Plan

Autobytel's 1998 Stock Option Plan (the 1998 Option Plan) was adopted in December 1998. Autobytel has reserved 1,500,000 shares under the 1998 Option Plan. The 1998 Option Plan provides for the granting to employees of incentive stock options within the meaning of the Code, and for the granting to employees of nonstatutory stock options.

The exercise price of non-statutory options granted under the 1998 Option Plan cannot be lower than 85% of the fair market value of the common stock on the date of grant. The exercise price of all incentive stock options granted cannot be lower than the fair market value on the grant date. With respect to any participants who beneficially own more than 10% of the voting power of all classes of stock of Autobytel, the exercise price of any stock option granted to such person must be at least 110% of the fair market value on the grant date, and the maximum term of such option is five years. The term of all other options granted under the 1998 Option Plan may be up to 10 years. Under the 1998 Option Plan, certain stock options (Performance Options) vest over a time period determined by the Board of Directors, however, the vesting could be accelerated based on the performance of Autobytel's common stock.

In December 2001, the Board of Directors granted Performance Options to purchase 200,000 shares of common stock to Jeffrey Schwartz, Autobytel's Chief Executive Officer, at an exercise price of $1.60 per share, which represents the fair market value on the date of grant. These options vest over a five-year period, but the vesting could be accelerated based on the performance of Autobytel's common stock. The accelerated vesting schedule provides that the grants will vest if the average trading price of the common stock for any 60 consecutive trading days is equal to or exceeds $5.00. All other stock options granted under the 1998 Option Plan vest according to vesting schedules determined by the Board of Directors.

The 1998 Option Plan provides that, unless otherwise provided in the stock option agreement, in the event of any merger, consolidation, or sale or transfer of all or any part of Autobytel's business or assets, all rights of the optionee with respect to the unexercised portion of any option will become immediately vested and may be exercised immediately, except to the extent that any agreement or undertaking of any party to any such merger, consolidation, or sale or transfer of assets makes specific provisions for the assumption of the obligations of Autobytel with respect to the 1998 Option Plan.

1999 Stock Option Plan

Autobytel's 1999 Stock Option Plan (the 1999 Option Plan) was adopted in January 1999. Autobytel has reserved 1,800,000 shares under the 1999 Option Plan. The 1999 Option Plan provides for the granting of stock options to key employees of Autobytel. Under the 1999 Option Plan, not more than 1,000,000 shares may be issued pursuant to options granted after March 31, 1999.

The 1999 Option Plan provides for an automatic grant of an option to purchase 20,000 shares of common stock to each non-employee director on the date on which the person first becomes a non-employee director. In each successive year the non-employee director will automatically be granted an option to purchase 5,000 shares on November 1 of each subsequent year provided the non-employee director has served on the Board for at least six months. Each option will have a term of 10 years and will be granted at the fair market value of Autobytel's common stock on the date of grant. The options vest in their entirety and become exercisable on the first anniversary of the grant date, provided that the optionee continues to serve as a director on such date.

The 1999 Option Plan is similar in all other material respects to the 1998 Option Plan.

1999 Employee and Acquisition Related Stock Option Plan

Autobytel's 1999 Employee and Acquisition Related Stock Option Plan (the Employee and Acquisition Option Plan) was approved by the Board of Directors in September 1999. Autobytel has reserved a total of 1,500,000 shares of common stock for issuance under the Employee and Acquisition Option Plan. The Employee and Acquisition Option Plan provides for the granting to employees and acquired employees of incentive stock options within the meaning of the Code, and for the granting to employees, acquired employees and service providers of nonstatutory stock options. The exercise price of incentive stock options granted can not be lower than the fair market value on the date of grant and the exercise price of nonstatutory stock options can not be less than 85% of the fair market value of the common stock on the date of grant. The exercise price of stock options granted to individuals beneficially owning more than 10% of the voting power of all classes of Autobytel stock must be at least 110% of the fair market value on the grant date and have a maximum term of five years. The term of all other options granted under the Employee and Acquisition Option Plan may be up to 10 years. Stock options granted under the Employee and Acquisition Option Plan vest according to vesting schedules determined by the Board of Directors.

2000 Stock Option Plan

Autobytel's 2000 Stock Option Plan (the 2000 Option Plan) was approved by the Board of Directors in April 2000. The 2000 Option Plan provides for the granting of both incentive stock options and nonqualified stock options to eligible employees, consultants and outside directors of Autobytel. Autobytel has reserved 3,000,000 shares under the 2000 Option Plan.

In August 2001, the Board of Directors granted Performance Options to purchase 200,000 shares of common stock to Mr. Schwartz at an exercise price of $0.90 per share, which represents the fair market value on the date of grant. These options vest over a seven year period, but the vesting could be accelerated based on the performance of Autobytel's common stock. The accelerated vesting schedule provides that the grants will vest in six installments, each of the first and second installments being for 40,000 shares and each of the remaining installments covering 42,500 shares. One installment vests on each six month anniversary period if pre-established average trading prices of the common stock are achieved. These installments will vest if the average trading price exceeds $1.80, $2.70, $3.60, $4.50, $5.40 and $6.30, respectively, in the applicable period after the date of grant. All other stock options granted under the 2000 Option Plan vest according to vesting schedules determined by the Board of Directors.

The 2000 Option Plan is similar in all other material respects to the 1999 Option Plan.

Stock Option Changes

A summary of the status of Autobytel's stock options as of December 31, 1999, 2000 and 2001, and changes during the years then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 1998	2,859,340	$10.87
Granted	2,235,598	12.51
Exercised	(362,630)	2.19
Canceled	(813,747)	13.25
Outstanding at December 31, 1999	3,918,561	12.12
Granted	4,653,244	7.08
Exercised	(280,000)	2.29
Canceled	(1,612,025)	11.14
Outstanding at December 31, 2000	6,679,780	9.26
Assumption of Autoweb options on date of acquisition	1,296,089	8.07
Granted	1,564,664	1.32

	Number of Options	Weighted Average Exercise Price
Exercised	(6,667)	0.90
Canceled	(3,235,496)	8.97
Outstanding at December 31, 2001	6,298,370	$ 7.19
Exercisable at December 31, 1999	1,331,924	$ 8.90
Exercisable at December 31, 2000	2,160,318	$10.89
Exercisable at December 31, 2001	3,645,267	$ 9.45
Weighted-average fair value of options granted during 1999 (2,235,598 options)		$ 3.81
Weighted-average fair value of options granted during 2000 (4,653,244 options)		$ 4.82
Weighted-average fair value of options granted during 2001 (1,564,664 options)		$ 1.02

The fair value of each option granted through December 31, 2001 is estimated using the Black-Scholes option-pricing model on the date of grant using the following assumptions: (1) no dividend yield, (2) volatility of 92.63%, 102.71% and 55.90% for the years ended December 31, 2001, 2000 and 1999, respectively, (3) weighted-average risk-free interest rate of approximately 4.78%, 6.07% and 5.36% for the years ended December 31, 2001, 2000 and 1999, respectively, and (4) an expected life of four to seven years.

The following table summarizes information about stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number of Options	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Less than $1.00	597,470	9.55	$ 0.89	42,303	$ 0.89
$1.00 - $1.88	934,919	9.64	1.43	115,802	1.40
$2.03 - $3.69	306,103	8.99	2.64	72,816	2.72
$4.19 - $4.50	374,524	3.36	4.50	364,205	4.50
$5.25 - $5.63	194,000	8.69	5.33	105,911	5.39
$6.19 - $6.25	418,500	6.08	6.19	158,221	6.19
$6.50	1,147,702	5.86	6.50	846,530	6.50
$6.51 - $9.00	374,975	8.46	7.05	277,992	7.03
$9.15 - $10.06	90,846	8.31	9.21	72,951	9.19
$10.38	330,011	5.83	10.38	208,150	10.38
$10.81 - $11.08	98,657	8.29	10.98	79,701	10.97
$13.20	913,360	3.64	13.20	898,187	13.20
$13.50 - $15.50	163,083	7.82	14.36	122,583	14.42
$16.00 - $19.75	183,575	7.39	16.86	125,858	16.93
$24.28 - $29.90	162,703	7.85	24.84	146,887	24.83
$41.43 - $44.51	7,942	7.47	43.25	7,170	43.23
Less than $1.00 - $44.51	6,298,370	6.93	$ 7.19	3,645,267	$ 9.45

Stock-Based Compensation

From January to March 1999, Autobytel granted stock options to purchase 388,236 shares of common stock under the 1999 Stock Option Plan. These stock options were granted to employees and directors at exercise prices of $13.20 and $16.00 per share which were below the fair market value at the date of grant. In relation to these grants, Autobytel will recognize non-cash compensation expense of approximately $1,966 ratably over the vesting term of one to four years. Compensation expense of approximately $242, $393 and $1,063 was recognized as operating expense in 2001, 2000 and 1999, respectively.

Pro Forma Disclosure

Had compensation cost for Autobytel's stock option grants for its stock-based compensation plans been determined consistent with SFAS No. 123, Autobytel's net loss and net loss per share for the years ended December 31, 2001, 2000 and 1999 would approximate the pro forma amounts below:

	Years Ended December 31,		
	2001	2000	1999
Net loss, as reported	$(44,851)	$(29,034)	$(23,320)
Net loss per share, as reported	(1.84)	(1.45)	(1.48)
Net loss, pro forma	(49,283)	(36,901)	(27,850)
Net loss per share, pro forma	$ (2.02)	$ (1.84)	$ (1.77)

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts.

Option Exchange Offer

On December 14, 2001 Autobytel commenced an offer to exchange all options outstanding under its stock option plans, including Autoweb options assumed by Autobytel in connection with the acquisition of Autoweb, that had an exercise price per share of more than $4.00 for new options.

The offer expired on January 15, 2002. Pursuant to the offer, Autobytel accepted for cancellation on January 16, 2002, options to purchase 1,450,534 shares of common stock, representing approximately 29% of the options that were eligible to be tendered for exchange. Subject to the terms and conditions of the offer, Autobytel will grant new options to purchase an aggregate of up to 794,542 shares of common stock in exchange for those options Autobytel accepted for cancellation. The new options will be granted within 20 business days after the date which is at least six months and one day after January 16, 2002 at the current fair market value on the date of grant.

12. Stock Purchase Plan

1996 Employee Stock Purchase Plan

Autobytel's 1996 Employee Stock Purchase Plan (the Purchase Plan) was adopted by the Board of Directors in November 1996. The Purchase Plan, which is intended to qualify under Section 423 of the Code, permits eligible employees of Autobytel to purchase shares of common stock through payroll deductions of up to ten percent of their compensation, up to a certain maximum amount for all purchase periods ending within any calendar year. Autobytel has reserved a total of 444,444 shares of common stock for issuance under the Purchase Plan. The price of common stock purchased under the Purchase Plan will be 85% of the lower of the fair market value of the common stock on the first or last day of each six month purchase period. Employees may end their participation in the Purchase Plan at any time during an offering period, and they will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with Autobytel.

During the years ended December 31, 2001 and 2000, 121,824 and 21,740 shares of common stock were issued under the Purchase Plan, respectively.

13. Goodwill Impairment, Restructuring and Other Charges

Goodwill Impairment

During 2001, CarSmart experienced a decline in its number of dealers, primarily resulting from a reduction in sales and marketing resources allocated to the CarSmart.com brand, which led to substantial declines in sales and operating cash flow. As a result of Autobytel's evaluation of the operations, all of CarSmart's operations were transferred to Autobytel's Irvine facility. Due to the economic changes discussed above and the decision to close CarSmart's facility, Autobytel performed an evaluation of the recoverability of all of the assets of CarSmart as described in SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." In June 2001, based on an analysis of undiscounted expected future cash flows, Autobytel determined that goodwill recorded on its balance sheet in connection with its acquisition of CarSmart (see Note 3) was in excess of the current estimated fair value of $1,300. As a result, Autobytel recorded a $21,614 non-cash charge for the impairment of goodwill. During the second half of 2001, CarSmart dealer counts declined further than anticipated. In December 2001, Autobytel determined that the CarSmart goodwill was fully impaired and wrote-off the remaining unamortized balance of $1,253 as a non-cash charge for the impairment of goodwill.

International Restructuring and Related Charges

In June 2001, due to a decline in the general economic climate and the environment for Internet related activities in Europe, Autobytel announced the restructuring of Autobytel.Europe. (See Note 5.) The restructuring primarily consisted of significant staff reductions at Autobytel.Europe to enhance operating efficiencies. In 2001, Autobytel recorded a charge of $11,202. The charge consisted of $5,039 for employee separation costs, facilities and contract termination costs related to the restructuring of Autobytel.Europe, $3,413 related to the write-off of obsolete international software, and $2,750 related to the write-off of investments in Auto-By-Tel AB, Automoviles Bytel S.A. and Autoatnet S.A. In late 2001, due to a reduction in management's previous estimates of the cost of international software to be capitalized and potential future liabilities related to the restructuring of Autobytel.Europe's operations, Autobytel reversed over accrued amounts and recorded a $2,021 benefit related to the write-off of capitalized software and a $1,952 benefit related to the restructuring of Autobytel.Europe's business activities.

The restructuring of Autobytel.Europe is expected to lead to changes in Autobytel.Europe's capital structure because of the reduction of its business activities. Autobytel is currently discussing the future capital structure of Autobytel.Europe with the other investors of Autobytel.Europe. Changes to the capital structure of Autobytel.Europe are expected to substantially reduce the cash on hand at Autobytel.Europe and to require Autobytel to recognize material non-cash charges. Autobytel does not anticipate contributing additional cash to Autobytel.Europe above the $5,000 it initially contributed. Autobytel expects that following the restructuring, its ownership of Autobytel.Europe will decline from 76.5% to less than 50% and that it will no longer consolidate Autobytel.Europe in its financial statements but will account for its investment in Autobytel.Europe under the equity method. There is no assurance that the expected changes to Autobytel.Europe's capital structure will be achieved.

Autobytel evaluated the unamortized portion of capitalized software costs recorded on its balance sheet and determined that the recorded value was in excess of the net realizable value over the remaining economic life of the software developed. As a result, capitalized software costs were written-down to the net realizable value. Autobytel expects newly developed software to replace and upgrade the existing international software and expects to continue to amortize the remaining capitalized costs until such time.

Due to unfavorable capital market conditions, certain of Autobytel.Europe's joint ventures have suffered from a lack of funding. Autobytel has written-off its investments in these joint ventures due to the inability to obtain additional capital for continued operations of these joint ventures. Autobytel.Europe has also decided to indefinitely suspend operations in certain of these joint ventures.

Domestic Restructuring and Other Charges

In 2001, Autobytel recorded a total of $4,514 for domestic restructuring and other charges. The charges were comprised of $992 for the reorganization of dealer operations, including personnel costs, the elimination of duplicate facilities and the write-down of fixed assets, $869 primarily for contract termination costs related to online advertising and the aftermarket program on the Autobytel.com Web site as well as the write-off of previously capitalized software related to the aftermarket program and $2,653 for restructuring charges related to the

integration of Autoweb into Autobytel due to the acquisition of Autoweb, including compensation costs for the retention of Autoweb employees through the completion of the integration process.

A summary of the goodwill impairment, restructuring and other charges for the year ended December 31, 2001 is as follows:

	Total Charge	Non-Cash Charges	Cash Payments	Accrued Liability
Goodwill impairment	$22,867	$22,867	$ —	$ —
International restructuring and related charges	7,229	4,277	1,936	1,016
Domestic restructuring and other charges	4,514	739	3,665	110
Total	$34,610	$27,883	$5,601	$1,126

14. Income Taxes

No provision for federal income taxes has been recorded as Autobytel incurred net operating losses through December 31, 2001. As of December 31, 2001, Autobytel had approximately $164,600 of federal and $80,400 of state net operating loss carryforwards available to offset future taxable income. Of the $164,600 of federal and $80,400 of state net operating loss carryforwards, $71,200 and $33,400, respectively, relate to Autoweb activities prior to the acquisition. These net operating loss carryforwards expire in various years through 2021. Utilization of the net operating losses may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation may result in the expiration of net operating loss carryforwards before utilization.

Autobytel accounts for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes.” Under SFAS No. 109, deferred income tax assets and liabilities are determined based on the differences between the book and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws. Net deferred income tax assets, totaling approximately $67,900 and $35,900 as of December 31, 2001 and 2000, respectively, consist primarily of the tax effect of net operating loss carryforwards, reserves and accrued expenses which are not yet deductible for tax purposes. Autobytel has provided a full valuation allowance on these deferred income tax assets because of uncertainty regarding their realization.

15. Related Party Transactions

Peter R. Ellis

In June 1998, Peter R. Ellis, co-founding member and stockholder, resigned from Autobytel as Chief Executive Officer. In August 1998, Autobytel executed a two-year agreement with Mr. Ellis to provide advisory services. Under the agreement, Mr. Ellis received $40 and $20 in 2000 and 1999, respectively. The amounts paid to Mr. Ellis under this agreement are included in operating expenses in the accompanying consolidated statements of operations. In January 2000, Mr. Ellis gave Autobytel a 90-day termination notice of the agreement.

Consulting Agreement

Autobytel and Robert Grimes, a current director and a former Executive Vice President of Autobytel, are parties to a two year consulting services agreement dated April 1, 2000. During the term of the consulting agreement, Mr. Grimes will receive $50 per year payable on a monthly basis and a $2.5 monthly office expense allowance. Mr. Grimes will make himself available to the executive officers of Autobytel for up to 16 hours a month for consultation and other activities related to formulating and implementing business strategies and relationships. Autobytel may terminate the agreement upon Mr. Grimes’ breach of contract. If Mr. Grimes’ agreement is terminated without breach, Mr. Grimes is entitled to either a pro rated or a lump sum payment equal to the salary that would have been received by Mr. Grimes if he had remained a consultant for the remaining balance of the two year term. In the event of death or disability, Autobytel will pay to Mr. Grimes or his successors and assigns the amount that Mr. Grimes would have received for the remainder of the term of the agreement. Mr. Grimes has the right to terminate the agreement upon 90 days notice to

Autobytel. During the term of the agreement, Mr. Grimes will be entitled to participate in all of Autobytel's employee welfare benefit plans at Autobytel's expense.

16. Business Segment

Autobytel conducts its business within one business segment, which is defined as providing Internet automotive marketing services.

Autobytel.Europe, a majority-owned subsidiary of Autobytel, operates to support our Internet automotive marketing services with certain licensees in Europe. In June 2001, Autobytel announced the restructuring of Autobytel.Europe which significantly reduced Autobytel.Europe's business activities. Autobytel does not expect to devote substantial resources to Autobytel.Europe.

Summarized financial data for Autobytel.Europe is as follows:

	Years Ended December 31,	
	2001	2000
Revenues	$ 2,703	$ 2,471
Net loss	(6,677)	(2,010)
Total assets	28,997	38,571
Total liabilities	$ 1,401	$ 3,904

17. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for Autobytel, including Autoweb from the date of acquisition on August 14, 2001 is as follows:

	Three Months Ended			
	December 31, 2001	September 30, 2001	June 30, 2001	March 31, 2001
Revenues	$20,505	$18,182	$ 15,728	$16,653
Loss from operations	(924)	(3,952)	(39,420)	(5,277)
Net loss	(896)	(3,238)	(36,641)	(4,076)
Basic and diluted net loss per share	$ (0.03)	$ (0.13)	$ (1.80)	$ (0.20)

	Three Months Ended			
	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Revenues	$16,809	$17,539	$ 17,084	$15,100
Loss from operations	(6,700)	(7,740)	(11,365)	(9,573)
Net loss	(3,253)	(7,919)	(9,784)	(8,078)
Basic and diluted net loss per share	$ (0.16)	$ (0.39)	$ (0.48)	$ (0.42)

18. Subsequent Events (Unaudited)

Litigation

In March 2002, Autobytel agreed to settle the litigation matters described in Note 8 related to Mr. Heshion. The settlement will not have a material adverse effect on Autobytel's financial condition.

AUTOBYTEL INC.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(Amounts in thousands)

	Years Ended December 31,		
	2001	2000	1999
Allowance for doubtful accounts:			
Beginning balance	$ 2,185	$1,380	$ 466
Acquired on August 14, 2001 as part of the Autoweb acquisition	2,694	—	—
Additions	5,451	1,156	1,066
Write-offs	(3,221)	(351)	(152)
Ending balance	$ 7,109	$2,185	$1,380

EXHIBIT INDEX

Number	Description	Sequentially Numbered Page
2.1	Agreement and Plan of Merger dated October 14, 1999, entered into among Autobytel Inc. (formerly autobytel.com inc. ("Autobytel")), Autobytel Acquisition I Corp., A.I.N. Corporation, and shareholders of A.I.N. Corporation is incorporated herein by reference to Exhibit 2.1 of the Form 8-K filed with the Securities and Exchange Commission (the "SEC") on February 15, 2000 (the "February 2000 8-K")	
2.2	Amendment to Agreement and Plan of Merger dated January 25, 2000, entered into among Autobytel, Autobytel Acquisition I Corp., A.I.N. Corporation, and shareholders of A.I.N. Corporation is incorporated herein by reference to Exhibit 2.2 of the February 2000 8-K.	
2.3	Amendment No. 2 to Agreement and Plan of Merger dated February 14, 2000, entered into among Autobytel, Autobytel Acquisition I Corp., A.I.N. Corporation, and shareholders of A.I.N. Corporation is incorporated herein by reference to Exhibit 2.3 of the February 2000 8-K.	
2.4	Composite Conformed Acquisition Agreement, dated as of April 11, 2001 by and among Autobytel, Autobytel Acquisition I Corp. and Autoweb.com, Inc. ("Autoweb"), is incorporated herein by reference from Annex A to the Proxy Statement/Prospectus included as a part of Amendment No. 1 (filed on July 17, 2001) to the Registration Statement on Form S-4. (File No. 333-60798) originally filed with the SEC on May 11, 2001 and declared effective (as amended) on July 18, 2001 (the "S-4 Registration Statement")	
3.1	Amended and Restated Certificate of Incorporation of Autobytel certified by the Secretary of State of Delaware (filed December 14, 1998 and amended March 1, 1999) is incorporated herein by reference to Exhibit 3.1 of Amendment No. 2 (filed on March 5, 1999) to Autobytel's Registration Statement on Form S-1 (File No. 333-70621) originally filed with the SEC on January 15, 1999 and declared effective (as amended) on March 25, 1999 (the "S-1 Registration Statement")	
3.2	Second Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel is incorporated herein by reference to Exhibit 3.1 of Form 10-Q for the Quarter Ended June 30, 1999 filed with the SEC on August 12, 1999.	
3.3*	Third Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel.	
3.4	Amended and Restated Bylaws of Autobytel is incorporated herein by reference to Exhibit 3.1 of Form 10-Q for the Quarter Ended September 30, 2000 filed with the SEC on November 13, 2000 (the "September 2000 10-Q")	
3.5	Amendment No.1 to Amended and Restated Bylaws of Autobytel is incorporated herein by reference to Exhibit 3.1 of Form 10-Q for the Quarter Ended September 30, 2001 filed with the SEC on November 14, 2001 (the "September 2001 10-Q")	
4.1	Form of Common Stock Certificate of Autobytel is incorporated herein by reference to Exhibit 4.1 of the September 2001 10-Q.	
4.2	Amended and Restated Investors' Rights Agreement dated October 21, 1997 as amended from time to time, between Autobytel and the Investors named in Exhibit A thereto is incorporated herein by reference to Exhibit 4.2 of the S-1 Registration Statement.	

Number	Description	Sequentially Numbered Page
10.1	Form of Indemnification Agreement between Autobytel and its directors and officers is incorporated herein by reference to Exhibit 10.1 of the S-1 Registration Statement.	
10.2	Employment Agreement dated July 1, 1998 between Autobytel and Mark W. Lorimer is incorporated herein by reference to Exhibit 10.2 of the S-1 Registration Statement.	
10.3	First Amendment dated as of July 31, 1998 to Employment Agreement between Autobytel and Mark W. Lorimer is incorporated herein by reference to Exhibit 10.5 of Form 10-Q for the Quarter Ended September 30, 1999 filed with the SEC on November 12, 1999	
10.4	Letter agreement dated July 28, 2000 between Autobytel and Andrew F. Donchak is incorporated herein by reference to Exhibit 10.4 of the Annual Report on Form 10-K for the Year Ended December 31, 2000 filed with the SEC on March 29, 2001 (the “2000 10-K”)	
10.5	Employment Agreement, dated as of May 3, 2000, between Dennis Benner and Autobytel is incorporated herein by reference to Exhibit 10.5 of the September 2000 10-Q.	
10.6	Employment Agreement, dated as of April 3, 2000 between Ariel Amir and Autobytel is incorporated herein by reference to Exhibit 10.6 of the 2000 10-K.	
10.7	Contract of Employment, dated September 1, 2000, between Max Rens and Autobytel.Europe Holdings B.V. is incorporated herein by reference to Exhibit 10.4 of the September 2000 10-Q.	
10.8	Employment Agreement dated as of February 14, 2000 among A.I.N. Corporation, Autobytel and Michael Gorun is incorporated herein by reference to Exhibit 10.8 of Annual Report on Form 10-K for the Year Ended December 31, 1999 filed with the SEC on March 23, 2000 (the “1999 10-K”)	
10.9	1996 Employee Stock Purchase Plan is incorporated herein by reference to Exhibit 10.7 of Amendment No. 1 to the S-1 Registration Statement filed with the SEC on February 9, 1999 (the S-1 Amendment”)	
10.10	autobytel.com inc. 1998 Stock Option Plan is incorporated herein by reference to Exhibit 10.8 of the S-1 Amendment.	
10.11	autobytel.com inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit 10.30 of the S-1 Amendment.	
10.12	autobytel.com inc. 1999 Employee and Acquisition Related Stock Option Plan is incorporated herein by reference to Exhibit 10.1 of the Registration Statement filed on Form S-8 (File No. 333-90045) filed with the SEC on November 1, 1999.	
10.13	Amendment No. 1 to the autobytel.com inc. 1998 Stock Option Plan dated September 22, 1999 is incorporated herein by reference to Exhibit 10.2 of Form 10-Q for the Quarter Ended September 30, 1999 filed with the SEC on November 12, 1999.	
10.14	Amendment No. 1 to the autobytel.com inc. 1999 Stock Option Plan, dated September 22, 1999 is incorporated herein by reference to Exhibit 10.1 of Form 10-Q for the Quarter Ended September 30, 1999 filed with the SEC on November 12, 1999.	
10.15*	Form of Autobytel Dealer Agreement, including Pre-Owned Cyberstore program.	
10.16*†	Interactive Marketing Agreement dated June 30, 1999 between Autoweb.com and America Online, Inc.	

Number	Description	Sequentially Numbered Page
10.17*†	Amendment No.1 to Interactive Marketing Agreement dated April 7, 2000 between Autoweb and America Online, Inc.	
10.18*	Separation Agreement dated as of December 14, 2001 between Autobytel and Mark Lorimer.	
10.19*	Separation Agreement dated as of January 17, 2002 between Autobytel and Dennis Benner.	
10.20*	Form of Autoweb General Dealer Agreement.	
10.21	Amended and Restated Operating Agreement dated as of January 6, 2000 among Autobytel.Europe LLC, Autobytel, GE Capital Equity Holdings, Inc., Inchcape Overseas Investments B.V. and Pon Holdings B.V. is incorporated herein by reference to Exhibit 10.31 of the 1999 10-K.	
10.22	1996 Stock Option Plan and related agreements are incorporated herein by reference to Exhibit 10.5 of the S-1 Amendment.	
10.23	1996 Stock Incentive Plan and related agreements are incorporated herein by reference to Exhibit 10.6 of the S-1 Amendment.	
10.24†	Intercompany Software License Agreement dated as of January 6, 2000 between Autobytel and Autobytel.Europe LLC is incorporated herein by reference to Exhibit 10.34 of the 1999 10-K.	
10.25	Form of Autobytel Gold Term Services Agreement is incorporated herein by reference to Exhibit 10.35 of the 1999 10-K.	
10.26*	Form of CarSmart Internet Marketing Agreement.	
10.27	autobytel.com inc. Retirement Savings Plan is incorporated herein by reference to Exhibit 99.1 of the Registration Statement filed on Form S-8 (File No. 333-33038) with the SEC on June 15, 2000.	
10.28	Letter agreement, dated July 14, 2000, between ABN AMRO Bank N.V. and Autobytel.Europe Holdings B.V. regarding foreign currency forward transaction is incorporated herein by reference to Exhibit 10.1 of the September 2000 10-Q.	
10.29	Letter agreement, dated July 19, 2000 between ABN AMRO Bank N.V. and Autobytel. Europe Holdings B.V. regarding foreign currency forward transaction is incorporated herein by reference to Exhibit 10.2 of the September 2000 10-Q.	
10.30	Letter agreement, dated July 24, 2000 between ABN AMRO Bank N.V. and Autobytel. Europe Holdings B.V. regarding foreign currency forward transaction is incorporated herein by reference to Exhibit 10.3 of the September 2000 10-Q.	
10.31	First Amendment to Amended and Restated Operating Agreement, dated as of January 27, 2000 among Autobytel, GE Capital Holdings, Inc., Inchcape Overseas Investments B.V. and Pon Holdings B.V. is incorporated herein by reference to Exhibit 10.1 of Form 10-Q for the Quarter Ended March 31, 2000 filed with the SEC on May 15, 2000.	

Number	Description	Sequentially Numbered Page
10.32	Second Amendment to Amended and Restated Operating Agreement, dated as of April 6, 2000 among Autobytel, GE Capital Holdings, Inc., Inchcape Overseas Investments B.V., Pon Holdings B.V. and e-LaSer S.A. is incorporated herein by reference to Exhibit 10.34 of the 2000 10-K	
10.33	autobytel.com inc. 2000 Stock Option Plan is incorporated herein by reference to Exhibit 99.1 of the Registration Statement filed on Form S-8 (File No. 333-39396) with the SEC on June 15, 2000.	
10.34	Employment Agreement dated as of April 18, 2001 between Autobytel and Hoshi Printer incorporated herein by reference to Exhibit 10.9 of Amendment No. 1 to the S-4 Registration Statement	
10.35	Employment Agreement dated August 30, 1999 between Autobytel and Amit Kothari is incorporated herein by reference to Exhibit 10.37 of the 2000 10-K.	
10.36	autobytel.com inc. 2001 Restricted Stock Plan is incorporated herein by reference to Exhibit 4.3 to the Registration Statement filed on Form S-8 (File No. 333-67692) with the SEC on August 16, 2001 (the “August 2001 S-8”)	
10.37*	Amendment No. 1 to Employment Agreement dated as of January 30, 2002 between Autobytel and Amit Kothari.	
10.38	Autoweb 1997 Stock Option Plan is incorporated herein by reference to Exhibit 4.4 of the August 2001 S-8.	
10.39	Autoweb 1999 Equity Incentive Plan, as amended, is incorporated herein by reference to Exhibit 4.5 of the August 2001 S-8.	
10.40	Autoweb 1999 Directors Stock Option Plan is incorporated herein by reference to Exhibit 4.6 of the August 2001 S-8.	
10.41	Amendment No. 1 to the Auto-by-Tel Corporation 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit (d)(2) of Schedule TO filed with the SEC on December 14, 2001 (the “Schedule TO”)	
10.42	Amendment No. 2 to the autobytel.com inc. 1998 Stock Option Plan is incorporated herein by reference to Exhibit (d)(5) of the Schedule TO.	
10.43	Amendment No. 2 to the autobytel.com inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit (d)(8) of the Schedule TO.	
10.44	Amendment No. 1 to the autobytel.com inc. 1999 Employee and Acquisition Related Stock Option Plan is incorporated herein by reference to Exhibit (d)(10) of the Schedule TO.	
10.45	Amendment No. 1 to the autobytel.com inc. 2000 Stock Option Plan is incorporated herein by reference to Exhibit (d)(12) of the Schedule TO.	
10.46*	Amendment No. 2 to the autobytel.com inc. 2000 Stock Option Plan.	
10.47	Form of Stock Option Agreement pursuant to Auto-by-Tel Corporation 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit (d)(13) of the Schedule TO.	

Number	Description	Sequentially Numbered Page
10.48	Form of Stock Option Agreement pursuant to autobytel.com inc. 1998 Stock Option Plan is incorporated herein by reference to Exhibit (d)(14) of the Schedule TO.	
10.49	Form of Stock Option Agreement pursuant to autobytel.com inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit (d)(15) of the Schedule TO.	
10.50	Form of Stock Option Agreement pursuant to autobytel.com inc. 1999 Employee and Acquisition Related Stock Option Plan is incorporated herein by reference to Exhibit (d)(16) of the Schedule TO.	
10.51	Form of Stock Option Agreement pursuant to autobytel.com inc. 2000 Stock Option Plan is incorporated herein by reference to Exhibit (d)(17) of the Schedule TO.	
10.52	Form of Performance Stock Option Agreement pursuant to autobytel.com inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit (d)(18) of the Schedule TO.	
10.53	Form of Non-employee Directors Stock Option Agreement pursuant to Auto-by-Tel Corporation 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit (d)(19) of the Schedule TO.	
10.54*	Employment Agreement dated as of December 17, 2001 between Autobytel and Jeffrey Schwartz.	
10.55*	Employment Agreement dated as of September 13, 2001 between Autobytel and John Honiotes.	
10.56*†	Amendment Number 2 to Interactive Marketing Agreement, dated as of April 1, 2001 between Autoweb and America Online, Inc.	
21.1*	Subsidiaries of Autobytel.	
23.1*	Consent of Arthur Andersen LLP, Independent Public Accountants.	
23.2*	Consent of Manheim Auctions.	
24.1*	Power of Attorney (reference is made to the signature page)	
99.1*	Letter from Autobytel to the SEC, dated March 21, 2002 relating to Arthur Andersen LLP.	

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

* Filed herewith.

EXHIBIT 3.3

THIRD CERTIFICATE OF AMENDMENT

OF THE

FIFTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

AUTOBYTEL.COM INC.

A DELAWARE CORPORATION

autobytel.com inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies under penalty of perjury under the laws of the State of Delaware as follows:

FIRST: That this Corporation was originally incorporated on May 17, 1996 under the name of Auto-By-Tel Corporation, pursuant to the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law").

SECOND: That pursuant to Section 242 of the Delaware General Corporation Law, this Third Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation amends the Fifth Amended and Restated Certificate of Incorporation of the Corporation as follows:

"Article I.

The name of the corporation is Autobytel Inc.(the "Corporation")."

THIRD: That pursuant to Section 242 of the Delaware General Corporation Law, the foregoing amendment of the Fifth Amended and Restated Certificate of Incorporation has been duly approved by the Board of Directors of the Corporation.

FOURTH: That pursuant to Section 242 of the Delaware General Corporation Law, the foregoing amendment of the Fifth Amended and Restated Certificate of Incorporation has been duly approved by the holders of the requisite number of shares of the Corporation.

IN WITNESS WHEREOF, the Corporation has caused this Third Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation to be signed by Mark W. Lorimer, its President and CEO, and Ariel Amir, its Secretary, this 14th day of August, 2001.

By:/s/ Mark W. Lorimer

Mark W. Lorimer
President and CEO

`

By:/s/ Ariel Amir

Ariel Amir
Secretary

EXHIBIT 10.15

VOID IF ALTERED

AUTOBYTEL DEALER AGREEMENT

- ---

A SEPARATE DEALER AGREEMENT MUST BE COMPLETED FOR EACH LEGAL ENTITY THE DEALER WISHES TO INCLUDE ON THE AUTOBYTEL PROGRAM.

- ---

This is a Dealer Agreement ("Agreement") between Autobytel Inc., a Delaware corporation with its principal place of business at 18872 MacArthur Blvd., Irvine, California 92612 ("ABT") and (legal name) _____ ("Dealer"), a [ ] Corporation, [ ] LLC, [ ] Partnership, [ ] LLP, [ ] Sole Proprietor, [ ] Other _____ under the laws of the state of _____, and doing business as (DBA) _____.

IN CONSIDERATION OF THE MUTUAL PROMISES AND OTHER GOOD AND VALUABLE CONSIDERATION SET FORTH IN THIS AGREEMENT, THE STANDARD PROVISIONS AND THE ATTACHMENTS INCORPORATED HEREIN BY REFERENCE, THE PARTIES AGREE AS FOLLOWS:

1. OBLIGATIONS.

   a. ABT agrees to use its best efforts to provide Dealer with a high quality, internet-based marketing program and related online services ("ABT Program") to bring potential consumers in contact with Dealer and to support a positive ongoing relationship between potential consumers and Dealer.

   b. Dealer agrees to use its best efforts to maximize its use of the ABT Program in order to provide a positive sales and service environment to potential consumers who are directed to Dealer by ABT.

   c. Both ABT and Dealer agree to use their best efforts to promote a high degree of consumer satisfaction under the ABT Program.

   d. The obligations of ABT and a Dealer who enrolls in the Program are set forth in more detail in the Standard Provisions, the ABT Pre-Owned CyberStore (R) Program Rules and other ABT program rules which are located at http://extranet.autobytel.com/dealers/, as updated from time to time in ABT's sole discretion and the "Market Area Description" which is attached to this Agreement, all of which are expressly incorporated herein by reference.

2. TERM. This Agreement shall be effective as of the date signed and activated by ABT for an obligatory initial commitment term of ninety (90) days and shall continue in full force and effect until terminated by either or both parties in accordance with the Standard Provisions.

3. MARKET AREA. Dealer is hereby assigned an exclusive Market Area ("MA") (except in Texas where exclusive MA's are prohibited) for each new vehicle franchise that Dealer has enrolled in the ABT Program under this Agreement. The description of each MA is set forth in the Market Area Description Attachment. In Texas, the Territory is deemed to be the area within the zip code where Dealer is located and there is no Market Area Description Attachment. ABT retains sole and complete authority to define or adjust Dealer's MA, based on market conditions, Dealer's performance, and such other factors as ABT, in its sole discretion, deems relevant. ABT will provide Dealer with not less than thirty (30) days written notice of any change to Dealer's MA. ABT shall not be liable for any unforeseen/unnoticed changes to Dealer's MA which may result from factors such as, but not limited to, changes in U.S. Postal Service zip code alterations, until ABT receives actual notice of such changes and amends Dealer's MA accordingly. As soon as such factors become known to ABT, ABT will notify Dealer of any resulting MA change.

4. FEES.

SERVICES:		MONTHLY FEES:	START-UP FEES:
START-UP FEE			$
Monthly Fees:	Systems	$	
	ABT Pre-Owned CyberStore (R)	$	
Franchise:		$	

Franchise:		$	
Franchise:		$	
Franchise:		$	
Franchise:		$	
Franchise:		$	
[ ] Additional Franchises:	(SEE ADDENDUM)	$	
Other:		$	$
Other:		$	$
TOTAL FEES:		$	$

5. REQUISITE AUTHORITY. The undersigned hereby represent that they are authorized on behalf of their respective entity to enter into this Agreement, and that each entity is in good standing under the laws of the state of its incorporation or in which it is otherwise formed or licensed.

This Agreement is executed this _____ day of _____, _____.

DEALER:	AUTOBYTEL INC.
By: _____	By: _____
Signature	Signature
Name: _____	Name: _____
Type / Print Full Name	Type / Print Full Name
Title: _____	Title: _____
Type / Print Title	Type / Print Title

DEALER GROUP # _____ REGION NAME: _____

DEALER DBA:

DEALER GENERAL INFORMATION (under a single "roof")

MAIN TELEPHONE NUMBER: ( ) PRIMARY FAX NUMBER: ( )

	ADDRESS	CITY	STATE	ZIP
STREET				
BILLING				
PRE-OWNED CYBERSTORE(R)				

KEY DEALER PERSONNEL: (Please PRINT clearly in each space)

TITLE	NAME & TITLE	TELEPHONE & EXTENSION	EMAIL
Principal			@
General Manager			@
ABT Program Mgr #1			@
ABT Program Mgr #2			@
ABT CyberStore Mgr #1			@
ABT CyberStore Mgr #2			@
A / P Contact			@

ABT PRE-OWNED CYBERSTORE(R) PROGRAM INFORMATION (If participating)

CYBER ID #

1. Dealer will post vehicles as: [ ] Certified [ ] Non-Certified [ ] BOTH

2. Please select from ONE (1) of the following 3 options:

[ ] OPTION A: UPLOAD DEALER INVENTORY THROUGH ONE OF THE FOLLOWING COMPANIES:

[ ] AutoBase [ ] AutoMark [ ] Dealer Specialties [ ] Kelley KARPOWER
[ ] Rolling Maronie
[ ] Other (Provide company name, contact & phone number):

[ ] OPTION B: UPLOAD DEALER INVENTORY THROUGH ONE OF THE FOLLOWING MAINFRAMES:

[ ] ADP [ ] EDS [ ] Reynolds & Reynolds [ ] UCS

Mainframe's Modem Phone Number (MUST COMPLETE): (_____)

Mainframe Login (i.e. Hon-A or Store #): _____ Confidential Password case-sensitive):

[ ] OPTION C:

[ ] DEALER WILL FORWARD DATA TO ABT AS SPECIFIED IN THE ABT PRE-OWNED CYBERSTORE(R) PROGRAM RULES.

AUTHORIZED SIGNATORIES

In addition to the person executing this Agreement, and for purposes of executing agreements, amendments or other documents necessary to implement Dealer's participation in the ABT Program, the following named persons with titles are authorized to sign on behalf of Dealer:

NAME & TITLE	NAME & TITLE
-	-
-	-

BY MY SIGNATURE ON THE FRONT PAGE OF THIS DOCUMENT, I ATTEST THE ABOVE INFORMATION IS TRUE AND CORRECT AND I AM AUTHORIZED TO SIGN THIS INFORMATION SHEET ON BEHALF OF THE DEALERSHIP NAMED ABOVE.

DEALER GROUP # _____ REGION NAME: _____

VOID IF ALTERED

[AUTOBYTEL LOGO]

AUTOBYTEL DEALER AGREEMENT
STANDARD PROVISIONS

I. ABT OBLIGATIONS

A. GENERAL. In order to support the portion of the ABT Program which connects potential consumers with Dealer for the purpose of purchasing a new or pre-owned vehicle, ABT agrees to provide the following:

1. WEBSITE. A website designed to market the services offered under the ABT Program to Dealer and to potential vehicle consumers, provide information to potential consumers to help them make more informed choices in the purchase of a vehicle, and to provide information as to services such as financing, insurance and such other services that may be included in the ABT Program from time to time.

2. SYSTEMS. ABT will maintain, either directly or through an authorized provider, the necessary computer hardware, software and electronic communication systems ("Systems") to enable it to receive and transmit data necessary to support the ABT Program. Such Systems will support the services offered by ABT to both Dealer and consumers. Such Systems may be altered, upgraded or enhanced by ABT from time to time in its sole discretion. ABT hereby grants Dealer a non-exclusive, non-transferable license to access and use such portions of the Systems which are proprietary to ABT. As an express condition of this license to use ABT proprietary Systems, Dealer is prohibited from reselling, loaning or otherwise sharing such Systems or divulging any related confidential information including, but not limited to passwords or instructional manuals. ABT will supply Dealer with the specifications and other requirements and/or restrictions related to the use of the ABT Program Systems.

3. TECHNICAL SUPPORT. ABT agrees to use reasonable efforts to supply limited technical support to Dealer during ABT's regular business hours as published from time to time (Pacific Time) to assist Dealer and Dealer's personnel in using the services offered under the ABT Program.

4. CONSUMER SUPPORT. As part of its ongoing commitment to consumer satisfaction, ABT will use reasonable efforts to provide consumers with assistance and support during ABT's business hours (Pacific Time) by means of a toll-free telephone number, online communication, facsimile or such other methods as are reasonably available to ABT. ABT will promptly notify Dealer of any consumer complaints, comments or questions which relate to Dealer. ABT reserves the right to revise the ABT Program consumer support standards to comply with applicable laws or to address changes in the business climate. ABT will promptly notify Dealer of any such revisions.

5. TRANSMISSION OF DATA.ABT will use its reasonable efforts to provide prompt transmission of data to Dealer and consumers. ABT shall not be liable for any loss of data, delays or errors in transmitting data or any loss of business due to electrical power source failure, telephone transmission failure, unforeseen criminal acts of others, Natural Disasters, acts of God, or any other conditions beyond ABT's control.

B. CONSUMER REQUESTS. ABT agrees to use reasonable efforts to provide the following consumer requests and/or other communications services to Dealer using the ABT Systems:

1. Real time transmission of new and pre-owned vehicle purchase requests from consumers accessing the www.autobytel.com website (the "ABT Website").

2. Real time transmission of service appointment requests or service-related questions from consumers accessing the ABT Website.

3. Any other purchase request or consumer inquiry to Dealer that is sent to ABT via the ABT Website.

4. As used in this Agreement, the terms purchase requests or consumer requests or inquiries refer to consumer requests or inquiries generated through the ABT Website. Purchase requests for new vehicle purchases or leases shall be those generated from within Dealer's MA. (In Texas, purchase requests from within Dealer's MA will be sent to Dealer but all participating Dealers in Texas will be listed on the referral confirmation sent to the consumer.)

5. In the event of Dealer's breach of this Agreement and until such breach is cured, ABT may re-route purchase requests, service requests or other inquiries, to the nearest qualified enrolled dealer without prior notice to Dealer.

C. DATABASE SUPPORT FOR PRE-OWNED VEHICLE SALES. If Dealer elects to enroll in ABT's Pre-Owned CyberStore (R) Program, ABT will establish a database, permitting Dealer to electronically publish photographic images of retail quality pre-owned vehicles. Consumers will be able to search the database for vehicles by make and/or model and other criteria. Inquiries from interested consumers will be routed to dealers having the appropriate vehicle in the database. The terms and conditions specific to the ABT Pre-Owned Cyber Store Program are located at http://extranet.autobytel.com/dealers/, and which may be amended by ABT in its sole discretion upon thirty (30) days notice to Dealer.

D. CHANGES IN PROGRAMS AND SERVICES. ABT reserves the right to add or delete programs or services as part of its continued enhancement of the ABT program. ABT will give Dealer thirty (30) days notice of any such changes and any fee increases or decreases related thereto.

E. TITLE TO SYSTEM, TRADEMARKS. To the extent permitted by law, the goodwill associated with any and all intellectual property and services to be provided under this Agreement are proprietary to ABT, and title thereto remains in ABT. All applicable rights to patents, copyrights, trademarks, and trade secrets in the Systems now and in the future, belong exclusively to ABT. Any and all trademarks and service marks associated with ABT are and shall forever remain the exclusive property of ABT. Upon the written consent of ABT, Dealer is permitted to use the ABT trademarks and service marks for inclusion on business cards, and media advertisements that communicate Dealer's association with ABT. This authority to use ABT's patented systems, name, logo, and other trademarks or service marks is revocable at any time by ABT. ABT reserves the right, in its sole discretion, to revoke Dealer's permission as to future use.

F. WARRANTY LIMITATION. ABT DOES NOT GUARANTEE OR WARRANT THE PERFORMANCE OF THE SERVICES PROVIDED HEREUNDER INCLUDING, BUT NOT LIMITED TO, THE NUMBER OF PURCHASE REQUESTS OR VEHICLE SALES/LEASES DEALER MAY RECEIVE AND/OR CONSUMMATE UNDER THE ABT PROGRAM, IF ANY. DEALER SPECIFICALLY WAIVES ALL WARRANTIES, EXPRESSED OR IMPLIED, ARISING OUT OF OR IN CONNECTION WITH THE SERVICES TO BE PROVIDED BY ABT HEREUNDER. SPECIFICALLY EXCLUDED ARE ALL WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT SHALL ABT BE LIABLE FOR ANY LOSS OF BUSINESS PROFITS OR FOR ANY CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR SIMILAR DAMAGES OR FOR ANY THIRD-PARTY CLAIMS OR DAMAGES, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

II. DEALER OBLIGATIONS.

A. GENERAL. In order to support the portion of the ABT Program which connects potential consumers with Dealer for the purpose of purchasing a new or pre-owned vehicle or responding to consumer requests for service or other consumer inquiries, Dealer agrees to the following:

1. MANAGEMENT INVOLVEMENT. Dealer's Principal and General Manager will actively participate in the application, implementation, and operation of the ABT Program within the dealership.

2. DEDICATED PERSONNEL. Dealer will, for each franchise enrolled in the ABT Program, dedicate at least one (1) key employee to be responsible for the new vehicle program and, where possible, at least one (1) additional key employee to be responsible for the Certified Pre-Owned CyberStore program, if Dealer enrolls in that program. Each such dedicated person will be empowered to act as a liaison between ABT and Dealer. Each person shall be referred to as "ABT Manager". Dealer promises to notify ABT in writing within ten (10) days with the identity of any newly designated ABT Manager.

3. SYSTEMS. Dealer agrees to provide dedicated access to an IBM compatible personal computer with Internet access and related equipment that meets or exceeds the minimum specifications published from time to time by ABT. Upon request, Dealer shall provide ABT with written assurances regarding Dealer's compliance with this provision.

4. DESIGNATED WORK AREA. Dealer shall set aside and designate a work area within the dealership wherein each ABT Manager may perform his/her duties under this Agreement. In addition to the personal computer outlined above, Dealer shall provide a dedicated workstation that, at a minimum, contains a desk, a compatible printer, telephone, and other office supplies and equipment as may be necessary to receive and properly implement at the dealership, the services contemplated by this Agreement.

5. SERVICES FREE TO CONSUMER. ABT services are free of charge to a consumer. Dealer and its employee/agents are expressly prohibited from representing to any consumer, in any manner, either, orally or in writing, the existence of any charge or fee to be paid by reason of consumer's use of ABT's services.

6. PARTICIPATION IN FUTURE PROGRAMS. Dealer promises to reasonably participate

in ABT's program offerings, including any programs or services developed in the future so long as Dealer is enrolled in the ABT Program, unless ABT expressly states that such programs are optional.

B. TRAINING. Dealer will ensure that an ABT Manager will attend at least one (1) ABT phone training session prior to activating services and one (1) Autobytel University basic training course or other similar program affiliated with ABT as soon as offered by ABT in Dealer's area (or online, if available) after the date of this Agreement. Dealer understands that ABT will not forward purchase requests under this Agreement until such time as the initial ABT phone training session for an ABT Manager has been completed. Dealer must at all times have at least one (1) trained ABT Manager in order to continue receiving purchase requests.

C. CONSUMER SERVICE STANDARDS.

1. Dealer shall contact one hundred percent (100%) of the consumers submitting purchase or service requests routed to Dealer by the most expeditious means possible within one (1) business day of Dealer's receipt of such request, confirming receipt of such request, and

2. Dealer shall at the same time, but in no event more than two (2) business days following receipt of such request, disclose all of the following:

a) the ABT Manager's name and contact phone number;

b) the availability of the vehicle including any requested options;

c) the confirmed price that Dealer will sell or lease the vehicle to the consumer, including the Website advertised price, if any, all additional options requested, pre-delivery inspection fees, destination fees and/or advertising costs or charges not otherwise included in the vehicle price;

d) all relevant financing terms and conditions which may apply to the purchase or lease transaction requested; and

e) all other terms, costs and conditions required by law to be disclosed to prospective purchasers.

3. Dealer promises that all such information, including the price, that Dealer provides to a consumer shall be truthful and be binding on Dealer for a period of seven (7) days after its transmittal, provided the identified vehicle still remains available for sale. If Dealer relied on a manufacturer sponsored program when quoting the pricing, terms, incentives or availability of vehicles, the time period in which the Dealer information must be truthful shall coincide with the termination date of the manufacturer's program or seven (7) days, whichever is less. In the case of a service related request, Dealer shall respond truthfully with all information reasonably requested by the consumer.

D. PRE-OWNED VEHICLE SALES. Dealer's election to sell pre-owned vehicles through the ABT Program and Dealer's participation shall be governed by the Pre-Owned CyberStore rules.

E. PERFORMANCE STANDARDS. Dealer agrees to maintain a satisfactory performance rating as measured by ABT standards and/or formulas published by ABT from time to time to dealers.

III. FEES AND COSTS.

A. Dealer agrees to pay ABT the sums listed on the Fees and Costs attachment to this Agreement.

B. Except where otherwise informed by ABT's technical support staff at the time services are requested, technical support service is included in Dealer's monthly fees. As some services require substantial time and effort to complete, ABT reserves the right to institute supplemental charges for some services.

C. All fees are due and payable net fifteen (15) days from the date of invoice. ABT reserves the right to suspend all services under this Agreement if any payment is past due over 60 days until such account is brought current.

D. ABT, in its sole discretion, may change the amount, structure, method and/or basis of the fee at any time during the term of this Agreement. Any changes shall be effective upon thirty (30) days written notice to dealer and shall not require an affirmative response or any further action by the parties.

E. Each party is solely responsible for paying all taxes (local, state and federal) imposed as a result of its activities under this Agreement.

F. Each party hereto is responsible for all of its internal costs, if any, associated with implementation and operation of the ABT Program.

IV. TERMINATION.

A. Either party may terminate this Agreement:

1. immediately for any breach of this Agreement by the other party which is not cured within ten (10) days after receipt of written notice of the breach from the non-breaching party; or

2. for any reason or no reason, upon thirty (30) days written notice to the other party hereto after completion of the obligatory initial ninety (90) day commitment period.

B. ABT may terminate this Agreement:

1. immediately upon finding of Dealer's violation of state or federal law or conviction for such violation;

2. immediately upon Dealer's sale or transfer of all or substantially all of its dealership assets and change of control or management;

3. immediately upon loss of franchise, revocation, termination, suspension, or other invalidation of Dealer's license; or

4. immediately if an order of liquidation or petition for bankruptcy is entered or filed against Dealer and not stayed.

5. immediately upon failure to pay any past due amounts after having received written notice of such past due amounts.

C. Under any of the circumstances above, except breach of this Agreement by ABT, Dealer shall remain responsible for all fees due and payable up through the effective date of the termination or as otherwise dictated by the terms of this Agreement or applicable law.

V. INDEMNIFICATION. Each party to this Agreement will defend, indemnify and hold harmless the other party and each of its parent company, affiliate companies, officers, directors, employees an agents against and in respect of any and all loss, debt, liability, damage, obligation, claim, demand, judgment or settlement of any nature or kind, known or unknown, liquidated or unliquidated, including without limitation all reasonable costs and expenses incurred (legal, accounting or otherwise) (collectively, "Damages") arising out of, resulting from such party's negligence or wrongful conduct or based upon any claim, action or proceeding by any third party alleging facts or circumstances constituting a breach of the representations and warranties made by such indemnifying party. Neither party shall, however, under any circumstances be liable for any consequential, incidental, indirect, special, punitive or other such damages. In all events, each party shall, in its sole discretion, have the right to participate in the defense of any such action through counsel of its own choosing at its sole and separate expense.

VI. GENERAL PROVISIONS.

A. NOTICES. Any notices required to be given in connection with this Agreement by either party shall be in writing signed by duly authorized agent and shall be deemed given by any of the following means: 1) in person; 2) by certified mail, return receipt requested and deemed effective three days after the date of mailing; 3) by facsimile which shall be deemed received on the day sent when a confirming notice from the sending facsimile machine has been generated; or 4) by overnight delivery service or courier, which shall be deemed received on the day of physical delivery as evidenced by courier receipt. All notices shall be directed to the most current address or facsimile number for each party as listed in this Agreement or as revised in accordance with the notice procedures set forth herein.

B. NO IMPLIED WAIVERS. The failure of either party at any time to require performance by the other party of any provision of this Agreement or to exercise any right provided for herein, shall in no way affect the right of such party to require such performance or exercise such right at any time thereafter. No waiver by either party of a breach of any provision herein shall constitute a waiver of any subsequent breach, nor a waiver of the provision itself.

C. INDEPENDENT CONTRACTOR RELATIONSHIP. The relationship created by this Agreement between ABT and Dealer is intended to be and shall for all purposes hereunder be considered that of an independent contractor. Nothing contained in this Agreement shall be construed as intending, creating or constituting a franchise, partnership, agency, or joint venture relationship between ABT and Dealer.

D. CONTROLLING AGREEMENT. This Agreement and all attachments or amendments hereto supersede any and all agreements, oral or written, between the parties, and contains all of the representations, covenants, and understandings between the parties with respect to services described in this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not contained in this Agreement, any attachments and/or amendments hereto. No other agreement(s), statement(s), or promise(s) shall be valid or binding.

E. MODIFICATIONS AND AMENDMENTS. Except where otherwise set forth in this Agreement, all modifications or amendments to this Agreement shall be in writing and signed by both Parties hereto.

F. ASSIGNMENT. This Agreement and the rights and duties hereunder, shall not be assignable by Dealer, except upon written consent of ABT. This Agreement and the rights and duties hereunder shall be assignable by ABT without restriction.

G. SEVERABILITY. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, such determination shall in no way alter or

impair the validity, legality, and enforceability of the remaining provisions of this Agreement which shall continue in full force and effect.

H. CONFIDENTIALITY. Each of the parties hereto, on behalf of itself and its employees, agrees to keep all non-public information gained as a result of the business dealings contemplated in this Agreement confidential. Each party may, however, use such confidential information for its internal use only to further its performance under this Agreement. Dealer understands and agrees that the sale or unauthorized use or disclosure of any trade secrets or other confidential information, including but not limited to, private information provided by purchase request or other communication constitutes theft and will greatly damage ABT and is prohibited. Dealer shall not impart ABT's proprietary information to any person or entity other than Dealer's key employee(s) without the previous written consent of ABT. ABT reserves the right to transmit pertinent vehicle information to consumers making inquiries concerning the terms of purchase and financing or leasing of motor vehicles. Notwithstanding the foregoing, if either party is required to produce any such information by order of any government agency, court of competent jurisdiction, or other regulatory body, it may, upon not less than five (5) days written notice to the other party, release the required information. Unless ABT agrees in writing, Dealer is prohibited from issuing any press release(s) or making any public announcement(s) regarding its business relationship with ABT or ABT's services or programs provided to Dealer.

I. ATTORNEY FEES AND COSTS. In the event any action shall be instituted to resolve a dispute between the parties regarding this Agreement or to enforce the terms of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorneys fees and costs incurred. As used in this section, the word "action" includes, but is not limited to, any act requiring legal counsel involvement up to and including a formal litigation filed in a court of competent jurisdiction.

GOOD FAITH, GOVERNING LAW AND JURISDICTION. Each party will at all times contemplated herein, act in good faith and in accordance with all applicable local, state and federal laws. This Agreement shall in all respects be governed by the laws of the State of California for contracts to be performed wholly within California and without reference to conflicts of laws principles. Any dispute that arises under or relates to this Agreement (whether contract, tort or both) commenced by either party shall be resolved in state or federal court in Orange County, California, and the parties expressly waive any right they may otherwise have to cause any such action or preceding to be brought or tried elsewhere.

VOID IF ALTERED

[AUTOBYTEL LOGO]

ABT PRE-OWNED CYBERSTORE(R) PROGRAM

ABT OBLIGATIONS:

ABT will provide a marketing program targeted at consumers interested in purchasing pre-owned vehicles. ABT will establish a database permitting Dealer to electronically publish details of retail quality pre-owned vehicles. Consumers will be able to search the database for vehicles by make and model and other criteria. Inquiries from interested consumers ("Purchase Requests") will be routed to dealers having the appropriate vehicle in the database.

DEALER OBLIGATIONS:

1.VEHICLE PRICING: Dealer may provide posted prices and vehicle information for display on the ABT Pre-Owned CyberStore website. Dealer shall have sole discretion in setting vehicle prices. However, Dealer agrees to price vehicles competitively for the market area in which Dealer is located and to honor those prices as required by law. Dealer assumes all responsibility for educating Dealer staff and sales personnel as to the amount and duration of the advertised prices. Dealer, and not ABT, shall be solely responsible for the quality and accuracy of such information.

2. GENERAL PRE-OWNED CYBERSTORE SERVICE TERMS & CONDITIONS: The Pre-Owned CyberStore is a web-based service featuring a collection of dealer offered, retail quality, pre-owned vehicles. Dealer may post an unlimited number of vehicles on the Pre-Owned CyberStore web site. The Dealer must own each vehicle. Consignment vehicles are prohibited. All information posted for a vehicle must be accurate and based on facts known to the Dealer. Vehicles may be posted with or without digital images. Vehicles that do not meet the Pre-Owned CyberStore certification standards set forth below must be posted on the website as a non-certified vehicle. All vehicles regardless of certification status must meet state emissions and safety standards and have clear title prior to being offered for sale. It is Dealer's responsibility to disclose any mechanical or cosmetic damage or defect in the vehicle known to Dealer or any employee of Dealer at the time of posting until sold. It is Dealer's responsibility to disclose the existence of a warranty or lack of a warranty as required by state and federal laws. Dealer is responsible for withdrawing the advertisement as required by state and federal law but in no event more than 48 hours following sale of the vehicle.

3. NON-CERTIFIED PRE-OWNED CYBERSTORE VEHICLE STANDARDS: A "non-certified" vehicle shall mean a Dealer offered, retail quality, pre-owned vehicle that is offered without express warranty, return, refund or exchange options. Dealer, NOT ABT, is responsible for each vehicle as to meeting all applicable state and federal emissions and safety standards prior to its sale. Dealer may post any retail quality vehicle owned by the Dealer, regardless of model year or mileage. No consignment vehicle shall be posted. Prior rental history, dealer demo history, frame damage, salvaged vehicles history, stolen-recovered history, flood damage, and any material cosmetic or safety and non-safety related mechanical damage, defect or irregularity shall be clearly disclosed within the posted description of the vehicle. Dealer, in its sole discretion, may offer a limited warranty for any such vehicle or, in the alternative, offer a vehicle, without warranty, AS-IS. It is Dealer's sole responsibility to provide the consumer with all state and federal law required disclosures applicable to the type of warranty, if any, Dealer provides on a particular vehicle.

4.(a). CERTIFIED PRE-OWNED CYBERSTORE VEHICLE STANDARDS: A "certified" vehicle shall mean a Dealer offered, retail quality, pre-owned vehicle that is offered with an express warranty, written return, refund or exchange option. Dealer, NOT ABT, shall certify each vehicle as meeting all applicable local, state and federal emissions and safety standards. To qualify for a listing as a certified vehicle under this program, however, Dealer represents to ABT and to the general public that the vehicle offered has been mechanically inspected in accordance with customary and commercially reasonable standards for the market in which Dealer is located, and carries a manufacturer pre-owned vehicle certification or exhibits all of the following key qualifications:

A) Under 75,000 miles

B) Has undergone a complete diagnostic inspection and repairs as necessary

C) Less than 7 years old (current model year plus 6)

D) No salvage titles

E) No evidence of frame damage

F) No evidence of flood or water damage

G) No inoperative odometers

H) No odometer roll backs

I) No Lemon Law re-sales

J) No failed-emission tests as defined by applicable state and/or federal laws

K) No safety problems as defined by applicable state and/or federal laws.

(b). LIMITED WARRANTY: Dealer will establish and offer a limited warranty ("warranty") on all certified vehicles offered through the Pre-Owned CyberStore. Offering vehicles as certified through the Pre-Owned CyberStore on an "as-is" or "implied warranty only" basis is specifically prohibited. The warranty coverage shall be in addition to any implied warranties prescribed by the laws of the state in which Dealer is located. In all cases, Dealer's limited warranty offering shall not be less favorable to the consumer than the law of the jurisdiction

where Dealer is located, and as a minimum will be for a duration of not less than three (3) months or 3,000 miles, whichever occurs first. The minimum warranty terms shall, at a minimum, cover internally lubricated engine, transmission and differential parts, emissions and safety components required by law as well as any additional vehicle systems Dealer specifically promises to cover in its warranty documentation. Dealer will provide each consumer at the time of purchase a written document that explains in detail, the terms and conditions of Dealer's warranty on the vehicle being purchased or leased. Dealer will indemnify ABT for any third-party claims arising under any warranty. Nothing in this section shall be interpreted as preventing Dealer from purchasing independent warranty coverage from a legitimate third party provider as long as the terms and conditions shall meet or exceed the minimum requirements set forth herein and on the ABT Pre-Owned CyberStore Website.

(c). VEHICLE RETURN POLICY: Except where expressly prohibited by law, Dealer shall offer, in writing, a return policy on all certified vehicles. This policy shall allow a consumer to return a vehicle to Dealer within 72 hours or 300 miles, whichever occurs first, for either a refund of purchase monies or for a reasonably comparable vehicle exchange, at Dealer's discretion. The consumer shall be responsible for any additional sales/use tax or licensing fees incurred as a result of an exchange. In the event the original vehicle is returned damaged, Dealer may refuse the return or, in the alternative, collect from consumer that amount that Dealer can prove was actually expended to repair the vehicle, where permitted by state law. Any tax or licensing charges as a result of withholding these funds shall be the sole responsibility of Dealer and not ABT. Dealer will provide each consumer the name and phone number of the Dealer employee to contact to exercise the exchange option. Dealer will facilitate the consumer's exercise of the option to return the vehicle in good faith, and will use reasonable efforts to maximize the consumer's satisfaction with the exchange experience.

5. OUT OF AREA REPAIRS: Dealer will participate in the emergency repair system established by ABT as a Repairing Dealer (as defined below). Nothing in this section shall be construed to prohibit Dealer or consumer from abiding by the terms and conditions set forth in a third party provider warranty so long as terms and conditions of the warranty coverage do not fall below the minimum standards set forth under this Agreement. Absent any third-party coverage to the contrary, during the warranty period, the emergency repair system allows a consumer of a certified vehicle who is more than 100 miles from Dealer's repair facilities and encounters a situation where the vehicle is not operational (i.e. cannot be driven), to contact the nearest certified Pre-Owned CyberStore Dealer (the "Repairing Dealer") and have the Repairing Dealer perform any warranted service or repair. The Repairing Dealer or the consumer must contact the Dealer prior to any repairs being performed and obtain authorization to repair the vehicle from the Dealer. For covered items other than those that disabled the vehicle, the owner should return to the Dealer. In the interest of consumer satisfaction and improved inter-Dealer relations, when acceptable, independent third-party warranty coverage is not available to the consumer, the resulting repair charges should be calculated on a negotiated basis between the involved dealers but, in no event, shall such costs to the Dealer exceed an internal basis of "cost plus 25%" for parts and labor in all states, except for those states with higher mandates, in which states the applicable law will govern. In the event of a "major" repair (i.e. engine or transmission), the Dealer will have the option of providing alternate transportation to the consumer, retrieving the affected vehicle, and repairing the vehicle at the Dealer's service location.

6 (a). DIGITAL IMAGES: Dealer may publish an unlimited number of pre-owned vehicle images on the Pre-Owned CyberStore. DIGITAL IMAGES ARE NOT REQUIRED FOR VEHICLES SUBMITTED TO THE PRE-OWNED CYBERSTORE BUT ARE HIGHLY RECOMMENDED FOR ALL LISTINGS. Dealer shall provide a digital camera of the make and type compatible with ABT's computerized image-uploading characteristics. Dealer shall produce such images in accordance with the specifications and guidelines set forth herein. Placement of images of new vehicles on the Pre-Owned CyberStore is strictly prohibited.

(b). DIGITAL: IMAGE SPECIFICATIONS AND GUIDELINES: All vehicle images provided by Dealer shall: (i) contain the vehicle as the sole subject matter of the image, and shall not contain any people, images of people, graphics, photos, artwork, overlays, signs, numbers, banners, balloons or any form of visual advertisement, or any other image that would have the effect of distracting from the vehicle; (ii) be side or angular photographs; and (iii) be true and correct images of the vehicle, without retouching, modification, manipulation, or enhancement. ABT reserves the right to eliminate, without prior notice to Dealer, any vehicle image from the Pre-Owned CyberStore that does not meet the above criteria.

EXHIBIT 10.16

CONFIDENTIAL TREATMENT REQUESTED*

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INTERACTIVE MARKETING AGREEMENT

This Interactive Marketing Agreement (the "Agreement"), dated as of June 30, 1999 (the "Effective Date"), is between America Online, Inc. ("AOL"), a Delaware corporation, with offices at 22000 AOL Way, Dulles, Virginia 20166, and Autoweb.com ("Marketing Partner" or "MP"), a Delaware corporation, with offices at 3270 Jay Street, Bldg. 6, Santa Clara, CA 95054. AOL and MP may be referred to individually as a "Party" and collectively as the "Parties."

INTRODUCTION

AOL and MP each desires to enter into an interactive marketing relationship whereby AOL shall promote and distribute certain internet landing pages referred to (and further defined) herein as the AOL Jump Pages and an interactive site referred to (and further defined) herein as the Affiliated MP Site. This relationship is further described below and is subject to the terms and conditions set forth in this Agreement. Defined terms used but not defined in the body of the Agreement shall be as defined on Exhibit B attached hereto.

TERMS

1. PROMOTION, DISTRIBUTION AND MARKETING.

1.1 AOL PROMOTION OF AFFILIATED MP SITE; FLEXIBILITY OF PROMOTIONS. AOL shall provide MP with the promotions for the AOL Jump Pages and the Affiliated MP Site described on Exhibit A attached hereto (collectively referred to herein as the "Promotions"). AOL reserves the right (at its sole discretion) to (i) substitute for the Promotions to be delivered in a particular Level other promotions (in the same Level) in the same or different areas of the AOL Properties, and (ii) (x) substitute Impressions in one Level for those in another Level at an exchange ratio equal to the ratio of the respective CPM rates listed in Exhibit A for each Level (e.g., one Level I Impression can be substituted for the number of Level II Impressions that is calculated by dividing the CPM for Level I by the CPM for Level II). In addition, AOL reserves the right to redesign or modify the organization, structure, "look and feel," navigation and other elements of the AOL Network at any time.

1.2 IMPRESSIONS COMMITMENT. During the Initial Term, AOL shall deliver [*] Impressions to MP through the Promotions (the "Impressions Commitment"). AOL shall use commercially reasonable efforts to deliver the Impressions Commitment in accordance with the monthly targets specified in Exhibit A; provided, however, that in the event that AOL delivers, in any quarter, less than [*] percent (*%) of the relevant portion (i.e., the sum of the monthly targets for the respective quarter) of the Impressions Commitment to be delivered in such quarter pursuant to Exhibit A hereto (a "Quarter Shortfall"), then such Quarter Shortfall shall be added to the Impressions target for the subsequent quarter (the "Revised Impressions Target"); provided,

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further, that in the event that AOL fails to meet the Revised Impressions Target in the next subsequent quarter (a "Secondary Shortfall"), then the Impressions Commitment shall be increased by [*] times the amount of any such Secondary Shortfall. Any shortfall in Impressions at the end of any such quarter shall not be deemed a breach of the Agreement by AOL. With respect to the Impressions targets specified on Exhibit A hereto, AOL shall not be obligated to provide in excess of any Impressions target amounts in any year. In the event AOL provides an excess of any annual Impressions target amounts in any year, the Impressions target for the subsequent year shall be reduced by the amount of such windfall. In the event there is (or will be in AOL's reasonable judgment) a shortfall in Impressions as of the end of the Initial Term (a "Final Shortfall"), AOL shall provide MP, as its sole remedy, with one of the following (at AOL's sole discretion): (i) additional comparable promotions equal to the amount of the Final Shortfall; (ii) advertising placements through Run of Service Advertising on the AOL Properties which have a total value, based on the CPM rates specified in Exhibit A, equal to the value of the Final Shortfall (determined by multiplying the percentage of Impressions that were not delivered by the total, guaranteed payments provided for in Section 3.1 of this Agreement); or (iii) a refund equal to the value of the Final Shortfall.

1.3 CONTENT OF PROMOTIONS ON AOL NETWORK. Until the launch of the AOL Jump Pages in accordance with the terms of this Agreement, Promotions for MP shall link to the Affiliated MP Site and shall promote only the Services described on Exhibit D. Following the launch of such AOL Jump Pages in accordance with the terms of this Agreement, Promotions for MP shall link only to the AOL Jump Pages and shall promote only the Services described on Exhibit D. The specific MP Content to be contained within the Promotions (including, without limitation, advertising banners and contextual promotions) (the "Promo Content") shall be determined by MP, subject to AOL's technical limitations, the terms of this Agreement and AOL's then-applicable policies relating to advertising and promotions; provided, however, that the Promo Content shall not contain any reference whatsoever to used cars. MP shall submit in advance to AOL for its review a quarterly online marketing plan with respect to the Promotions linking to the AOL Jump Pages. The Parties shall meet in person or by telephone at least monthly to review operations and performance hereunder, including a review of the Promo Content to ensure that it is designed to maximize performance. MP shall consistently update the Promo Content no less than twice per month. Except to the extent expressly described herein, the specific form, placement, duration and nature of the Promotions shall be as determined by AOL in its reasonable editorial discretion (consistent with the editorial composition of the applicable screens).

1.4 MP PROMOTION OF AFFILIATED MP SITE AND AOL. As set forth in fuller detail in Exhibit C, MP shall promote AOL as a preferred Interactive Service and shall promote the availability of the Affiliated MP Site through the AOL Network.

1.5 KEYWORD SEARCH TERM. During the term of this Agreement and for three (3) months following termination of this Agreement, AOL shall provide MP with a Keyword Search Term on the AOL Service for use by AOL members to link to the AOL Jump

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Pages (during the term of this Agreement) or to the Affiliated MP Site (until the launch of the AOL Jump Pages and during the three months following termination of this Agreement). AOL grants MP the right to use such Keyword Search Term during the term of this Agreement and for three (3) months after termination of this Agreement, subject to the terms and conditions of this Agreement.

2. AFFILIATED MP SITE.

2.1 CONTENT. MP shall make available through the AOL Jump Pages the comprehensive offering of Services and Content described on Exhibit D to this Agreement, and MP shall make available through the Affiliated MP Site the Services and Content described on Exhibit D-1 to this Agreement. Except as mutually agreed in writing by the Parties, the AOL Jump Pages (i) shall contain only Content that is directly related to the Services listed on Exhibit D; provided, however, that MP shall be entitled to include on any AOL Jump Page a navigational bar that includes a tab for used cars and/or a tab for business-to-consumer new car and used car auctions (i.e., as an option or options in a "drop-down box" format) (collectively, the "Navigation Bar Tab"); provided, further, that any such Navigation Bar Tab shall not enable a user to link to any used car listings, nor shall any such reference contain any creative content or messaging related to the purchase or sale of any used car; and (ii) shall not contain any third-party Services, services, programming or other Content. If MP adds Content or Services to any Jump Page that AOL reasonably determines is not related to the Services and Content listed on Exhibit D, or if MP adds Content or Services to the Affiliated MP Site that AOL reasonably determines is not related to the Services and Content listed on Exhibit D-1 (collectively, "Problematic Services or Content"), AOL shall have the immediate right to block AOL User access to the Affiliated MP Site or to any such AOL Jump Page. In the event that MP fails to remove such Problematic Services or Content (or, in the alternative, to implement a mechanism capable of blocking AOL User access to such Problematic Services or Content) within thirty (30) days of notification by AOL of the existence of such Problematic Services or Content on the Affiliated MP Site or any AOL Jump Page (as the case may be), AOL shall have the right to terminate this Agreement immediately upon the expiration of such thirty (30) day period. All sales of Services through the Affiliated MP Site shall be conducted through either a direct sales format or referral Services. MP shall review, delete, edit, create, update and otherwise manage all Content available on or through the Affiliated MP Site in accordance with the terms of this Agreement. MP shall ensure that the AOL Jump Pages do not in any respect promote, advertise, market or distribute the products, services or content of any other Interactive Service, or any entity reasonably construed to be in competition with any third party with which AOL has an exclusive or premier relationship. MP also shall ensure that the Affiliated MP Site does not in any respect promote, advertise, market or distribute the products, services or content of any other Interactive Service, and that the Content on the Affiliated MP Site shall be competitive in all material respects with the Content of online providers of the New Car Services, and that such Content is updated on a regular and frequent basis. The Affiliated MP Site shall contain the Content that is directly related to the Services listed on Exhibit D-1.

2.2 PRODUCTION WORK. Except as agreed to in writing by the Parties pursuant to Section 10 of Exhibit F hereto, MP shall be responsible for all production work associated with the AOL Jump Pages and the Affiliated MP Site, including all related costs and expenses.

2.3 TECHNOLOGY. MP shall take all reasonable steps necessary to conform its promotion and sale of Services through the Affiliated MP Site and the AOL Jump Pages to the then-existing technologies identified by AOL which are optimized for the AOL Service and which AOL may implement to facilitate purchase of products or services by AOL Users through the Affiliated MP Site. AOL shall be entitled to require reasonable changes to the Content (including, without limitation, the features or functionality) within any linked pages of the Affiliated MP Site to the extent such Content will, in AOL's good faith judgment, adversely affect any operational aspect of the AOL Network. AOL reserves the right to review and test the Affiliated MP Site from time to time to determine whether the site is compatible with AOL's then-available client and host software and the AOL Network.

2.4 PRODUCT OFFERING. MP shall ensure that the Affiliated MP Site includes all of the Services and other Content (including, without limitation, any features, functionality or technology) that are then made available by or on behalf of MP through any Additional MP Channel; provided, however, that (i) such inclusion shall not be required where it is commercially or technically impractical to either Party (i.e., inclusion would cause either Party to incur substantial incremental costs); and (ii) the specific changes in scope, nature and/or offerings required by such inclusion shall be subject to AOL's review and approval and the terms of this Agreement.

2.5 PRICING AND TERMS. MP shall ensure that: (i) the prices (and any other required consideration) for Services in the Affiliated MP Site do not exceed the prices for the Services or substantially similar Services offered by or on behalf of MP through any Additional MP Channel; (ii) the terms and conditions related to Services in the Affiliated MP Site are no less favorable in any respect to the terms and conditions for the Services or substantially similar Services offered by or on behalf of MP through any Additional MP Channel; and (iii) both the prices and the terms and conditions related to Services in the Affiliated MP Site are reasonably competitive in all material respects with the prices and terms and conditions for the Services or substantially similar Services offered by any online provider of the Services set forth on Exhibit D hereto through any Interactive Site.

2.6 EXCLUSIVE OFFERS/MEMBER BENEFITS. MP shall generally promote through the Affiliated MP Site any special or promotional offers generally made available by or on behalf of MP through any Additional MP Channel. In addition, MP shall promote through the AOL Jump Pages (or the Promotions) on a regular and consistent basis special offers exclusively available to AOL Users (the "AOL Exclusive Offers"). MP shall, at all times, feature at least [*] AOL Exclusive Offer for AOL Users. For example, MP shall offer [*] contest per quarter featuring a new car to be awarded to each winner of each such quarterly contest. Each AOL Exclusive Offer made available by MP shall provide a substantial member benefit to AOL Users, either by virtue

of a meaningful price discount, product enhancement, unique service benefit or other special feature. MP shall provide AOL with reasonable prior notice of AOL Exclusive Offers so that AOL can market the availability of such AOL Exclusive Offers in the manner AOL deems appropriate in its editorial discretion.

2.7 OPERATING STANDARDS. MP shall ensure that each of the Affiliated MP Site and the AOL Jump Pages complies at all times with the standards set forth in Exhibit E. To the extent site standards are not established in Exhibit E with respect to any aspect or portion of the Affiliated MP Site or any AOL Jump Page (or the Services or other Content contained therein), MP shall provide such aspect or portion at a level of accuracy, quality, completeness, and timeliness which meets or exceeds prevailing standards in the online industry for providers of the services set forth on Exhibit D hereto. In the event MP fails to comply with any material term of this Agreement or any Exhibit attached hereto, AOL shall have the right (in addition to any other remedies available to AOL hereunder) to decrease the promotion it provides to MP hereunder (and to decrease or cease any other contractual obligation hereunder) until such time as MP corrects its non-compliance (and in such event, AOL shall be relieved of the proportionate amount of any promotional commitment made to MP by AOL hereunder corresponding to such decrease in promotion).

2.8 ADVERTISING SALES. MP shall not permit or authorize (i) any Advertisements on the AOL Jump Pages for (a) any third party Content or Services related to the purchase or sale of used cars, (b) any Interactive Service other than AOL, and (c) those categories in which AOL has exclusive or premier arrangements with its partners or (ii) any Advertisements on the Affiliated MP Site for any Interactive Service other than AOL. Notwithstanding anything to the contrary in this Agreement, MP may place promotions for any auto manufacturer and any new car dealer on both the AOL Jump Pages and the Affiliated MP Site. In addition to the foregoing requirements, all Advertisements permitted to be placed on the AOL Jump Pages or the Affiliated MP Site pursuant to the terms of this Agreement shall comply with AOL's then-applicable advertising policies. Any failure by MP to comply with the terms of clause (i)(a) or clause (ii) of this Section 2.8 shall constitute a material breach of this Agreement, and AOL shall have the right to terminate this Agreement. In the event of any failure to comply with clause (i)(c) of this Section 2.8, MP shall have three (3) business days to cure such failure, after which period AOL shall have the right to terminate this Agreement.

2.9 PREMIER PRIVILEGES. Notwithstanding the foregoing, AOL shall not place Advertisements for any of the MP Competitors in the AOL Auto Center, the AOL Auto Web Center, the AOL Shopping Auto and Classifieds Department and the CompuServe Car Club. In each case on the AOL Properties during the Initial Term (but in any case, subject to all preexisting agreements of AOL or its affiliates prior to the Effective Date (e.g., AOL's agreement with Cendant)).

2.10 TRAFFIC FLOW. MP shall take reasonable efforts to ensure that AOL traffic is either kept within the Affiliated MP Site or the AOL Jump Pages, or is channeled back into the

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AOL Network (with the exception of advertising links sold and implemented pursuant to the Agreement); provided, however, that MP shall be required to implement a channeling function from the Jump Pages back to the AOL Network within two (2) months following the Effective Date. The Parties shall work together on implementing mutually acceptable links from the AOL Jump Pages back to the AOL Service. The Parties hereby acknowledge and agree that MP shall not be obligated to place any links back to the AOL Service on the Affiliated MP Site.

2.11 CONNECTING THE AFFILIATED MP SITE. MP shall be responsible for all communications, hosting and connectivity costs and expenses associated with the Affiliated MP Site and the AOL Jump Pages, and shall pay for all of the costs and expenses incurred in connection with (i) the development and linking to the AOL Network of the AOL Jump Pages and (ii) the development and linking to the Affiliated MP Site of the AOL Jump Pages. The Parties shall mutually agree upon the optimal means for connecting the AOL Jump Pages to the AOL Network and the AOL Jump Pages to the Affiliated MP Site. If the Parties determine that a dedicated, high-speed connection is necessary to maintain quick and reliable transport of information to the AOL Jump Pages (or from the AOL Jump Pages to the Affiliated MP Site), MP shall pay for all technology-related and production-related costs and expenses associated with the implementation of such a high-speed connection. For the avoidance of doubt, all costs and expenses to be borne by MP in accordance with this Section 2.11 shall be in addition to the payments to be made by MP pursuant to Section 3 hereof.

3. PAYMENTS.

3.1 GUARANTEED PAYMENTS. MP shall pay AOL a non-refundable guaranteed payment of [*] Dollars ($*) payable in eight equal quarterly installments as follows:

(i) [*] Dollars (US$*) upon execution of this Agreement; and

(ii) [*] Dollars (US$*) on each of (a) July 31, 1999, (b) October 31, 1999, (c) January 31, 2000, (d) April 30, 2000, (e) July 31, 2000, (f) October 31, 2000 and (g) January 31, 2001.

In the event of any early termination of this Agreement, AOL shall refund to MP the pro rata portion of any guaranteed payments paid by MP for Impressions (pursuant to Exhibit A hereto) not yet delivered as of such date of termination, and no further guaranteed payments shall be due thereafter.

3.2 LATE PAYMENTS; WIRED PAYMENTS. All amounts owed hereunder not paid when due and payable shall bear interest from the date such amounts are due and payable at the prime rate in effect at such time. All payments required hereunder shall be paid in immediately available, non-refundable U.S. funds wired to the "America Online" account, Account Number [*].

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3.3 TAXES. With respect to the transactions contemplated by this Agreement, MP shall collect and pay, and shall indemnify and hold AOL harmless from, any sales, use, excise, import or export value added or similar tax or duty not based on AOL's net income, including any penalties and interest, as well as any costs associated with the collection or withholding thereof, including attorneys' fees.

3.4 REPORTS.

3.4.1 USAGE REPORTS. AOL shall provide MP with standard monthly usage information related to the Promotions (e.g., a schedule of the Impressions delivered by AOL at such time, click-through and other usage information) which are similar in substance and form to the reports provided by AOL to other interactive marketing partners similar to MP.

3.4.2 FRAUDULENT TRANSACTIONS. To the extent permitted by applicable law, MP shall provide AOL with an prompt report of any fraudulent order, including the date, screen name or email address and amount associated with such order, promptly following MP obtaining knowledge that the order is, in fact, fraudulent.

4. TERM; RENEWAL; TERMINATION.

4.1 TERM; MUTUAL EARLY TERMINATION RIGHT. Unless earlier terminated as set forth herein, the initial term of this Agreement shall be two (2) years from the Effective Date (the "Initial Term"). Notwithstanding the foregoing, either Party shall have the right to terminate this Agreement at any time during the Initial Term following the twelve (12) month anniversary of the Effective Date upon thirty (30) days prior written notice to the other Party.

4.2 TERMINATION FOR BREACH. Except as expressly provided elsewhere in this Agreement, either Party may terminate this Agreement at any time in the event of a material breach of the Agreement by the other Party which remains uncured after thirty (30) days written notice thereof to the other Party (or such shorter period as may be specified elsewhere in this Agreement); provided, however, that AOL shall not be required to provide notice to MP in connection with MP's failure to make any payment to AOL required hereunder, and the cure period with respect to any scheduled payment shall be fifteen (15) days from the date for such payment provided for herein. Notwithstanding the foregoing, in the event of a material breach of a provision that expressly requires action to be completed within an express period shorter than thirty (30) days, either Party may terminate this Agreement if the breach remains uncured after written notice thereof to the other Party.

4.3 TERMINATION FOR BANKRUPTCY/INSOLVENCY. Either Party may terminate this Agreement immediately following written notice to the other Party if the other Party (i) ceases to do business in the normal course, (ii) becomes or is declared insolvent or bankrupt, (iii) is the subject of any proceeding related to its liquidation or insolvency (whether voluntary or involuntary) which is not dismissed within ninety (90) calendar days or (iv) makes an assignment for the benefit of creditors.

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4.4 TERMINATION ON CHANGE OF CONTROL. In the event of (i) a Change of Control of MP resulting in control of MP by an Interactive Service or (ii) a Change of Control of AOL, AOL may terminate this Agreement by providing thirty (30) days prior written notice of such intent to terminate.

4.5 PRESS RELEASES. Each Party shall submit to the other Party, for its prior written approval, which shall not be unreasonably withheld or delayed, any press release or any other public statement ("Press Release") regarding the transactions contemplated hereunder. Notwithstanding the foregoing, either Party may issue Press Releases and other disclosures as required by law without the consent of the other Party and in such event, the disclosing Party shall provide at least five (5) business days prior written notice of such disclosure. The failure by one Party to obtain the prior written approval of the other Party prior to issuing a Press Release (except as required by law) shall be deemed a material breach of this Agreement for which there is no adequate cure. In such event, the non-breaching Party may terminate this Agreement upon written notice to the other Party.

5. MANAGEMENT COMMITTEE/ARBITRATION.

5.1 MANAGEMENT COMMITTEE. The Parties shall act in good faith and use commercially reasonable efforts to promptly resolve within ten (10) business days any claim, dispute, claim, controversy or disagreement (each a "Dispute") between the Parties or any of their respective subsidiaries, affiliates, successors and assigns under or related to this Agreement or any document executed pursuant to this Agreement or any of the transactions contemplated hereby. If the Parties cannot resolve the Dispute within such time frame, the Dispute shall be submitted to the Management Committee for resolution. For ten (10) days following submission of the Dispute to the Management Committee, the Management Committee shall have the exclusive right to resolve such Dispute; provided, further that the Management Committee shall have the final and exclusive right to resolve Disputes arising from any provision of the Agreement which expressly or implicitly provides for the Parties to reach mutual agreement as to certain terms. If the Management Committee is unable to amicably resolve the Dispute during such ten (10) day period, then the Management Committee shall consider in good faith the possibility of retaining a third-party mediator to facilitate resolution of the Dispute. In the event the Management Committee elects not to retain a mediator, the dispute shall be subject to the resolution mechanisms described below. "Management Committee" shall mean a committee made up of a senior executive from each of the Parties for the purpose of resolving Disputes under this Section 5.1 and generally overseeing the relationship between the Parties contemplated by this Agreement. Neither Party shall seek, nor shall be entitled to seek, binding outside resolution of the Dispute unless and until the Parties have been unable amicably to resolve the Dispute as set forth in this Section 5.1 and then, only in compliance with the procedures set forth in this Section 5.

5.2 ARBITRATION. Except for Disputes relating to issues of (i) proprietary rights, including but not limited to intellectual property and confidentiality, and (ii) any provision of the

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Agreement which expressly or implicitly provides for the Parties to reach mutual agreement as to certain terms (which shall be resolved by the Parties solely and exclusively through amicable resolution as set forth in Section 5.1), any Dispute not resolved by amicable resolution as set forth in Section 5.1 shall be governed exclusively and finally by arbitration. Such arbitration shall be conducted by the American Arbitration Association ("AAA") in Washington, D.C. and shall be initiated and conducted in accordance with the Commercial Arbitration Rules ("Commercial Rules") of the AAA, including the AAA Supplementary Procedures for Large Complex Commercial Disputes ("Complex Procedures"), as such rules shall be in effect on the date of delivery of a demand for arbitration ("Demand"), except to the extent that such rules are inconsistent with the provisions set forth herein. Notwithstanding the foregoing, the Parties may agree in good faith that the Complex Procedures shall not apply in order to promote the efficient arbitration of Disputes where the nature of the Dispute, including without limitation the amount in controversy, does not justify the application of such procedures.

5.3 SELECTION OF ARBITRATORS. The arbitration panel shall consist of three (3) arbitrators. Each Party shall name one (1) arbitrator within ten (10) days after the delivery of the Demand. The two (2) arbitrators named by the Parties may have prior relationships with the naming Party, which in a judicial setting would be considered a conflict of interest. The third arbitrator, selected by the first two, should be a neutral participant, with no prior working relationship with either Party. If the two arbitrators are unable to select a third arbitrator within ten (10) days, a third neutral arbitrator shall be appointed by the AAA from the panel of commercial arbitrators of any of the AAA Large and Complex Resolution Programs. If a vacancy in the arbitration panel occurs after the hearings have commenced, the remaining arbitrator or arbitrators may not continue with the hearing and determination of the controversy, unless the Parties agree otherwise.

5.4 GOVERNING LAW. The Federal Arbitration Act, 9 U.S.C. Secs. 1-16, and not state law, shall govern the arbitrability of all Disputes. The arbitrators shall allow such discovery as is appropriate to the purposes of arbitration in accomplishing a fair, speedy and cost-effective resolution of the Disputes. The arbitrators shall reference the Federal Rules of Civil Procedure then in effect in setting the scope and timing of discovery. The Federal Rules of Evidence shall apply in toto. The arbitrators may enter a default decision against any Party who fails to participate in the arbitration proceedings.

5.5 ARBITRATION AWARDS. The arbitrators shall have the authority to award compensatory damages only. Any award by the arbitrators shall be accompanied by a written opinion setting forth the findings of fact and conclusions of law relied upon in reaching the decision. The award rendered by the arbitrators shall be final, binding and non-appealable, and judgment upon such award may be entered by any court of competent jurisdiction. The Parties agree that the existence, conduct and content of any arbitration shall be kept confidential and no Party shall disclose to any person any information about such arbitration, except as may be required by law or by any governmental authority or for financial reporting purposes in each Party's financial statements.

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5.6 FEES. Each Party shall pay the fees of its own attorneys, expenses of witnesses and all other expenses and costs in connection with the presentation of such Party's case (collectively, "Attorneys' Fees"). The remaining costs of the arbitration, including without limitation, fees of the arbitrators, costs of records or transcripts and administrative fees (collectively, "Arbitration Costs") shall be borne equally by the Parties. Notwithstanding the foregoing, the arbitrators may modify the allocation of Arbitration Costs and award Attorneys' Fees in those cases where fairness dictates a different allocation of Arbitration Costs between the Parties and an award of Attorneys' Fees to the prevailing Party as determined by the arbitrators.

5.7 NON ARBITRATABLE DISPUTES. Any Dispute that is not subject to final resolution by the Management Committee or to arbitration under this Section 5 or by law (collectively, "Non-Arbitration Claims") shall be brought in a court of competent jurisdiction in the Commonwealth of Virginia. Each Party irrevocably consents to the exclusive jurisdiction of the courts of the Commonwealth of Virginia and the federal courts situated in the Commonwealth of Virginia, over any and all Non-Arbitration Claims and any and all actions to enforce such claims or to recover damages or other relief in connection with such claims.

6. STANDARD TERMS. The Standard Online Commerce Terms & Conditions set forth on Exhibit F attached hereto and Standard Legal Terms & Conditions set forth on Exhibit G attached hereto are each hereby made a part of this Agreement.

7. NO REVENUE SHARING. MP shall have no obligation to share with AOL any Transaction Revenues or Advertising Revenues that MP derives from the AOL Jump Pages, the Affiliated MP Site, or any other MP Interactive Site.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

AMERICA ONLINE, INC.	AUTOWEB.COM
By: /s/ DAVID COLBURN	By: /s/ SAMUEL HEDGPETH
Name: David Colburn	Name: Samuel Hedgpeth
Title: Senior Vice President, Business Affairs	Title: Chief Financial Officer

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EXHIBIT A

PLACEMENT/PROMOTION

I. CARRIAGE PLAN

AOL SERVICE	FLIGHTS START	FLIGHTS END	YEAR 1 IMPS/Y1	YEAR 1 INVS/Y1
AOL Auto Center: New Car Decision Guide Commerce Links	7/1/99	6/30/00		
AOL Auto Center: New Car Decision Guide Banners	7/1/99	6/30/00		
AOL Auto Center: New Cars ROS Banners	7/1/99	6/30/00		
AOL ROS Demo Targeting Banners: 2 variables TBD	7/1/99	6/30/00		
AOL Promotional Car Give-Away ROS Banners	7/1/99	6/30/00		
AOL ROS Banners	7/1/99	6/30/00		
Subtotal			[*]	
AOL.COM				
Auto WebCenter New Car Decision Guide Commerce Links	7/1/99	6/30/00		
Auto WebCenter: New Cars Decision Guide Banners	7/1/99	6/30/00		
Auto WebCenter ROS Banners	7/1/99	6/30/00		
Search Term Packages: Automotive, Dealers, Trucks, Motor Vehicle Base	7/1/99	6/30/00		
Subtotal			[*]	
NETSCAPE NETCENTER				
NSCP Autos: New Car Decision Guide Commerce Links	7/1/99	6/30/00		
NSCP Decision Guides Banners	7/1/99	6/30/00		
NSCP Autos ROS Banners	7/1/99	6/30/00		
Subtotal			[*]	
COMPUSERVE				
Car Club Co-Branded Content Permanent Placement	7/1/99	6/30/00		
Subtotal			[*]	
Total Year 1			[*]	$[*]
Total Year 2			[*]	$[*]
Plan Total			[*]	$[*]

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TIER 1	MONTHLY IMPRESSIONS TARGET	YEAR 1 IMPRESSIONS TARGET
AOL Auto Center: New Car Decision Guide Commerce Links		
AOL Auto Center: New Car Decision Guide Banners		
AOL Auto Center: New Cars ROS Banners		
Auto WebCenter New Car Decision Guide Commerce Links		
Auto WebCenter: New Cars Decision Guide Banners		
Auto WebCenter ROS Banners		
Search Term Packages: Automotive, Dealers, Trucks, Motor Vehicle Base		
NSCP Autos: New Car Decision Guide Commerce Links		
NSCP Decision Guides Banners		
Car Club Co-Branded Content Permanent Placement		
Subtotal	[*]	[*]
TIER 2		
AOL ROS Demo Targeting Banners: 2 variables TBD		
NSCP Autos ROS Banners		
Subtotal	[*]	[*]
TIER 3		
AOL Promotional Car Give-Away ROS Banners		
AOL ROS Banners		
Subtotal	[*]	[*]
Total Impressions Target	[*]	[*]

*Tier Exchanges. MP may elect to redistribute Promotions from Tiers 1, 2 and 3 at an exchange ratio equal to the ratio of the respective CPM rates listed in Exhibit A for each Level (e.g., one Tier 1 Impression can be substituted for the number of Tier 2 Impressions that is calculated by dividing the CPM for Tier 1 by the CPM for Tier 2), provided that (a) Tier 1 Impressions may be exchanged only for those of Tier 2 or Tier 3, and (b) Level 2 Impressions may be exchanged only for those of Tier 3. MP may not make any other type of exchange. All redistribution of Promotions shall be subject to availability and AOL's then-existing contractual obligations, as determined by AOL. Impressions may be exchanged in blocks of a minimum of [*] Impressions. Requests by MP to redistribute Impressions may be made no more frequently than once per quarter.

II. During the term and for three (3) months after termination of this agreement, subject to the terms and conditions hereof, MP shall have the right to use the keyword search terms to be agreed upon by the parties.

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EXHIBIT B

DEFINITIONS

The following definitions shall apply to this Agreement:

AAA. "AAA" shall have the meaning set forth in Section 5.2 of this Agreement.

ACTION. "Action" shall have the meaning set forth in Section 9(d) of Exhibit G to this Agreement.

ADDITIONAL MP CHANNEL. Any other distribution channel (e.g., an Interactive Service other than AOL) through which MP makes available an offering comparable in nature to the Affiliated MP Site.

ADVERTISEMENTS. Any advertisements, promotions, banners (including, without limitation, the creative content thereof), links, pointers or sponsorships.

ADVERTISING REVENUES. Aggregate amounts collected plus the fair market value of any other compensation received (such as barter advertising) by MP, AOL or either Party's agents, as the case may be, arising from the license or sale of Advertisements that appear within any pages of the Affiliated MP Site which may be exclusively available to AOL Users, less applicable Advertising Sales Commissions.

ADVERTISING SALES COMMISSION. (i) Actual amounts paid as commission to third party agencies by either buyer or seller in connection with sale of the Advertisement or (ii) [*]%, in the event the Party has sold the Advertisement directly and shall not be deducting any third party agency commissions.

AFFILIATED MP SITE. The specific area or web site to be promoted and distributed by AOL hereunder through which MP can market and complete transactions regarding its Services.

AOL EXCLUSIVE OFFERS. "AOL Exclusive Offers" shall have the meaning set forth in Section 2.6 of this Agreement.

AOL INTERACTIVE SITE. Any Interactive Site that is managed, maintained, owned or controlled by AOL or its agents.

AOL JUMP PAGE. The introductory page to be designed, produced, and hosted by MP (within the first two (2) months following the Effective Date) to which Promotions for MP shall link (following the launch of such AOL Jump Page) and which shall also be linked to the Affiliated MP Site.

AOL LOOK AND FEEL. The elements of graphics, design, organization, presentation, layout, user interface, navigation and stylistic convention (including the digital implementations

thereof) which are generally associated with Interactive Sites within the AOL Service or AOL.com.

AOL MEMBER. Any authorized user of the AOL Service, including any sub-accounts using the AOL Service under an authorized master account.

AOL NETWORK. (i) The AOL Service, (ii) AOL.com, (iii) CompuServe, (iv) Digital City, and (v) any other product or service owned, operated, distributed or authorized to be distributed by or through AOL or its affiliates worldwide (and including those properties excluded from the definitions of the AOL Service or AOL.com). It is understood and agreed that the rights of MP relate only to the AOL Service and AOL.com and not generally to the AOL Network.

AOL PROPERTIES. The AOL Service, AOL.com and CompuServe.

AOL PURCHASER. (i) Any person or entity who enters the Affiliated MP Site from the AOL Network including, without limitation, from any third party area therein (to the extent entry from such third party area is traceable through both Parties' commercially reasonable efforts), and generates Transaction Revenues (regardless of whether such person or entity provides an e-mail address during registration or entrance to the Affiliated MP Site which includes a domain other than an "AOL.com" domain); and (ii) any other person or entity who, when purchasing a product, good or service through an MP Interactive Site, provides an AOL.com domain name as part of such person or entity's e-mail address and provided that any person or entity who has previously satisfied the definition of AOL Purchaser shall remain an AOL Purchaser, and any subsequent purchases by such person or entity (e.g., as a result of e-mail solicitations or any off-line means for receiving orders requiring purchasers to reference a specific promotional identifier or tracking code) shall also give rise to Transaction Revenues hereunder (and shall not be conditioned on the person or entity's satisfaction of clauses (i) or (ii) above).

AOL SERVICE. The standard narrow-band U.S. version of the America Online brand service, specifically excluding (a) AOL.com or any other AOL Interactive Site, (b) the international versions of an America Online service (e.g., AOL Japan), (c) the CompuServe (R) brand service and any other CompuServe products or services (d) "Driveway," "ICQ (TM)," "AOL NetFind (TM)," "AOL Instant Messenger (TM)," "Digital City," "NetMail (TM)," "Electra", "Thrive", "Real Fans", "Love@AOL", "Entertainment Asylum," "AOL Hometown," "My News" or any similar independent product, service or property which may be offered by, through or with the U.S. version of the America Online brand service, (e) Netscape Netcenter (TM) and any additional Netscape products or services, (f) any programming or Content area offered by or through the U.S. version of the America Online brand service over which AOL does not exercise complete operational control (including, without limitation, Content areas controlled by other parties and member-created Content areas), (g) any yellow pages, white pages, classifieds or other search, directory or review services or Content offered by or through the U.S. version of the America Online brand service, (h) any property, feature, product or service which AOL or its affiliates may acquire subsequent to the Effective Date and (i) any other

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version of an America Online service which is materially different from the standard narrow-band U.S version of the America Online brand service, by virtue of its branding, distribution, functionality, Content or services, including, without limitation, any co-branded version of the service and any version distributed through any broadband distribution platform or through any platform or device other than a desktop personal computer.

AOL USER. Any user of the AOL Service, AOL.com, CompuServe, Digital City, or the AOL Network.

AOL.COM. AOL's primary Internet-based Interactive Site marketed under the "AOL.COM(TM)" brand, specifically excluding (a) the AOL Service, (b) any international versions of such site, (c) "ICQ(TM)," "AOL NetFind(TM)," "AOL Instant Messenger(TM)," "NetMail(TM)," "AOL Hometown," "My News" or any similar independent product or service offered by or through such site or any other AOL Interactive Site, (d) any programming or Content area offered by or through such site over which AOL does not exercise complete operational control (including, without limitation, Content areas controlled by other parties and member-created Content areas), (e) Netscape Netcenter(TM) and any additional Netscape products or services, (f) any programming or Content area offered by or through the U.S. version of the America Online brand service which was operated, maintained or controlled by the former AOL Studios division (e.g., Electra), (g) any yellow pages, white pages, classifieds or other search, directory or review services or Content offered by or through such site or any other AOL Interactive Site, (h) any property, feature, product or service which AOL or its affiliates may acquire subsequent to the Effective Date and (i) any other version of an America Online Interactive Site which is materially different from AOL's primary Internet-based Interactive Site marketed under the "AOL.COM(TM)" brand, by virtue of its branding, distribution, functionality, Content or services, including, without limitation, any co-branded versions and any version distributed through any broadband distribution platform or through any platform or device other than a desktop personal computer.

ARBITRATION COSTS. "Arbitration Costs" shall have the meaning set forth in Section 5.6 of this Agreement.

ATTORNEYS' FEES. "Attorneys' Fees" shall have the meaning set forth in Section 5.6 of this Agreement.

CHANGE OF CONTROL. (a) The consummation of a reorganization, merger or consolidation or sale or other disposition of substantially all of the assets of a party or (b) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1933, as amended) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under such Act) of more than 50% of either (i) the then outstanding shares of common stock of such party; or (ii) the combined voting power of the then outstanding voting securities of such party entitled to vote generally in the election of directors.

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COMMERCIAL RULES. "Commercial Rules" shall have the meaning set forth in Section 5.2 of this Agreement.

COMPLEX PROCEDURES. "Complex Procedures" shall have the meaning set forth in Section 5.2 of this Agreement.

COMPUSERVE. The standard, narrow-band U.S. version of the CompuServe brand service, specifically excluding (a) any international versions of such service, (b) any web-based service including "compuserve.com", "cserve.com" and "cs.com", or any similar product or service offered by or through the U.S. version of the CompuServe brand service, (c) Content areas owned, maintained or controlled by CompuServe affiliates or any similar "sub-service," (d) any programming or Content area offered by or through the U.S. version of the CompuServe brand service over which CompuServe does not exercise complete or substantially complete operational control (e.g., third-party Content areas), (e) Netscape Netcenter(TM) and any additional Netscape products or services, (f) any yellow pages, white pages, classifieds or other search, directory or review services or Content, (g) any co-branded or private label branded version of the U.S. version of the CompuServe brand service, (h) any version of the U.S. version of the CompuServe brand service which offers Content, distribution, services and/or functionality materially different from the Content, distribution, services and/or functionality associated with the standard, narrow-band U.S. version of the CompuServe brand service, including, without limitation, any version of such service distributed through any platform or device other than a desktop personal computer and (i) any property, feature, product or service which CompuServe or its affiliates may acquire subsequent to the Effective Date.

CONFIDENTIAL INFORMATION. Any information relating to or disclosed in the course of the Agreement, which is or should be reasonably understood to be confidential or proprietary to the disclosing Party, including, but not limited to, the material terms of this Agreement, information about AOL Members, AOL Users, AOL Purchasers and MP customers, technical processes and formulas, source codes, product designs, sales, cost and other unpublished financial information, product and business plans, projections, and marketing data. "Confidential Information" shall not include information (a) already lawfully known to or independently developed by the receiving Party, (b) disclosed in published materials, (c) generally known to the public, or (d) lawfully obtained from any third party.

CONTENT. Text, images, video, audio (including, without limitation, music used in synchronism or timed relation with visual displays) and other data, Services, advertisements, promotions, links, pointers and software, including any modifications, upgrades, updates, enhancements and related documentation.

CONTEST. "Contest" shall have the meaning set forth in Section 3 of Exhibit F to this Agreement.

CUSTOMERS. "Customers" shall have the meaning set forth in Section 9 of Exhibit F to this Agreement.

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DIGITAL CITY. The standard, narrow-band U.S. version of Digital City's local content offerings marketed under the Digital City brand name, specifically excluding (a) the AOL Service, AOL.com or any other AOL Interactive Site, (b) any international versions of such local content offerings, (c) the CompuServe(R) brand service and any other CompuServe products or services (d) "Driveway," "ICQ(TM)," "AOL NetFind(TM)," "AOL Instant Messenger(TM)," "Digital City," "NetMail(TM)," "Electra", "Thrive", "Real Fans", "Love@AOL", "Entertainment Asylum," "AOL Hometown," "My News" or any similar independent product, service or property which may be offered by, through or with the standard narrow band version of Digital City's local content offerings, (e) Netscape Netcenter(TM) and any additional Netscape products or services, (f) any programming or Content area offered by or through such local content offerings over which AOL does not exercise complete operational control (including, without limitation, Content areas controlled by other parties and member-created Content areas), (g) any yellow pages, white pages, classifieds or other search, directory or review services or Content offered by or through such local content offerings, (h) any property, feature, product or service which AOL or its affiliates may acquire subsequent to the Effective Date, (i) any other version of a Digital City local content offering which is materially different from the narrow-band U.S. version of Digital City's local content offerings marketed under the Digital City brand name, by virtue of its branding, distribution, functionality, Content or services, including, without limitation, any co-branded version of the offerings and any version distributed through any broadband distribution platform or through any platform or device other than a desktop personal computer, and (j) Digital City-branded offerings in any local area where such offerings are not owned or operationally controlled by AOL, Inc. or DCI (e.g., Chicago, Orlando, South Florida, and Hampton Roads).

DISCLAIMED DAMAGES. "Disclaimed Damages" shall have the meaning set forth in Section 9(a) of Exhibit G to this Agreement.

DEMAND. "Demand" shall have the meaning set forth in Section 5.2 of this Agreement.

DISPUTE. "Dispute" shall have the meaning set forth in Section 5.1 of this Agreement.

FINAL SHORTFALL. "Final Shortfall" shall have the meaning set forth in Section 1.2 of this Agreement.

IMPRESSION. User exposure to the applicable Promotion, as such exposure may be reasonably determined and measured by AOL in accordance with its standard methodologies and protocols.

IMPRESSIONS COMMITMENT. "Impressions Commitment" shall have the meaning set forth in Section 1.2 of this Agreement.

INDEMNIFIED PARTY. "Indemnified Party" shall have the meaning set forth in Section 9(d) of Exhibit G to this Agreement.

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INDEMNIFYING PARTY. "Indemnifying Party" shall have the meaning set forth in Section 9(d) of Exhibit G to this Agreement.

INITIAL TERM. "Initial Term" shall have the meaning set forth in Section 4.1 of this Agreement.

INTERACTIVE SERVICE. An entity offering one or more of the following: (i) online or Internet connectivity services (e.g., an Internet service provider); (ii) an interactive site or service featuring a broad selection of aggregated third party interactive content (or navigation thereto) (e.g., an online service or search and directory service)and/or marketing a broad selection of products and/or services across numerous interactive commerce categories (e.g., an online mall or other leading online commerce site); (iii) a persistent desktop client; and (iv) communications software capable of serving as the principal means through which a user creates, sends and receives electronic mail or real time online messages (whether by telephone, computer or other means), including, without limitation, greeting cards.

INTERACTIVE SITE. Any interactive site or area, including, by way of example and without limitation, (i) an MP site on the World Wide Web portion of the Internet or (ii) a channel or area delivered through a "push" product such as the Pointcast Network or interactive environment such as Microsoft's Active Desktop.

KEYWORD SEARCH TERMS. (a) The Keyword online search terms made available on the AOL Service for use by AOL Members, combining AOL's Keyword online search modifier with a term or phrase specifically related to MP (and determined in accordance with the terms of this Agreement) and (b) the Go Word online search terms made available on CompuServe, combining CompuServe's Go Word online search modifier with a term or phrase specifically related to AG and determined in accordance with the terms of this Agreement).

LEVEL. One of the five levels of Promotions as set forth on Exhibit A to this Agreement.

LIABILITIES. "Liabilities" shall have the meaning set forth in Section 9(c) of Exhibit G to this Agreement.

LICENSED CONTENT. All Content offered through the Affiliated MP Site pursuant to this Agreement or otherwise provided by MP or its agents in connection herewith (e.g., offline or online promotional Content, Promotions, AOL "slideshows", etc.), including in each case, any modifications, upgrades, updates, enhancements, and related documentation.

MANAGEMENT COMMITTEE. "Management Committee" shall have the meaning set forth in Section 5.1 of this Agreement.

MARKS. "Marks" shall have the meaning set forth in Section 3 of Exhibit G to this Agreement.

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MP COMPETITORS. Autobytel, Cobalt Dealer Net ("Cobalt") and Consumer Car Club ("CCC"); provided that AOL may elect, in its sole discretion, to remove either Cobalt or CCC, or both, from this definition (and thereby remove any and all exclusivity / premiere privilege restrictions or obligations on AOL and its affiliates with respect thereto), with respect to just the AOL Service, just AOL.com, just CompuServe, or any combination thereof (including the entire AOL Network) (at AOL's option), by reducing MP's guaranteed payment amount hereunder by $[*] ([*] dollars) per such competitor (e.g., $[*] to remove either Cobalt or CCC, or $[*] to remove both Cobalt and CCC), with [*]% of such amounts attributable to CompuServe, [*]% to AOL.com and the remaining [*]% to the AOL Service (and, if and to the extent applicable the rest of the AOL Network); provided further that such payment reduction amounts shall be reduced pro rata on a quarterly basis over the scheduled 2 year Initial Term hereof.(1)

MP INTERACTIVE SITE. Any Interactive Site (other than the Affiliated MP Site) which is managed, maintained, owned or controlled by MP or its agents.

MP TECHNICAL PROBLEM. "MP Technical Problem" shall have the meaning set forth in Section 5 of Exhibit E to this Agreement.

NAVIGATION BAR REFERENCE. "Navigation Bar Reference" shall have the meaning set forth in Section 2.1 of this Agreement.

NEW CAR SERVICES. The new car Services offered by MP on or through the Jump Pages and/or the Affiliated MP Site, as further described on Exhibit D hereto.

NEW FUNCTIONALITY. "New Functionality" shall have the meaning set forth in Section 9 v. of Exhibit E to this Agreement.

NON-ARBITRATION CLAIMS. "Non-Arbitration Claims" shall have the meaning set forth in Section 5.7 of this Agreement.

PRESS RELEASE. "Press Release" shall have the meaning set forth in Section 4.5 of this Agreement.

PRIOR BUSINESS RELATIONSHIP. "Prior Business Relationship" shall have the meaning set forth in Section 11 of Exhibit G to this Agreement.

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(1) By way of example, for illustrative purposes only, AOL may elect to remove all exclusivity / premiere privilege obligations for the entire AOL Network (to the extent applicable) with respect to just CCC for [$*] or only on CompuServe with respect to CCC for only [*%] of [$*] [i.e., $*] at any time during the first quarter after the Effective Date, or for half such amounts [$*] for the AOL Network or [$*] for just CompuServe or AOL.com) one year after the Effective Date (because it is halfway through the scheduled Initial Term), etc.

PRODUCTION PLAN. "Production Plan" shall have the meaning set forth in Section 10 of Exhibit F to this Agreement.

PROMO CONTENT. "Promo Content" shall have the meaning set forth in Section 1.3 of this Agreement.

PROMOTIONAL MATERIALS. "Promotional Materials" shall have the meaning set forth in Section 1 of Exhibit G to this Agreement.

PROMOTIONS. "Promotions" shall have the meaning set forth in Section 1.1 of this Agreement.

QUARTER SHORTFALL. "Quarter Shortfall" shall have the meaning set forth in Section 1.2 of this Agreement.

REVISED IMPRESSIONS TARGET. "Revised Impressions Target" shall have the meaning set forth in Section 1.2 of this Agreement.

ROUTINE SERVICES. "Routine Services" shall have the meaning set forth in Section 10 of Exhibit F to this Agreement.

RUN OF SERVICE ADVERTISING (ROS). A collection of promotional inventory made up of all areas of the AOL Network. To the extent applicable, AOL shall place MP's creative in different locations throughout the AOL Network in accordance with AOL internal policies. Run of Service Impressions shall be delivered in accordance with the monthly targets on Exhibit A over the applicable time period. MP may not control placement of such Run of Service Advertising and AOL does not guarantee placement thereof on any particular screen or group of screens. Notwithstanding anything to the contrary in this Agreement, AOL shall (i) use commercially reasonable efforts to deliver the Run of Service Impressions in accordance with the targets set forth on Exhibit A of this Agreement, and (ii) not deliver any Run of Service Impressions in the following areas: teens, love@AOL, or international. In the event that MP reasonably believes that a disproportionate number of the Run of Service Advertising is being delivered in any one subchannel of the AOL Network, then Parties shall meet to discuss the manner in which AOL will attempt to rectify such imbalance.

SECONDARY SHORTFALL. "Secondary Shortfall" shall have the meaning set forth in Section 1.2 of this Agreement.

SERVICES. Any product, good or service which MP (or others acting on its behalf or as distributors) offers, sells, provides, distributes or licenses to AOL Users directly or indirectly through (i) the Affiliated MP Site (including through any Interactive Site linked thereto), (ii) any other electronic means directed at AOL Users (e.g., e-mail offers), or (iii) an "offline" means (e.g., toll-free number) for receiving orders related to specific offers within the Affiliated MP Site requiring purchasers to reference a specific promotional identifier or tracking code,

including, without limitation, products or services sold through surcharged downloads (to the extent expressly permitted hereunder).

TRANSACTION REVENUES. Aggregate amounts paid by AOL Purchasers in connection with the sale, licensing, distribution or provision of any Services, including, in each case, handling, shipping, service charges, and excluding, in each case, (a) amounts collected for sales or use taxes or duties and (b) credits and chargebacks for returned or canceled goods or services, but not excluding cost of goods sold or any similar cost.

USER INFORMATION. "User Information" shall have the meaning set forth in Section 13 of Exhibit G to this Agreement.

EXHIBIT C

MP CROSS-PROMOTION

A. MP shall promote (at least once per quarter) the AOL Service to MP registered users through the MP newsletter sent to such users. In any MP newsletter in which MP promotes the AOL Service, MP shall not promote any other Interactive Service.

B. In addition, in MP's television, radio, print and "out of home" (e.g., buses and billboards) advertisements. MP shall include specific references or mentions (verbally where possible) of the availability of the Affiliated MP Site through the AOL Network, which are at least as prominent as any references that MP makes to any MP Interactive Site related to the Autoweb brand (other than any MP Interactive Site that is co-branded with another third party) (by way of site name, related company name, URL or otherwise). Without limiting the generality of the foregoing, MP's listing of the "URL" for any MP Interactive Site related to the Autoweb brand (other than MP any Interactive Site that is co-branded with another third-party) shall be accompanied by an equally prominent listing of the "keyword" term on AOL for the Affiliated MP Site.

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EXHIBIT D

DESCRIPTION OF SERVICES AND OTHER CONTENT TO BE PROMOTED IN THE PROMOTIONS AND ON THE AOL JUMP PAGES

New car listings and related new auto content (e.g., auto reviews, new car-related chat (provided by AOL and to be used only by AOL Members), etc.) and services (collectively, the "New Car Services"), and shall exclude email, instant messaging, calendar services and similar functionality (unless otherwise agreed by AOL). In accordance with Section 2.1 of this Agreement, MP also shall be able to include the Navigation Bar Tab on the AOL Jump Page.

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EXHIBIT D-1

DESCRIPTION OF SERVICES AND OTHER CONTENT TO BE PROMOTED ON THE AFFILIATED MP SITE

The Content on the Affiliated MP Site may include the New Car Services, as well as the new car and used car listings and related information and services (including, without limitation, business-to-consumer new and used car auctions); provided that the Affiliated MP Site shall not link (directly or indirectly) to any third-party provider of used car listings.

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EXHIBIT E

OPERATIONS

1. General. The Affiliated MP Site (including the Services and other Content contained therein) shall be in the top three (3) in the online new car industry, as determined by each of the following methods: (a) based on a cross-section of third-party reviewers who are recognized authorities in such industry and (b) with respect to all material quality averages or standards in such industry, including each of the following: (i) pricing of Services, (ii) scope and selection of Services, (iii) quality of Services, (iv) customer service and fulfillment associated with the marketing and sale of Services and (v) ease of use. In addition, the Affiliated MP Site shall, with respect to each of the measures listed above, be competitive in all respects with that which is offered by any MP Competitors.

2. Affiliated MP Site Infrastructure. MP shall be responsible for all communications, hosting and connectivity costs and expenses associated with the Affiliated MP Site. MP shall provide all hardware, software, telecommunications lines and other infrastructure necessary to meet traffic demands on the Affiliated MP Site from the AOL Network. MP shall design and implement the network between the AOL Service and Affiliated MP Site such that (i) no single component failure shall have a materially adverse impact on AOL Members seeking to reach the Affiliated MP Site from the AOL Network and (ii) no single line under material control by MP shall run at more than 70% average utilization for a 5-minute peak in a daily period. In this regard, MP shall provide AOL, upon request, with a detailed network diagram regarding the architecture and network infrastructure supporting the Affiliated MP Site. In the event that MP elects to create a custom version of the Affiliated MP Site in order to comply with the terms of this Agreement, MP shall bear responsibility for all aspects of the implementation, management and cost of such customized site.

3. Optimization; Speed. MP shall use commercially reasonable efforts to ensure that: (a) the functionality and features within the Affiliated MP Site are optimized for the client software then in use by AOL Members; and (b) the Affiliated MP Site is designed and populated in a manner that minimizes delays when AOL Members attempt to access such site. At a minimum, MP shall ensure that the Affiliated MP Site's data transfers initiate within fewer than fifteen (15) seconds on average. Prior to commercial launch of any material promotions described herein, MP shall permit AOL to conduct performance and load testing of the Affiliated MP Site (in person or through remote communications), with such commercial launch not to commence until such time as AOL is reasonably satisfied with the results of any such testing.

4. User Interface. MP shall maintain a graphical user interface within the Affiliated MP Site that is competitive in all material respects with interfaces of other similar sites based on similar form technology. AOL reserves the right to review and approve the user interface and site design prior to launch of the Promotions and to conduct focus group testing to assess compliance with respect to such consultation and with respect to MP's compliance with the preceding sentence.

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5. Technical Problems. MP agrees to use commercially reasonable efforts to address material technical problems (over which MP exercises control) affecting use by AOL Members of the Affiliated MP Site (a "MP Technical Problem") promptly following notice thereof. In the event that MP is unable to promptly resolve a MP Technical Problem following notice thereof from AOL (including, without limitation, infrastructure deficiencies producing user delays), AOL shall have the right to regulate the promotions it provides to MP hereunder until such time as MP corrects the MP Technical Problem at issue.

6. Monitoring. MP shall ensure that the performance and availability of the Affiliated MP Site is monitored on a continuous basis. MP shall provide AOL with contact information (including e-mail, phone, pager and fax information, as applicable, for both during and after business hours) for MP's principal business and technical representatives, for use in cases when issues or problems arise with respect to the Affiliated MP Site.

7. Telecommunications. Where applicable MP shall use encryption methodology to secure data communications between the Parties' data centers. The network between the Parties shall be configured such that no single component failure shall significantly impact AOL Users. The network shall be sized such that no single line runs at more than 70% average utilization for a 5-minute peak in a daily period.

8. Security. MP shall utilize Internet standard encryption technologies (e.g., Secure Socket Layer SSL) to provide a secure environment for conducting transactions and/or transferring private member information (e.g., credit card numbers, banking/financial information, and member address information) to and from the Affiliated MP Site. MP shall facilitate periodic reviews of the Affiliated MP Site by AOL in order to evaluate the security risks of such site. MP shall promptly remedy any security risks or breaches of security as may be identified by AOL's Operations Security team.

9. Technical Performance.

i. MP shall design the Affiliated MP Site to support the AOL-client embedded versions of the Microsoft Internet Explorer 3.0 and 4.0 browsers (Windows and Macintosh) and make commercially reasonable efforts to support all other AOL browsers listed at: "http://webmaster.info.aol.com/BrowTable.html."

ii. To the extent MP creates customized pages on the Affiliated MP Site for AOL Members, MP shall configure and employ a methodology to detect AOL Members (e.g. examine the HTTP User-Agent field in order to identify the "AOL Member-Agents" listed at: "http://webmaster. info.aol.com/)."

iii. MP shall periodically review the technical information made available by AOL at http://webmaster.info.aol.com.

iv. MP shall design its site to support HTTP 1.0 or later protocol as defined in RFC 1945 and to adhere to AOL's parameters for refreshing cached information listed at http://webmaster.info.aol.com.

v. Prior to releasing material, new functionality or features through the Affiliated MP Site ("New Functionality"), MP shall use commercially reasonable efforts to DELETE either (i) test the New Functionality to confirm its compatibility with AOL Service client software and (ii) provide AOL with written notice of the New Functionality so that AOL can perform tests of the New Functionality to confirm its compatibility with the AOL Service client software.

10. AOL Internet Services MP Support. AOL shall provide MP with access to the standard online resources, standards and guidelines documentation, technical phone support, monitoring and after-hours assistance that AOL makes generally available to similarly situated web-based partners. AOL support shall not, in any case, be involved with content creation on behalf of MP or support for any technologies, databases, software or other applications which are not supported by AOL or are related to any MP area other than the Affiliated MP Site. Support to be provided by AOL is contingent on MP providing to AOL demo account information (where applicable), a detailed description of the Affiliated MP Site's software, hardware and network architecture and access to the Affiliated MP Site for purposes of such performance and load testing as AOL elects to conduct.

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EXHIBIT F

STANDARD ONLINE COMMERCE TERMS & CONDITIONS

1. AOL Network Distribution. MP shall not authorize or permit any third party to distribute or promote the Services or any MP Interactive Site through the AOL Network absent AOL's prior written approval. The Promotions and any other promotions or advertisements purchased from or provided by AOL shall link only to the AOL Jump Page after the launch of such AOL Jump Page, and prior to such launch date, shall link to the Affiliated MP Site, shall be used by MP solely for its own benefit and shall not be resold, traded, exchanged, bartered, brokered or otherwise offered to any third party.

2. Provision of Other Content. In the event that AOL notifies MP that (i) as reasonably determined by AOL, any Content within the Affiliated MP Site violates AOL's then-standard Terms of Service (as set forth on the America Online brand service at Keyword term "TOS"), the terms of this Agreement or any other standard, written AOL policy (which is either available online or of which AOL has otherwise notified MP) or (ii) AOL reasonably objects to the inclusion of any Content within the Affiliated MP Site (other than any specific items of Content which may be expressly identified in this Agreement), then MP shall take commercially reasonable steps to block access by AOL Users to such Content using MP's then-available technology. In the event that MP cannot, through its commercially reasonable efforts, block access by AOL Users to the Content in question, then MP shall provide AOL prompt written notice of such fact. AOL may then, at its option, restrict access from the AOL Network to the Content in question using technology available to AOL. MP shall cooperate with AOL's reasonable requests to the extent AOL elects to implement any such access restrictions.

3. Contests. MP shall take all steps necessary to ensure that any contest, sweepstakes or similar promotion conducted or promoted through the Affiliated MP Site (a "Contest") complies with all applicable federal, state and local laws and regulations.

4. Navigation. Subject to the prior consent of MP, which consent shall not be unreasonably withheld, AOL shall be entitled to establish navigational icons, links and pointers connecting the AOL Jump Pages (or portions thereof) with other content areas on or outside of the AOL Network. Additionally, in cases where an AOL User performs a search for MP through any search or navigational tool or mechanism that is accessible or available through the AOL Network (e.g., Promotions, Keyword Search Terms, or any other promotions or navigational tools), AOL shall have the right to direct such AOL User to the Affiliated MP Site, the AOL Jump Pages, or any other MP Interactive Site determined by AOL in its reasonable discretion, provided that during the three months following termination of this Agreement, MP's Keyword Search Term shall direct AOL Users to the Affiliated MP Site.

5. Disclaimers. Upon AOL's request, MP agrees to include within the Affiliated MP Site a product disclaimer (the specific form and substance to be mutually agreed upon by the Parties) indicating that transactions are solely between MP and AOL Users purchasing Services from MP.

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6. AOL Look and Feel. MP acknowledges and agrees that AOL shall own all right, title and interest in and to the elements of graphics, design, organization, presentation, layout, user interface, navigation and stylistic convention (including the digital implementations thereof) which are generally associated with online areas contained within the AOL Network, subject to MP's ownership rights in any MP trademarks or copyrighted material within the Affiliated MP Site.

7. Management of the Affiliated MP Site. MP shall manage, review, delete, edit, create, update and otherwise manage all Content available on or through the Affiliated MP Site, in a timely and professional manner and in accordance with the terms of this Agreement. MP shall ensure that the Affiliated MP Site is current, accurate and well-organized at all times. MP warrants that the Services and other Licensed Content : (i) shall not infringe on or violate any copyright, trademark, U.S. patent or any other third party right, including without limitation, any music performance or other music-related rights; (ii) shall not violate AOL's then-applicable Terms of Service or any other standard, written AOL policy (which is either available online or of which AOL has otherwise notified MP); and (iii) shall not violate any applicable law or regulation, including those relating to contests, sweepstakes or similar promotions. Additionally, MP represents and warrants that it owns or has a valid license to all rights to any Licensed Content used in AOL "slideshow" or other formats embodying elements such as graphics, animation and sound, free and clear of all encumbrances and without violating the rights of any other person or entity. MP also warrants that a reasonable basis exists for all Product performance or comparison claims appearing through the Affiliated MP Site. MP shall not in any manner, including, without limitation in any Promotion, the Licensed Content or the Materials state or imply that AOL recommends or endorses MP or MP's Services (e.g., no statements that MP is an "official" or "preferred" provider of Services or services for AOL). AOL shall have no obligations with respect to the Services available on or through the Affiliated MP Site, including, but not limited to, any duty to review or monitor any such Services.

8. Duty to Inform. MP shall promptly inform AOL of any information related to the Affiliated MP Site which could reasonably lead to a claim, demand, or liability of or against AOL and/or its affiliates by any third party.

9. Customer Service. It is the sole responsibility of MP to provide customer service to persons or entities purchasing Services through the AOL Network ("Customers"). MP shall bear full responsibility for all customer service, including without limitation, order processing, billing, fulfillment, shipment, collection and other customer service associated with any Services offered, sold or licensed through the Affiliated MP Site, and AOL shall have no obligations whatsoever with respect thereto. MP shall receive all emails from Customers via a computer available to MP's customer service staff and generally respond to such emails within one business day of receipt. MP shall receive all orders electronically and generally process all orders within one business day of receipt, provided Services ordered are not advance order items. MP shall ensure that all orders of Services are received, processed, fulfilled and delivered on a timely and professional basis. MP shall bear all responsibility for compliance with federal, state and local

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laws in the event that the Services are no longer available at the time an order is received. MP shall also comply with the requirements of any federal, state or local consumer protection or disclosure law. Payment for Services shall be collected by MP directly from customers. MP's order fulfillment operation shall be subject to AOL's reasonable review.

10. Production Work. In the event that MP requests AOL's production assistance in connection with (i) ongoing programming and maintenance related to the Affiliated MP Site, (ii) a redesign of or addition to the Affiliated MP Site (e.g., a change to an existing screen format or construction of a new custom form), (iii) production to modify work performed by a third party provider or (iv) any other type of production work, MP shall work with AOL to develop a detailed production plan for the requested production assistance (the "Production Plan"). Following receipt of the final Production Plan, AOL shall notify MP of (i) AOL's availability to perform the requested production work, (ii) the proposed fee or fee structure for the requested production and maintenance work and (iii) the estimated development schedule for such work. To the extent the Parties reach agreement regarding implementation of the agreed-upon Production Plan, such agreement shall be reflected in a separate work order signed by the Parties. To the extent MP elects to retain a third party provider to perform any such production work, work produced by such third party provider must generally conform to AOL's standards & practices (as provided on the America Online brand service at Keyword term "styleguide"). The specific production resources which AOL allocates to any production work to be performed on behalf of MP shall be as determined by AOL in its sole discretion. With respect to any routine production, maintenance or related services which AOL and MP mutually agree are necessary for AOL to perform in order to support the proper functioning and integration of the Affiliated MP Site ("Routine Services"), MP shall pay the then-standard fees charged by AOL for such Routine Service.

11. Overhead Accounts. To the extent AOL has granted MP any overhead accounts on the AOL Service, MP shall be responsible for the actions taken under or through its overhead accounts, which actions are subject to AOL's applicable Terms of Service and for any surcharges, including, without limitation, all premium charges, transaction charges, and any applicable communication surcharges incurred by any overhead Account issued to MP, but MP shall not be liable for charges incurred by any overhead account relating to AOL's standard monthly usage fees and standard hourly charges, which charges AOL shall bear. Upon the termination of this Agreement, all overhead accounts, related screen names and any associated usage credits or similar rights, shall automatically terminate. AOL shall have no liability for loss of any data or content related to the proper termination of any overhead account.

12. Navigation Tools. Any Keyword Search Terms to be directed to the Affiliated MP Site or the AOL Jump Pages shall be (i) subject to availability for use by MP and (ii) limited to the combination of the Keyword search modifier combined with a trademark of MP. AOL reserves the right to revoke at any time MP's use of any Keyword Search Terms which do not incorporate trademarks of MP. MP acknowledges that its utilization of a Keyword Search Term shall not create in it, nor shall it represent it has, any right, title or interest in or to such Keyword Search

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Term, other than the right, title and interest MP holds in MP's trademark independent of the Keyword Search Term. Without limiting the generality of the foregoing, MP shall not: (a) attempt to register or otherwise obtain trademark or copyright protection in the Keyword Search Term; or (b) use the Keyword Search Term, except for the purposes expressly required or permitted under this Agreement. To the extent AOL allows AOL Users to "bookmark" the URL or other locator for the Affiliated MP Site, such bookmarks shall be subject to AOL's control at all times. At the end of three months following the termination of this Agreement, MP's rights to any Keyword Search Terms and bookmarking shall terminate.

13. Merchant Certification Program. MP shall participate in any generally applicable "Certified Merchant" program operated by AOL or its authorized agents or contractors. Such program may require merchant participants on an ongoing basis to meet certain reasonable, generally applicable standards relating to provision of electronic commerce through the AOL Network (including, as a minimum, use of 40-bit SSL encryption and if requested by AOL, 128-bit encryption) and may also require the payment of certain reasonable certification fees (applicable to all AOL Certified Merchants) to the relevant entity operating the program. Each Certified Merchant in good standing shall be entitled to place on its affiliated Interactive Site an AOL designed and approved button promoting the merchant's status as an AOL Certified Merchant.

14. Prohibited Promotional Payments. On the AOL Jump Pages, MP shall not offer, provide, implement or otherwise make available any promotional programs or plans that are intended to provide customers with rewards or benefits in exchange for, or on account of, their past or continued loyalty to, or patronage or purchase of, the products or services of MP or any third party (e.g., a promotional program similar to a "frequent flier" program), unless such promotional program or plan is provided exclusively through AOL's "AOL Rewards" program, accessible on the AOL Service at Keyword: "AOL Rewards."

EXHIBIT G

STANDARD LEGAL TERMS & CONDITIONS

1. Promotional Materials/Press Releases. Each Party shall submit to the other Party, for its prior written approval, which shall not be unreasonably withheld or delayed, any marketing, advertising, or other promotional materials, excluding Press Releases, related to the AOL Jump Pages and the Affiliated MP Site (other than any such materials which solely relate to the Affiliated MP Site and which do not mention or otherwise reference AOL, this Agreement or the terms hereof), and/or referencing the other Party and/or its trade names, trademarks, and service marks (the "Promotional Materials"); provided, however, that either Party's use of screen shots of the Affiliated MP Site for promotional purposes shall not require the approval of the other Party; and provided, further, however, that, following the initial public announcement of the business relationship between the Parties in accordance with the approval and other requirements contained herein, either Party's subsequent factual reference to the existence of a business relationship between the Parties in Promotional Materials, shall not require the approval of the other Party. Each Party shall solicit and reasonably consider the views of the other Party in designing and implementing such Promotional Materials. Once approved, the Promotional Materials may be used by a Party and its affiliates for the purpose of promoting the Affiliated MP Site and the content contained therein and reused for such purpose until such approval is withdrawn with reasonable prior notice. In the event such approval is withdrawn, existing inventories of Promotional Materials may be depleted.

2. License. During the term of this Agreement, MP hereby grants AOL a non-exclusive worldwide license to market, , reproduce, display, perform, transmit and promote the Licensed Content (or any portion thereof) through such areas or features of the AOL Network as AOL deems appropriate for the purpose of promoting the Affiliated MP Site. MP acknowledges and agrees that the foregoing license permits AOL to distribute portions of the Licensed Content in synchronism or timed relation with visual displays prepared by MP or AOL (e.g., as part of an AOL "slideshow"). In addition, AOL Users shall have the right to access and use the Affiliated MP Site.

3. Trademark License. In designing and implementing the Materials and subject to the other provisions contained herein, MP shall be entitled to use the following trade names, trademarks, and service marks of AOL: the "America Online" brand service, "AOL" service/software and AOL's triangle logo; and AOL and its affiliates shall be entitled to use the trade names, trademarks, and service marks of MP for which MP holds all rights necessary for use in connection with this Agreement (collectively, together with the AOL marks listed above, the "Marks"); provided that each Party: (i) does not create a unitary composite mark involving a Mark of the other Party without the prior written approval of such other Party; and (ii) displays symbols and notices clearly and sufficiently indicating the trademark status and ownership of the other Party's Marks in accordance with applicable trademark law and practice.

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4. Ownership of Trademarks. Each Party acknowledges the ownership right of the other Party in the Marks of the other Party and agrees that all use of the other Party's Marks shall inure to the benefit, and be on behalf, of the other Party. Each Party acknowledges that its utilization of the other Party's Marks shall not create in it, nor shall it represent it has, any right, title, or interest in or to such Marks other than the licenses expressly granted herein. Each Party agrees not to do anything contesting or impairing the trademark rights of the other Party.

5. Quality Standards. Each Party agrees that the nature and quality of its products and services supplied in connection with the other Party's Marks shall conform to quality standards set by the other Party. Each Party agrees to supply the other Party, upon request, with a reasonable number of samples of any Materials publicly disseminated by such Party which utilize the other Party's Marks. Each Party shall comply with all applicable laws, regulations, and customs and obtain any required government approvals pertaining to use of the other Party's marks.

6. Infringement Proceedings. Each Party agrees to promptly notify the other Party of any unauthorized use of the other Party's Marks of which it has actual knowledge. Each Party shall have the sole right and discretion to bring proceedings alleging infringement of its Marks or unfair competition related thereto; provided, however, that each Party agrees to provide the other Party with its reasonable cooperation and assistance with respect to any such infringement proceedings.

7. Representations and Warranties. Each Party represents and warrants to the other Party that: (i) such Party has the full corporate right, power and authority to enter into this Agreement and to perform the acts required of it hereunder; (ii) the execution of this Agreement by such Party, and the performance by such Party of its obligations and duties hereunder, do not and shall not violate any agreement to which such Party is a party or by which it is otherwise bound; (iii) when executed and delivered by such Party, this Agreement shall constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms; and (iv) such Party acknowledges that the other Party makes no representations, warranties or agreements related to the subject matter hereof that are not expressly provided for in this Agreement. MP hereby represents and warrants that it possesses all authorizations, approvals, consents, licenses, permits, certificates or other rights and permissions necessary to sell the Services.

8. Confidentiality. Each Party acknowledges that Confidential Information may be disclosed to the other Party during the course of this Agreement. Each Party agrees that it shall take reasonable steps, at least substantially equivalent to the steps it takes to protect its own proprietary information, during the term of this Agreement, and for a period of three years following expiration or termination of this Agreement, to prevent the duplication or disclosure of Confidential Information of the other Party, other than by or to its employees or agents who must have access to such Confidential Information to perform such Party's obligations hereunder, who shall each agree to comply with this section. Notwithstanding the foregoing, either Party may

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issue a press release or other disclosure containing Confidential Information without the consent of the other Party, to the extent such disclosure is required by law, rule, regulation or government or court order. In such event, the disclosing Party shall provide at least five (5) business days prior written notice of such proposed disclosure to the other Party. Further, in the event such disclosure is required of either Party under the laws, rules or regulations of the Securities and Exchange Commission or any other applicable governing body, such Party shall (i) redact mutually agreed- upon portions of this Agreement to the fullest extent permitted under applicable laws, rules and regulations and (ii) submit a request to such governing body that such portions and other provisions of this Agreement receive confidential treatment under the laws, rules and regulations of the Securities and Exchange Commission or otherwise be held in the strictest confidence to the fullest extent permitted under the laws, , rules or regulations of any other applicable governing body.

9. Limitation of Liability; Disclaimer; Indemnification.

(a) Liability. UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES (EVEN IF THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), ARISING FROM BREACH OF THE AGREEMENT, THE SALE OF SERVICES, THE USE OR INABILITY TO USE THE AOL NETWORK, THE AOL SERVICE, AOL.COM, THE AOL JUMP PAGES, OR THE AFFILIATED MP SITE, OR ARISING FROM ANY OTHER PROVISION OF THIS AGREEMENT, SUCH AS, BUT NOT LIMITED TO, LOSS OF REVENUE OR ANTICIPATED PROFITS OR LOST BUSINESS (COLLECTIVELY, "DISCLAIMED DAMAGES"); PROVIDED THAT EACH PARTY SHALL REMAIN LIABLE TO THE OTHER PARTY TO THE EXTENT ANY DISCLAIMED DAMAGES ARE CLAIMED BY A THIRD PARTY AND ARE SUBJECT TO INDEMNIFICATION PURSUANT TO SECTION 9.3(c). EXCEPT AS PROVIDED IN SECTION 9.3(c), (I) LIABILITY ARISING UNDER THIS AGREEMENT SHALL BE LIMITED TO DIRECT, OBJECTIVELY MEASURABLE DAMAGES, AND (II) THE MAXIMUM LIABILITY OF ONE PARTY TO THE OTHER PARTY FOR ANY CLAIMS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL NOT EXCEED THE AGGREGATE AMOUNT OF PAYMENT OBLIGATIONS OWED BY EITHER PARTY TO THE OTHER PARTY HEREUNDER IN THE YEAR IN WHICH THE EVENT GIVING RISE TO LIABILITY OCCURS; PROVIDED THAT EACH PARTY SHALL REMAIN LIABLE FOR THE AGGREGATE AMOUNT OF ANY PAYMENT OBLIGATIONS OWED TO THE OTHER PARTY PURSUANT TO THE AGREEMENT.

(b) No Additional Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY, AND EACH PARTY HEREBY SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE AOL NETWORK, THE AOL SERVICE, AOL.COM, THE AFFILIATED MP SITE, OR THE AOL JUMP PAGES, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE

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AND IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AOL SPECIFICALLY DISCLAIMS ANY WARRANTY REGARDING THE PROFITABILITY OF THE AFFILIATED MP SITE.

(c) Indemnity. Either Party shall defend, indemnify, save and hold harmless the other Party and the officers, directors, agents, affiliates, distributors, franchisees and employees of the other Party from any and all third party claims, demands, liabilities, costs or expenses, including reasonable attorneys' fees ("Liabilities"), resulting from the indemnifying Party's material breach of any duty, representation, or warranty of this Agreement.

(d) Claims. If a Party entitled to indemnification hereunder (the "Indemnified Party") becomes aware of any matter it believes is indemnifiable hereunder involving any claim, action, suit, investigation, arbitration or other proceeding against the Indemnified Party by any third party (each an "Action"), the Indemnified Party shall give the other Party (the "Indemnifying Party") prompt written notice of such Action. Such notice shall (i) provide the basis on which indemnification is being asserted and (ii) be accompanied by copies of all relevant pleadings, demands, and other papers related to the Action and in the possession of the Indemnified Party. The Indemnifying Party shall have a period of ten (10) days after delivery of such notice to respond. If the Indemnifying Party elects to defend the Action or does not respond within the requisite ten (10) day period, the Indemnifying Party shall be obligated to defend the Action, at its own expense, and by counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall cooperate, at the expense of the Indemnifying Party, with the Indemnifying Party and its counsel in the defense and the Indemnified Party shall have the right to participate fully, at its own expense, in the defense of such Action. If the Indemnifying Party responds within the required ten (10) day period and elects not to defend such Action, the Indemnified Party shall be free, without prejudice to any of the Indemnified Party's rights hereunder, to compromise or defend (and control the defense of) such Action. In such case, the Indemnifying Party shall cooperate, at its own expense, with the Indemnified Party and its counsel in the defense against such Action and the Indemnifying Party shall have the right to participate fully, at its own expense, in the defense of such Action. Any compromise or settlement of an Action shall require the prior written consent of both Parties hereunder, such consent not to be unreasonably withheld or delayed.

10. Acknowledgment. AOL and MP each acknowledges that the provisions of this Agreement were negotiated to reflect an informed, voluntary allocation between them of all risks (both known and unknown) associated with the transactions contemplated hereunder. The limitations and disclaimers related to warranties and liability contained in this Agreement are intended to limit the circumstances and extent of liability. The provisions of this Section 9 shall be enforceable independent of and severable from any other enforceable or unenforceable provision of this Agreement.

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11. Solicitation of AOL Users. During the term of the Agreement and for a two year period thereafter, MP shall not use the AOL Network (including, without limitation, the e-mail network contained therein) to solicit AOL Users on behalf of another Interactive Service. More generally, MP shall not send unsolicited, commercial e-mail (i.e., "spam") or other online communications through or into AOL's products or Services, absent a Prior Business Relationship. For purposes of this Agreement, a "Prior Business Relationship" shall mean that the AOL User to whom commercial e-mail or other online communication is being sent has voluntarily either (i) engaged in a transaction with MP or (ii) provided information to MP through a contest, registration, or other communication, which included clear notice to the AOL User that the information provided could result in commercial e-mail or other online communication being sent to that AOL User by MP or its agents. Any commercial e-mail or other online communications to AOL Users which are otherwise permitted hereunder, shall (a) include a prominent and easy means to "opt-out" of receiving any future commercial communications from MP, and (b) shall also be subject to AOL's then-standard restrictions on distribution of bulk e-mail (e.g., related to the time and manner in which such e-mail can be distributed through or into the AOL product or service in question).

12. AOL User Communications. To the extent that MP is permitted to communicate with AOL Users under Section 15 of this Exhibit G, in any such communications to AOL Users on or off the Affiliated MP Site (including, without limitation, e- mail solicitations), MP shall not encourage AOL Users to take any action inconsistent with the scope and purpose of this Agreement, including without limitation, the following actions: (i) using an Interactive Site other than the Affiliated MP Site for the purchase of Services, (ii) using Content other than the Licensed Content; (iii) bookmarking of Interactive Sites; or (iv) changing the default home page on the AOL browser. Additionally, with respect to such AOL User communications, in the event that MP encourages an AOL User to purchase products through such communications, MP shall ensure that (a) the AOL Network is promoted as the primary means through which the AOL User can access the Affiliated MP Site and (b) any link to the Affiliated MP Site shall link to a page which indicates to the AOL User that such user is in a site which is affiliated with the AOL Network.

13. Collection and Use of User Information. MP shall ensure that its collection, use and disclosure of information obtained from AOL Users under this Agreement ("User Information") complies with (i) all applicable laws and regulations and (ii) AOL's standard privacy policies, available on the AOL Service at the keyword term "Privacy" (or, in the case of the Affiliated MP Site, MP's standard privacy policies so long as such policies are prominently published on the site and provide adequate notice, disclosure and choice to users regarding MP's collection, use and disclosure of user information). MP shall not disclose User Information collected hereunder to any third party in a manner that identifies AOL Users as end users of an AOL product or service or use Member Information collected under this Agreement to market another Interactive Service, and MP shall not sell or share such information with any third party without the prior written consent of AOL.

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14. Excuse. Neither Party shall be liable for, or be considered in breach of or default under this Agreement on account of, any delay or failure to perform as required by this Agreement as a result of any causes or conditions which are beyond such Party's reasonable control and which such Party is unable to overcome by the exercise of reasonable diligence.

15. Independent Contractors. The Parties to this Agreement are independent contractors. Neither Party is an agent, representative or employee of the other Party. Neither Party shall have any right, power or authority to enter into any agreement for or on behalf of, or incur any obligation or liability of, or to otherwise bind, the other Party. This Agreement shall not be interpreted or construed to create an association, agency, joint venture or partnership between the Parties or to impose any liability attributable to such a relationship upon either Party.

16. Notice. Any notice, approval, request, authorization, direction or other communication under this Agreement shall be given in writing and shall be deemed to have been delivered and given for all purposes (i) on the delivery date if delivered by electronic mail on the AOL Network (to screenname "AOLNotice@AOL.com" in the case of AOL) or by confirmed facsimile; (ii) on the delivery date if delivered personally to the Party to whom the same is directed; (iii) one business day after deposit with a commercial overnight carrier, with written verification of receipt; or (iv) five business days after the mailing date, whether or not actually received, if sent by U.S. mail, return receipt requested, postage and charges prepaid, or any other means of rapid mail delivery for which a receipt is available. In the case of AOL, such notice shall be provided to both the Senior Vice President for Business Affairs (fax no. 703-265-1206) and the Deputy General Counsel (fax no. 703-265-1105), each at the address of AOL set forth in the first paragraph of this Agreement. In the case of MP, except as otherwise specified herein, the notice address shall be the address for MP set forth in the first paragraph of this Agreement, with the other relevant notice information, including the recipient for notice and, as applicable, such recipient's fax number or AOL e-mail address, to be as reasonably identified by AOL.

17. Launch Dates. In the event that any terms contained herein relate to or depend on the commercial launch date of the Affiliated MP Site contemplated by this Agreement (the "Launch Date"), then it is the intention of the Parties to record such Launch Date in a written instrument signed by both Parties promptly following such Launch Date; provided that, in the absence of such a written instrument, the Launch Date shall be as reasonably determined by AOL based on the information available to AOL.

18. No Waiver. The failure of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provision or right in that or any other instance; rather, the same shall be and remain in full force and effect.

19. Return of Information. Upon the expiration or termination of this Agreement, each Party shall, upon the written request of the other Party, return or destroy (at the option of the Party

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receiving the request) all confidential information, documents, manuals and other materials specified the other Party.

20. Survival. Sections 1.5, 3.1, 3.2, 3.3 and 5.6 of the body of the Agreement, and Sections 8, 9, 11, 12, 13, 16, 18, 19, 20, 21, 25, 26 and 27 of this Exhibit, shall survive the completion, expiration, termination or cancellation of this Agreement (and to the extent set forth therein, only for the period provided in each such Section).

21. Entire Agreement. This Agreement sets forth the entire agreement and supersedes any and all prior agreements of the Parties with respect to the transactions set forth herein. Neither Party shall be bound by, and each Party specifically objects to, any term, condition or other provision which is different from or in addition to the provisions of this Agreement (whether or not it would materially alter this Agreement) and which is proffered by the other Party in any correspondence or other document, unless the Party to be bound thereby specifically agrees to such provision in writing.

22. Amendment. No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written instrument signed by the Party subject to enforcement of such amendment, and in the case of AOL, by an executive of at least the same standing to the executive who signed the Agreement.

23. Further Assurances. Each Party shall take such action (including, but not limited to, the execution, acknowledgment and delivery of documents) as may reasonably be requested by any other Party for the implementation or continuing performance of this Agreement.

24. Assignment. MP shall not assign this Agreement or any right, interest or benefit under this Agreement without the prior written consent of AOL. Assumption of the Agreement by any successor to MP (including, without limitation, by way of merger or consolidation) shall be subject to AOL's prior written approval. Subject to the foregoing, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the Parties hereto and their respective successors and assigns.

25. Construction; Severability. In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed or if any such provision is held invalid by a court with jurisdiction over the Parties to this Agreement, (i) such provision shall be deemed to be restated to reflect as nearly as possible the original intentions of the Parties in accordance with applicable law, and (ii) the remaining terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect.

26. Remedies. Except where otherwise specified, the rights and remedies granted to a Party under this Agreement are cumulative and in addition to, and not in lieu of, any other rights or remedies which the Party may possess at law or in equity; provided that, in connection with any dispute hereunder, MP shall be not entitled to offset any amounts that it claims to be due and payable from AOL against amounts otherwise payable by MP to AOL.

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27. Applicable Law. Except as otherwise expressly provided herein, this Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the Commonwealth of Virginia except for its conflicts of laws principles.

28. Export Controls. Both Parties shall adhere to all applicable laws, regulations and rules relating to the export of technical data and shall not export or re-export any technical data, any products or services received from the other Party or the direct product of such technical data to any proscribed country listed in such applicable laws, regulations and rules unless properly authorized.

29. Headings. The captions and headings used in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement.

30. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

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EXHIBIT 10.17

AMENDMENT NUMBER 1 TO INTERACTIVE MARKETING AGREEMENT

This Amendment (this "Amendment") dated as of April 19, 2000 (the "Amendment Date"), is by and between America Online, Inc. ("AOL"), a Delaware corporation, with offices at 22000 AOL Way, Dulles, Virginia 20166, and Autoweb.com ("MP" or "Autoweb"), a DELAWARE corporation, with offices at 3270 Jay Street, Santa Clara, CA 95054, and shall amend that certain Interactive Marketing Agreement (the "Agreement") dated June 30, 1999, by and between AOL and MP. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement.

INTRODUCTION

1. The Parties have reviewed the performance of the relationship created to the Agreement and have now desire to expand the relationship further in accordance with the Terms of this Amendment.

2. Except as specifically amended by this Amendment, the Parties desire that the Agreement remain in full force and effect.

TERMS

A. DEVELOPMENT AND INTEGRATION OF NEW PRODUCTS.

A.1 RESEARCH & DECISION GUIDES.

A.1(a) Contemporaneous with the execution of this Amendment, the Parties shall execute and deliver a Confidential Technology and Data License Agreement (the "Technology and Data License Agreement") in the form of Exhibit C attached hereto. In the event of any conflict between the terms of this Agreement and the terms of Exhibit C, the terms of Exhibit C shall control. Pursuant to the terms of the Technology and Data License Agreement, MP will work with AOL to integrate the licensed data (the "Licensed Data") into AOL's PersonaLogic automobile decision guide (the "PL Decision Guide"), as more fully described in Schedule 1. MP covenants that it will provide AOL during the Term with all additions to, expansions or refinements of, or enhancements to the Licensed Data for no additional cost.

A.1(b) For the duration of the Term, AOL hereby grants MP a non-exclusive license to distribute an MP-branded version of the PL Decision Guide as designated by AOL on MP's generally available web site, but MP may neither (i) sublicense or assign any of its rights in such PL Decision Guide to, nor (ii) distribute such PL Decision Guide with the products of, any other third party. AOL will license to MP for use on its generally available web site any proprietary software necessary to support such PL Decision Guide. In the event that MP fails to comply with the requirements of this Section A.1(b), AOL may, upon written notice, revoke the license granted hereunder and the other provisions of the Agreement shall continue in full force and effect.

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A.2 CONFIGURATION & COMPARISON. Contemporaneous with the execution of this Amendment, the Parties shall execute and deliver the Technology and Data License Agreement referenced above. Pursuant to the terms of and as set forth in the Technology and Data License Agreement, MP will develop and License to AOL the Technology specified in the Technology and Data License Agreement (the "Licensed Technology"), provided, however, that AOL may use any or all of the Licensed Technology at its option and shall not be required to use all of such Licensed Technology. MP covenants that it will provide AOL during the Term with all additions to, expansions or refinements of, or enhancements to the Licensed Technology for [**].

A.3 BUYING SERVICE.

A.3(a) As more fully described in Schedule 1, MP shall create a customized version of its buying service (the "Buying Service") which will be seamlessly integrated with the PL Decision Guide, the Configuration and Comparison services and other areas of the AOL Network as mutually agreed by the Parties. The Buying Service will provide AOL Users with the best available pricing and services and in no way will disadvantage AOL Users. AOL shall own all AOL-specific customization and MP shall have no right to assign or transfer any rights to such customization to any third party. No [**] shall be referenced or promoted (i) within the Promo Content of any Promotion or (ii) within the first screen of the Buying Service linked to any Promotion.

A.3(b) As more fully described in Schedule 1, the Buying Service will be hosted and managed by MP and will be co-branded according to AOL's standard co- branding requirements, including without limitation, co-branded URL, headers and footers. The Buying Service shall be a "cul-de-sac" area of the Affiliated MP Site. MP shall provide navigation back to the AOL Network in a manner reasonably acceptable to AOL and shall not contain navigation to other areas of the Affiliated MP Site or any third party site (other than through advertising or integrated auto-related transaction service links (e.g., financing, insurance or warranty offers)).

A.3(c) Subject to AOL's advertising policies, MP will control the advertising and commerce opportunities on the Buying Service; provided, however, that no advertisements in any category for which AOL has an exclusive relationship shall be included within the first or second level screens of the Buying Service (i.e., must be at least two "clicks" down into the Buying Service). Without AOL's prior written approval, MP will not, within the Buying Service, promote any original equipment manufacturer ("OEM") in a manner greater than it promotes any other OEM (i.e., conquesting) or allow for conquesting by OEMs of other OEMs with whom AOL has entered into an agreement. Notwithstanding the foregoing, MP will integrate specified AOL partners into the AOL Auto Channel, including without limitation, those entities listed on Schedule 2.

A.4 PRODUCT INTEGRATION AND REQUIREMENTS.

A.4(a) PRODUCT REQUIREMENTS. All initial products for the AOL Properties shall meet the relevant requirements set forth on Schedule 1. AOL and MP will meet at a mutually agreeable location, as appropriate, to discuss and define all new product

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requirements for the AOL Properties on an ongoing basis. In the event that they identify any new licensing or development opportunities, the Parties will discuss in good faith the terms of such licensing or development.

A.4(b) BRANDING. As more fully described in Schedule 1, the Configuration and Comparison pages (collectively, the "Ingredient Branded Areas") developed and hosted by MP and displayed on the AOL Properties will be branded employing an ingredient branding approach. AOL will be prominently branded and MP branding will be present on all such pages (e.g., "Powered by Autoweb") above the fold in overall prominence consistent with the ingredient-branding requirements included as Exhibit E hereto. Pages hosted by or provided by a third party shall incorporate branding for such third party. Content used throughout any co-branded areas may include attribution by using the providing party's name or logo. The Parties will mutually agree upon appropriate branding for such third party. To the extent such communications are permitted under the Agreement, all marketing communications from MP to AOL Users (i.e., emails, etc.) will be co-branded with AOL and MP. MP will design each page within the Ingredient Branded Areas based on the AOL design guideline templates and ingredient-branding requirements. AOL will have design approval rights for user interface elements and all pages. AOL shall have the right to change or modify its design guideline templates and ingredient-branding requirements at any time and from time to time during the Term; provided, however, that notwithstanding such change or modification, AOL shall not have the right to (i) alter or modify the content of MP's proprietary logos or marks or (ii) reduce the overall prominence of MP's branding within the Ingredient Branded Areas. Buying Service pages will be co- branded according to AOL's standard co-branding requirements for partner pages.

A.5 ADVERTISING. AOL will sell and serve all advertising, revenue-generating, and promotional positions (including sponsorships) in all Ingredient Branded Areas. MP may not incorporate or link from the Ingredient Branded Areas to any promotional, advertising, sponsorship or otherwise commercial elements without AOL's prior written approval, and in no event shall sell or serve advertising in the Ingredient Branded Areas.

A.6 PRODUCTION AND HOSTING. Subject to AOL's discretion, AOL shall host the following pages: PL Decision Guide pages, static navigation pages and content pages. MP will host all pages of the Ingredient Branded Areas and the Buying Service. MP will provide AOL with an acceptable 24x7 technical support plan. MP will optimize the performance of the Ingredient Branded Areas and the Buying Service for integration throughout the AOL Properties. MP will provide, maintain, and support all necessary software and hardware. All pages within the Ingredient Branded Areas developed by MP will be hosted under an AOL domain name (i.e., AutoWeb.AOL.com). MP will modify links within such pages to re-circulate users to the AOL Properties. MP will ensure that all AOL Users in the Ingredient Branded Areas will not be able to access any links to MP's generally available Web site. Hosting may be migrated to AOL upon the mutual agreement of the Parties.

A.7 CUSTOMIZATION. MP will customize throughout the AOL Properties as follows:

A.7(a) Within the Buying Service and Ingredient-Branded Areas, MP shall provide continuous navigational ability for AOL Users to return to an agreed upon point

on the applicable AOL Property. In addition, MP shall provide links back to AOL-designated points in the AOL Network from within each particular tool or functionality within the Auto Channel.

A.7(b) Upon AOL's reasonable and appropriate request, MP shall use AOL's tools and technology for chat, message boards, Quick Checkout, Search and such other tools and technology as the Parties may mutually agree. In the event that the addition of such tools and technology would require MP to incur material costs of installation, AOL shall reimburse MP for time and material costs in accordance with Section E below.

A.8 USER REGISTRATION. If AOL Users are required to register to access certain features within the Ingredient Branded Areas, such registration processes will be seamlessly integrated with AOL's "universal Registration" or "SNAP" system (or such other system developed by AOL), shall be subject to AOL's reasonable approval and be consistent with AOL's then-current privacy policy. In the event that such integration would require MP to incur material costs of development, AOL shall reimburse MP for the cost of time and materials in accordance with Section E below, unless MP provides such integration for any other interactive Service

A.9 RECORDING OF TRAFFIC; DOMAINS AND URL'S. All pages of the Buying Service and the Ingredient Branded Areas will be served from an AOL.com domain with the following URL: AutoWeb.AOL.com. MP will report traffic and click-through data according to AOL third party reporting guidelines. To the maximum extent available MP and AOL shall cause third party reporting agencies to mutually record unique visitor traffic and page views to allow for both Parties to receive traffic credit.

B. OEM ACCOUNTS; CUSTOM DEVELOPMENT.

B.1 AOL will lead sales efforts to all auto manufacturers as such efforts pertain to the AOL Properties. Sales to those accounts named in Schedule 2 may consist of co-branding with the OEM the functionality that exists in the Ingredient Branded Areas, as set forth in Schedule 1 and subject to the Technology and Data License Agreement; provided that MP shall receive branding attribution of prominence consistent with Exhibit E and provided that such co-branding with the OEM shall not include sublicensing of any licensed materials for use on the OEM's web site. MP will host all such pages.

B.2 With respect to the customization or enhancement of the Licensed Technology or additional servers or programming required to implement the sales efforts by AOL to OEMs described above, MP shall be entitled to reimbursement for time and materials in accordance with Section E below. Unless the Parties shall otherwise agree, in the event that AOL reimburses MP for all costs of time and materials incurred by MP in developing such enhancements or customizations, AOL shall own and MP shall have no rights in, including, without limitation, the right to use or convey, any such enhancements or customizations. In the event that AOL requests that MP develop new functionality (as distinct from the enhancements or customizations of the Licensed Technology referenced above), the terms of such development shall be on an as negotiated basis between the Parties consistent with Section E below.

C. FINANCIAL SERVICES PARTNERS. AOL financial services partners identified in Schedule 3 will be integrated in the Finance, Insurance, and Warranty portions of the Ingredient Branded Areas for purposes of promoting their loan, lease, insurance and warranty products. AOL reserves the right to sign deals with additional financial service partners and update Schedule 3 on an ongoing basis. MP will undertake efforts required to integrate these additional partners into the automotive offering, as specified by AOL. MP will be under no obligation to integrate AOL category partners into the MP Buying Service or Affiliated MP Site. MP shall be entitled to reimbursement for time and materials required in connection with its performance under this Section C in accordance with Section E below.

D. BUYING SERVICE PARTNERS. MP will undertake efforts required to integrate AOL buying channel partners, including, without limitation, those listed on Schedule 4, which schedule AOL may update from time to time in its discretion, into the AOL Auto Channel, including, without limitation, into the Ingredient Branded Areas, as specified by AOL. MP shall be entitled to reimbursement for time and materials required in connection with its performance under this Section D in accordance with Section E below.

E. TIME AND MATERIALS. To the extent specifically required under the terms of this Amendment, AOL will reimburse MP for ongoing work product and deliverables not specified in Schedule 1 in accordance with the following: prior to commencement of work for which MP intends to seek reimbursement, MP shall present AOL with a detailed proposal for determining the measure of reimbursable items. If AOL shall accept such proposal in writing prior to the commencement of such work, AOL shall reimburse MP in accordance with the terms of such proposal. If AOL does not accept in writing such proposal, Autoweb shall be under no obligation to perform the services outlined in said proposal.

F. ROLLOUT SCHEDULE. MP shall deliver the Licensed Data to AOL as required under Section A of this Amendment within [**] of the Amendment Date. MP shall launch the Buying Service on or before [**]. MP shall deliver to AOL beta versions of the Licensed Technology required under Section A.2 above on or before [**] and final versions of such deliverables on or before [**]. The above time frames are based on limited knowledge of AOL systems and platforms. As a result, these estimates are subject to certain dependencies, including the ability to quickly interface to and/or integrate with the AOL platforms, timely access to developmental personnel familiar with such platforms, timely access to AOL personnel to assist in defining development and architecture, and timely access to documented AOL code and dually conversant personnel.

G. USER DATA. OL and MP will jointly and severally own all end user data collected by MP in conjunction with the use of the Ingredient Branded Areas. MP will not sell or provide any AOL User information (e.g., names and email addresses) to a third party for any purpose, without the written consent of AOL.

H. CUSTOMER SERVICE. MP shall maintain a level of customer service and responsiveness as AOL shall reasonably request. At a minimum, MP shall respond promptly to any AOL request for assistance (e.g., fixes to the Licensed Technology) and, if such request relates to a mission critical matter, endeavor to completely address AOL's request within 24 hours or such shorter period of time if the circumstances so demand.

I. CONTINUED POINTERS. Upon the completion of the Term, for a period of [**] (the "Continued Link Period"), if AOL elects to (a) promote one or more "pointers" or links from

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AOL to the Affiliated MP Site and (b) use MP's trade names, trademarks and service marks in connection with such promotion. During the Continued Link Period, MP shall pay to AOL on a quarterly basis within [**] following the end of the quarter in which such amounts were generated, [**] for each AOL Purchase Request submitted during such Continued Link Period.

J. AFFILIATE MARKETING PROGRAM. At MP's option, MP shall participate in the AOL Affiliate Marketing program and abide by the terms and conditions of the AOL Affiliate Marketing Program Agreement. MP's participation in the AOL Affiliate Marketing program shall require that AOL will be prominently featured on the Autoweb.com website. AOL will compensate MP for each Qualified New AOL Member (as defined hereafter) attained through these promotions. A Qualified New AOL Member is a member of AOL acquired through customer acquisition efforts pursuant to this Agreement, who, (i) registers for the AOL Service during the Term of the Agreement, using MP's special promotion identifier, and (ii) who pays the then-standard fees required for membership to the AOL Service through at least two consecutive billing cycles.

K. PREMIER PARTNER OPPORTUNITY AND QUARTERLY PRODUCT MEETINGS. MP will provide AOL during the Term with all additions to, expansions or refinements of, or enhancements to the Licensed Data and Licensed Technology. Additionally, MP shall (i) meet quarterly with AOL during the Term to offer all generally available new products, if any, to AOL and, (ii) subject to MP's current agreements with third parties, make such products available to AOL on the same or equivalent terms (i.e., at the same cost) paid by other similarly situated MP partners ("Non-Discriminatory Terms"). Additionally, without limiting the generality of the foregoing, subject to the signing of a licensing agreement between MP and AOL, MP shall license to AOL on Non-Discriminatory Terms: (a) new products that it licenses to [**] or its successor; (b) the "My Auto" product; and (c) new products that are offered to two or more Interactive Services.

L. CARRIAGE.

L.1 AMENDMENT OF CARRIAGE PLAN. Exhibit A of the Agreement shall be amended and restated in its entirety to read as set forth on Exhibit A of this Amendment.

L.2 IMPRESSIONS COMMITMENT. The first sentence of Section 1.2 of the Agreement is hereby deleted and replaced in its entirety with the following:

> During the Initial Term, AOL shall deliver [**] Impressions to MP through the Promotions (the "Impressions Commitment").

The Parties agree and acknowledge that as of the Amendment Date [**] Impressions have been delivered by AOL under the Agreement.

L.3 FIXED PLACEMENT. Notwithstanding any provision of the Agreement or this Amendment to the contrary:

L.3(a) The Impressions set forth on Exhibit A which are designated on such Exhibit As Product Page Impressions shall be permanent placements on the new car product pages (the "Product Pages") and shall not be subject to replacement by AOL as otherwise permitted under Section 1.1 of the Agreement; provided that this

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provision shall have no affect on AOL's right to redesign any part of the AOL Network. Accordingly, AOL shall be required to deliver without substitution during any contract year the number of Impressions set forth on Exhibit A (the "Minimum Delivery Number"). Notwithstanding the attainment of the Minimum Delivery Number, until MP shall deliver the notice required under Section L.3(c) below, AOL shall continue the placements designated on Exhibit A as "Product Page Impressions" as a permanent placement; provided that notwithstanding the foregoing, MP agrees and acknowledges that the [**] Product Page Impressions shall not be permanent. The number of Product Page Impressions delivered in any contract year in excess of the Minimum Delivery Number shall be referred to herein as the "Product Page Impressions Overdelivery Amount". As used herein, a contract year of this agreement shall be the period between the Amendment Date and the first anniversary date of the Amendment and successive twelve month periods during the Term.

L.3(b) Prior to the date which is [**] days after AOL's receipt of a Permanent Placement Termination Notice, MP shall be required to pay AOL on the next Payment Date as additional consideration an amount equal to (x)(i) the Product Page Impressions Overdelivery Amount delivered between such Payment Date and the immediately preceding Payment Date, divided by (ii) one thousand, multiplied by (y) [**].

L.3(c) In the event that MP desires that AOL discontinue its maintenance of the Product Page Impressions as a permanent placement, MP shall deliver to AOL a notice to such effect referencing this Section L.3(c) (a "Permanent Placement Termination Notice"). Ninety (90) days after receipt of such Permanent Placement Termination Notice, AOL shall have no obligation to reserve Product Page Impressions for MP in excess of the Minimum Delivery Number and MP shall have no further obligation to pay for any Product Page Impressions Overdelivery Amount; provided that AOL shall reserve at all times during the Term the right to substitute Product Page Impressions for other Impressions reflected on Exhibit A (i.e., AOL may make-up underdelivery in non-Product Page Impressions with additional Product Page Impressions and, in such event, MP shall not be required to pay additional compensation solely with respect to these additional Product Page Impressions).

M. PAYMENTS.

M.1 PAYMENTS PRIOR TO AMENDMENT DATE. Prior to the Amendment Date the Parties agree and acknowledge that, pursuant to the requirements of Section 3.1 of the Agreement, MP has paid to AOL [**] (the "Paid-To-Date Amount"); which amount relates to carriage scheduled to be delivered through [**]. The Parties agree and acknowledge that [**] of the Paid-To- Date Amount (the "Unaccrued Amount"), shall be applied by AOL to the payment required to be delivered by MP under Section M.3(a).

M.2 EFFECT ON ORIGINAL PAYMENT SCHEDULE. In consideration of the additional undertakings set forth in this Amendment, the Parties have agreed to create a new consideration and payment schedule under the Agreement. Accordingly, no further amounts shall be payable under Section 3.1 of the Agreement and the last sentence of such section shall be of no further force or effect.

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M.3 GUARANTEED PAYMENT. In consideration of AOL's obligations under the Agreement, as amended by this Amendment, MP shall pay to AOL (in addition to the Paid-To-Date Amount and the amounts due under Sections I, L.3 and O of this Agreement) a guaranteed payment of [**] payable as follows:

M.3(a) The total amount due to AOL as of the Amendment date shall be [**] and shall be payable as follows: [**] shall be payable on the Amendment Date and AOL shall apply the entire Unaccrued Amount as payment for the remainder of such amount due, and

M.3(b) [**] shall be payable on each of [**] (each a "Payment Date").

N. TERM. Section 4.1 of the Agreement is hereby deleted and replaced in its entirety with the following:

4.1 TERM, RENEWAL, POST-TERM LICENSE.

4.1.1 TERM. The initial term of this Agreement (the "Initial Term") shall commence on the Effective Date and shall terminate on the [**] of the Amendment Date (unless earlier terminated as permitted herein) (the Initial Term plus any extension or renewal hereof shall be referred to as the "Term").

4.1.2 POST-TERM LICENSE. Upon the termination of this Agreement for any reason other than termination by MP as a result of AOL's uncured material breach of this Agreement (including but not limited to Exhibit C hereto), MP shall permit AOL to continue to license all intellectual property licensed pursuant to this Agreement (including without limitation the Licensed Data and all functionality supplied in connection with the Buying Service) for a period of [**] (or such shorter period as AOL shall determine) (the "Post-Term License Period"), provided that AOL shall pay to MP from the date of termination of the Agreement and continuing until the termination of the Post-Term License Period, a monthly license fee in advance of [**] per month. Notwithstanding any provision of this Agreement to the contrary, this Section 4.1.2 shall survive any termination of this Agreement.

O. REVENUE SHARING. During the Term, MP shall pay AOL, on a quarterly basis within [**] days following the end of the quarter in which such amounts were generated, the Bounties set forth on Schedule 5 upon the attainment of the Performance Hurdle set forth therein.

P. AMENDMENT OF SECTION 1.1 OF THE AGREEMENT. Section 1.1 of the Agreement is hereby deleted and replaced in its entirety with the following:

1.1 AOL PROMOTION OF AFFILIATED MP SITE; FLEXIBILITY OF PROMOTIONS. AOL shall provide MP with the promotions for the AOL Jump Pages and the Affiliated MP Site described on Exhibit A attached hereto (collectively referred to herein as the "Promotions"). AOL reserves the right (at its sole discretion) to (i) substitute for the Promotions to be delivered in a particular Level other promotions (in the same Level) in the same or different areas of the AOL Properties, and (ii) substitute Impressions in one Tier for those in another Tier at an exchange ratio taking into account the Relative Weighted Value of the Promotions substituted. In addition, AOL reserves the right to redesign or modify the organization, structure, "look and feel," navigation and

other elements of the AOL Network at any time. As used in this Section 1.1, "Relative Weighted Value" of the promotions and Impressions refers to the fact that, as acknowledged and agreed by the Parties hereto and as evidenced on the Switching Matrix included in Exhibit A hereto, the Promotions described on Exhibit A hereto are not of equal value but rather, in order of descending relative value from the most to the least valuable, are categorized as follows: (a) Tier 1 (b) Tier 2, (c) Tier 3 and (d) Tier 4. In the event that the AOL wishes to switch promotions to new inventory on the AOL Network, or inventory not referenced on Exhibit A, the Parties shall mutually and in good faith determine the appropriate tier for such inventory.

Q. AMENDMENT OF AOL NETWORK DEFINITION. The last sentence of the definition of "AOL Network" included in Exhibit B of the Agreement is hereby deleted.

R. AMENDMENT OF EXHIBIT C OF THE AGREEMENT. Exhibit C of the Agreement shall be amended and restated in its entirety to read as set forth on Exhibit B of this Amendment.

S. AMENDMENT OF EXHIBIT D OF THE AGREEMENT. Exhibit D of the Agreement shall be amended and restated in its entirety to read as set forth on Exhibit D of this Amendment.

T. AMENDMENT OF EXHIBIT D-1 OF THE AGREEMENT. Exhibit D-1 of the Agreement shall be amended and restated in its entirety to read as set forth on Exhibit D-1 of this Amendment.

U. EXHIBITS AND SCHEDULES. The exhibits and schedules identified in and attached to this Amendment are each incorporated into this Agreement and are hereby made a part of this Amendment. Except for Exhibit C hereto, in the event of a conflict between the substantive provisions set forth above in body of this Amendment (the "Main Provisions") and the exhibits incorporated into this Amendment, the Main Provisions shall control. Terms and conditions of Exhibit C control in the event of any conflict between such Exhibit And the Main Provisions. Schedules which are updated by AOL as permitted hereunder shall supercede the previous schedule.

V. EFFECT ON AGREEMENT. Except as specifically amended by this Amendment, the Agreement remains in full force and effect.

[SIGNATURE PAGE FOLLOWS]

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In witness whereof, the Parties have executed this Amendment as of the date written hereinabove.

AMERICAN ONLINE, INC.

By: /s/ DAVID M. COLBURN

Name: David M. Colburn

Title: President, Business Affairs

AUTOWEB.COM, INC.

By: /s/ DEAN DEBIASE

Name: Dean Debiase

Title: Chairman & CEO

**Confidential treatment has been requested with respect to certain information contained in this document. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

EXHIBIT 10.18

SEPARATION AGREEMENT

This Agreement is made as of December 14, 2001 (the "Effective Date"), by and between Mark W. Lorimer (the "Executive") and Autobytel Inc. (the "Company").

WHEREAS, the Executive has been employed by the Company or its predecessor companies or its or their subsidiaries or affiliates as its President and Chief Executive Officer, pursuant to an employment agreement by and between the Company and the Executive, dated July 1, 1998 and amended July 31, 1998 (the "Employment Agreement");

WHEREAS, the Executive resigned from his position as President and Chief Executive Officer of the Company, a member of the Board of Directors of the Company (the "Board"), and from all other positions with the Company and its subsidiaries or affiliates effective December 5, 2001 (the "Resignation Date"); and

WHEREAS, the Executive and the Company desire to set forth the terms of the Executive's separation from the Company.

NOW THEREFORE, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Payments and Benefits to the Executive.

a) Cash Payments. Subject to and conditioned upon the performance by the Executive of his obligations set forth in this Agreement, the Company agrees to pay the Executive an amount equal to $1,000,000, of which $666,667 shall be paid to the Executive on the Revocation Date (as defined in Section 14 hereof) and $333,333 shall be paid on the six month anniversary of the Effective Date.

b) Stock Options.

(i) On the Effective Date, (A) 1,472 of the 2,943 options granted to the Executive pursuant to the option agreement dated as of December 12, 1997 between the Company and the Executive, (B) 8,468 of the 16,935 options granted to the Executive pursuant to the option agreement dated as of June 21, 1998 between the Company and the Executive, (C) 100,000 of the 200,000 options granted to the Executive pursuant to Section 1 of Schedule A to the Employment Agreement, (D) the 500,000 options granted to the Executive pursuant to Section 2 of Schedule A to the Employment Agreement and (E) 68,457 of the 136,914 options granted to the Executive pursuant to the

option agreement(s) dated as of February 15, 1999 between the Company and the Executive (collectively, the "Disposed Options") shall terminate and be of no further force or effect, notwithstanding anything to the contrary set forth in the agreements pursuant to which such options were granted.

(ii) On the Effective Date, (A) the 333,333 options granted to the Executive pursuant to the option agreement dated as of October 23, 1996 between the Company and the Executive, (B) 1,471 of the 2,943 options granted to the Executive pursuant to the option agreement dated as of December 12, 1997 between the Company and the Executive, (C) 8,467 of the 16,935 options granted to the Executive pursuant to the option agreement dated as of June 21, 1998 between the Company and the Executive, (D) 100,000 of the 200,000 options granted to the Executive pursuant to Section 1 of Schedule A to the Employment Agreement, (E) 68,457 of the 136,914 options granted to the Executive pursuant to the option agreement dated as of February 15, 1999 between the Company and the Executive and (F) the 331,792 options granted to the Executive pursuant to the option agreement(s) dated as of February April 12, 2000 between the Company and

the Executive (collectively, the "Continuing Options") shall become vested and exercisable as of the Effective Date and shall remain exercisable by the Executive until the third anniversary of the Effective Date, notwithstanding anything to the contrary set forth in the agreements pursuant to which such options were granted. Except as specifically set forth in this Section 1(b)(ii), the Continuing Options shall continue to be governed by and subject to the terms of the applicable stock option plans and option agreements pursuant to which such options were granted.

(iii) The parties acknowledge and agree that the Disposed Options and the Continuing Options comprise all of the options to acquire shares of common stock of the Company held by the Executive as of the date hereof.

c) Health and Welfare Benefits. The Company shall continue to provide the Executive with health and welfare benefits no less favorable than those provided to him as of the Resignation Date, until the earlier of the second anniversary of Effective Date and the Executive obtaining employment providing substantially comparable benefits (determined on a benefit-by-benefit basis); provided, however that, notwithstanding anything in Section 17 below to the contrary, any

such benefit shall be offset by any amount received by the Executive under any plan or arrangement of a subsequent employer providing a similar type of benefit.

d) Other Benefits and Perquisites. During the two year period immediately following the Effective Date, (i) the Company shall reimburse the Executive for the cost of internet connectivity through America Online or a DSL connection, (ii) the Company shall continue to reimburse the Executive for the cost of his health club membership (at a level no greater than that provided by the Company immediately prior to the Effective Date) and (iii) the Company shall continue to pay the Executive an automobile allowance equal to the automobile allowance in effect as of the Resignation Date. In addition, the Executive shall be entitled to retain one Compaq desktop computer and monitor and the printer previously provided to him by the Company. As soon as practicable following the Revocation Date, the Executive shall return to the Company all other computer equipment belonging to the Company, including, but not limited to, the Toshiba laptop computer and docking station and the router and switchbox.

e) Other. In addition to the foregoing,

(i) the Executive acknowledges that he has received all salary payments, as well as accrued but unused vacation and all other amounts due him, through the Resignation Date and that no further salary or other compensation for services rendered is due to him; and

(ii) the Executive acknowledges that the Company shall deduct all applicable withholding taxes from the amounts to be paid to the Executive under this Agreement.

2. Confidential Information. The Executive acknowledges that the Company's and its subsidiaries' and affiliates' trade secrets, information concerning products and services and their development, technical information, marketing and sales activities and procedures, promotion and pricing techniques and credit and financial data concerning the Company, its subsidiaries and affiliates and their customers (the "Proprietary Information") are valuable, special and unique assets of the Company and its subsidiaries and affiliates, access to and knowledge of which have been gained by virtue of the Executive's position and involvement with the Company and its subsidiaries and affiliates. Proprietary Information shall not include information which is or becomes generally available to the public other than as a result of unauthorized disclosure by the Executive. The Executive agrees that he will not disclose any of such Proprietary Information to any person or

other entity for any reason or purpose whatsoever, and that the Executive will not make use of any Proprietary Information for the benefit of any person or other entity other than the Company and its subsidiaries and affiliates, except to the extent disclosure is or may be required by a statute, by a court of law, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with jurisdiction to order him to divulge, disclose or make accessible such information, provided, however, that the Executive shall give the Company notice of any such request or demand for such information upon his receipt of same and the Executive shall reasonably cooperate with the Company in any application the Company may make seeking a protective order barring disclosure by the Executive.

3. Restrictive Covenants. The Company is engaged in the business of independent online automotive marketing services and information (the "Business") throughout the world. The Executive represents, warrants, acknowledges and agrees that (i) the market for the Business is extremely competitive and extends throughout the world and the Executive, through the Company, is among the limited number of people engaged in the Business; (ii) the Disposed Options are of significant economic value to the Company and the Executive; (iii) the restrictive covenants and other agreements contained herein are an essential part of this Agreement; (iv) the Executive

has been fully advised by, or has had the opportunity to be advised by, an attorney in connection with the negotiation, preparation, execution and delivery of this Agreement and the transactions contemplated by this Agreement; and (v) no reasonable person would engage in any of the transactions contemplated by this Agreement without the benefit of the restrictive covenants and the other agreements contained herein by the Executive. Accordingly, the Executive agrees to be bound by the restrictive covenants and the other agreements contained in this Agreement to the maximum extent permitted by law, it being the intent and spirit of the parties that the restrictive covenants and the other agreements contained herein shall be valid and enforceable in all respects, and, subject to the terms and conditions of this Agreement, mutually dependent upon the obligations of the Company to pay the Executive the consideration due the Executive under this Agreement.

a) Noncompetition. During the period commencing with the Revocation Date (as defined in Section 14 hereof) and extending for one year thereafter (the "Restricted Period"), the Executive shall not in any city, town, county, parish or other municipality in any state of the United States where the Company or any of its subsidiaries, successors or assigns engages in the Business, directly or indirectly, (i) engage in the Business for the Executive's own account; (ii) enter

the employ of, or render any services to or for any entity that is engaged in the Business; or (iii) become interested in any such entity in any capacity, including as an individual, partner, shareholder, officer, director, employee, principal, agent, trustee or consultant; provided, however, the Executive may own, directly or indirectly, solely as a passive investment, securities of any entity traded on any national securities exchange or automated quotation system if the Executive, individually or in the aggregate, is not a controlling Person of, or a member of a group which controls, such entity and does not, directly or indirectly, "beneficially own" (as defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), without regard to the 60 day period referred to in Rule 13d-3(d)(1)(i)) 2% or more of any class of securities of such entity.

b) Noninterference. During the Restricted Period, the Executive shall not, directly or indirectly, (i) hire, solicit, induce, or attempt to solicit or induce any person known to the Executive to be an employee of the Company or any of its subsidiaries, successors or assigns, that is involved in the Business to terminate his or her employment or other relationship with the Company, its subsidiaries, successors or assigns for the purpose of associating with (A) any entity of which the Executive is or becomes an officer, director, partner, executive,

employee, principal, agent, or consultant or (B) any competitor of the Company or its subsidiaries, successors or assigns in the Business, or (ii) otherwise encourage any person to terminate his or her employment or other relationship with the Company or any of its subsidiaries, successors or assigns for any other purpose or no purpose.

4. Standstill Agreement. The Executive, on behalf of himself and his affiliates (as such term is defined in Rule 12b-2 under the Exchange Act), agrees that, for a period of 2 years from the Effective Date, he and his affiliates shall not, and shall cause any person or entity controlled by him or them not to: (i) in any manner acquire, agree to acquire or make any proposal to acquire ownership directly nor indirectly (including, but not limited to beneficial ownership as defined in Rule 13d-3 under the Exchange Act) of any voting securities or other equity interests in, debt securities, trade payables, or property of the Company or any rights or options to acquire such ownership except for the Continuing Options; (ii) solicit proxies or consents, directly or indirectly, or become a "participant" in any "solicitation" (as such terms are defined in Regulation 14A under the Exchange Act) of proxies or consents to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of the Company; (iii) with respect to any voting securities of the Company, (a) form, join or be part of any "group" (within the

meaning of Section 13(d)(3) of the Exchange Act); (iv) otherwise act, alone or in concert with others, to seek to control or influence the management or policies of the Company or the Board; or (v) advise, assist or encourage any other person in connection with any of the foregoing.

5. Rights and Remedies Upon Breach by the Executive. If the Executive breaches, or threatens to commit a breach of, any of the provisions of this Agreement, the Company, and its subsidiaries, successors or assigns shall have the following rights and remedies, each of which shall be independent of the others and severally enforceable, and each of which shall be in addition to, and not in lieu of, any other rights or remedies available to the Company, or its subsidiaries, successors or assigns at law or in equity under this Agreement, or otherwise:

a) Specific Performance. The right and remedy to have each and every one of the covenants in this Agreement specifically enforced and the right and remedy to obtain injunctive relief, it being agreed that any breach or threatened breach of any of the restrictive covenants in this Agreement would cause irreparable injury to the Company and its subsidiaries, successors or assigns and that money damages would not provide an adequate remedy to the Company and its subsidiaries, successors or assigns.

b) Accounting. The right to other appropriate equitable or monetary relief.

c) Severability of Covenants. The Executive acknowledges and agrees that the restrictive covenants in this Agreement are reasonable and valid in geographic, temporal and subject matter scope and in all other respects, and do not impose limitations greater than are necessary to protect the goodwill, proprietary information, and other business interests of the Company and its subsidiaries, successors or assigns. If, however, any court of competent jurisdiction subsequently determines that any of the restrictive covenants, or any part thereof, is invalid or unenforceable, the remainder of the restrictive covenants shall not thereby be affected and shall be given full effect without regard to the invalid portions.

d) Blue-Penciling. If any court of competent jurisdiction determines that any of the restrictive covenants, or any part thereof, is unenforceable because of the duration or scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable to the maximum extent permitted by applicable law.

e) Enforceability in All Jurisdictions. The Executive intends to and hereby confers jurisdiction to enforce each and every one of the

covenants in this Agreement upon the courts of any jurisdiction within the geographic scope of such restrictive covenants. If the courts of any one or more of such jurisdictions hold the restrictive covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the Executive that such determination shall not bar or in any way affect the Company's, or any of its subsidiaries', successors' or assigns' right to the relief provided above in the courts of any other jurisdiction within the geographic scope of such restrictive covenants, as to breaches of such restrictive covenants in such other respective jurisdictions, such restrictive covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

6. Cooperation. The Executive agrees to cooperate in the Company's handling or resolution of any matter in which the Executive was involved in the course of his employment, provided that such requests shall not be unduly burdensome. By way of example only, such obligation of cooperation may include furnishing information and assisting the Company in legal proceedings. Promptly following submission of a written statement by the Executive, the Company shall reimburse the Executive his reasonable out-of-pocket costs and other reasonable expenses incurred in connection with his

cooperation pursuant to this Section 6, including but not limited to reasonable attorney's fees.

7. Releases

a) Release by the Executive.

(i) The Executive on behalf of himself and his agents, assignees, attorneys, heirs and executors (the "Executive Releasors") agrees to and does hereby forever release the Company, any affiliated companies, and their past and present parents, subsidiaries, and present and former employees, officers, directors, shareholders, agents, successors and assigns of any of them (but, as to any such individuals, only in connection with or in relationship to their capacity as an employee, officer, director, shareholder, agent, successor or assignee of the Company, any affiliated companies, and their past and present parents and subsidiaries, successors and assignees and not in connection with or in relationship to their personal capacity unrelated to a referenced corporate entity; such individuals as described and such corporate entities collectively, the "Company Releasees") from all claims, demands, causes of action, controversies, agreements, promises and remedies, of any type which the Executive may have as of the date hereof, whether known or unknown, in connection with or in relationship to the Executive's capacity as an employee, officer or director of any of the Company Releasees, and the termination of any such capacity, other than

with respect to the rights expressly preserved herein (such released claims are collectively referred to herein as the "Released Executive Claims"). Without any limitation on the foregoing, the Released Executive Claims shall include any claims arising under the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act, the Americans with Disabilities Act, the California Fair Employment and Housing Act, as amended, the California Labor Code and all other federal, state and local laws.

(ii) In addition, the Executive, on behalf of himself and the Executive Releasors expressly waives all rights afforded by Section 1542 of the Civil Code of the State of California ("Section 1542") with respect to the Company Releasees. Section 1542 states as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM

MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release, the Executive understands and agrees that this Release is intended to include and does include all claims, if any, which the Executive may have and which the Executive does not now know or suspect to exist in his favor against the Company Releasees, and this Release extinguishes those claims.

(iii) Notwithstanding the foregoing, the Executive does not waive, and "Released Executive Claims" shall not include, any rights to which he may be entitled (A) to seek to enforce this Agreement or (B) to obtain contribution as permitted by law in the event of the entry of judgment against him as a result of any act or failure to act for which both the Executive and the Company are held to be jointly liable. The Executive shall have the right to indemnification, to the fullest extent permitted under applicable law, to the same extent as other senior executive officers and directors of the Company or its subsidiaries or affiliates are so entitled, in accordance with the

provisions of the Company's by-laws, certificate of incorporation or as otherwise provided under the laws of the state of Delaware, whichever provides the Executive with the broadest protections, and directors' and officers' liability insurance policies to the same extent as other senior executive officers and directors of the Company, and in the event such indemnification or liability insurance policy rights are subsequently enhanced, and relate to the period of time prior to the Resignation Date the Executive shall be entitled to the protection of such enhanced rights.

(iv) The Executive, on behalf of himself and the Executive Releasors, promises never to file a lawsuit or arbitration asserting any Released Executive Claims against the Company Releasees. If the Executive files a lawsuit or arbitration against the Company Releasees based on the Released Executive Claims, he agrees to pay for all costs incurred by the Company Releasees, including reasonable attorney's fees, in defending against such claim.

b) Release by the Company.

(i) The Company, on behalf of itself and any affiliated companies and their past and present parents and subsidiaries (the "Company Releasors"), agree to forever release the Executive and his family, estate, agents, attorneys, heirs, executors, successors and assigns (the "Executive Releasees") from any and all claims, demands, causes of action, controversies, agreements, promises and remedies, in connection with or in relationship to the Executive's capacity as an employee, officer or director of any of the Company Releasors which they may have as of the date hereof, whether known or unknown, including, without limitation, any rights to pursue such dispute(s) against the Executive Releasees (the "Released Company Claims") except for any claims, demands, causes of action, controversies, agreements, promises and remedies arising out of the Executive's intentional disclosure of, or direction to disclose, material non-public information and referred to in that certain letter listed on Exhibit A hereto, if any.

(ii) The Company, on behalf of itself and the Company Releasors, promises never to file a law suit or arbitration against the Executive Releasees asserting any Released Company Claims.

If the Company files a lawsuit or arbitration against the Executive Releasees based on Released Company Claims, it will pay for all costs incurred by the Executive Releasees, including reasonable attorney's fees, in defending against such claims. Notwithstanding the foregoing, the Company does not waive, and "Released Company Claims" shall not include, any rights to which the Company may be entitled to seek to enforce this Agreement.

8. Miscellaneous.

a) Mutual Nondisparagement. The Executive shall not make any public statements, encourage others to make statements or release information intended to disparage or defame the Company, its subsidiaries or affiliates or their products or services or their officers, directors or managers. The Company, on behalf of itself and its subsidiaries and affiliates, shall not make any public statements, encourage others to make statements or release information intended to disparage or defame the Executive's reputation. Notwithstanding the foregoing, nothing in this Section 8(a) shall prohibit any person from making truthful statements when required by order of a court or other body having jurisdiction.

b) Resolution of Disputes. Any disputes or claims arising under or in connection with this Agreement, including, without limitation, any disputes arising under Sections 3 or 4 hereof, shall be resolved by binding arbitration, to be held in Orange County, California, in accordance with the Commercial Rules of the American Arbitration Association before a panel of three (3) arbitrators, one appointed by the Executive, one appointed by the Company, and the third appointed by mutual agreement of the arbitrators selected by the Executive and the Company. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Each party shall bear its own counsels' fees in arbitration or litigation, and shall share equally the costs of arbitration; provided however the Company shall pay and be solely responsible for any attorneys' fees and expenses and court or arbitration costs incurred by the Executive as a result of a claim that the Company has breached or otherwise failed to perform this Agreement or any provision thereof to be performed by the Company if the Executive prevails in the contest in whole or in substantial part. Nothing herein shall prevent the Company from seeking equitable relief in court as provided for in Section 5 hereof.

c) General. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of any similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware without regard to its conflicts of law principles. Except as otherwise expressly provided in this Agreement, including without limitation the provisions of Section 2 hereof, and except for disclosure by the Company to its legal, accounting and other advisors, it is the express intention of the parties hereto that this Agreement and the provisions hereof be treated as confidential and not disclosed in any public manner other than disclosure (i) that is or may be required by a statute, by a court of law, by any governmental agency having supervisory authority over the business of the

Company or by any administrative or legislative body (including a committee thereof) with jurisdiction to order that such information be divulged, disclosed or made accessible; provided, however, that the Executive shall give the Company notice of any such request or demand for such information upon his receipt of same and the Executive shall reasonably cooperate with the Company in any application the Company may make seeking a protective order barring disclosure by the Executive; (ii) that is made to the Executive's legal counsel or personal financial advisor and is reasonably necessary in connection with the Executive's consideration of the terms of this Agreement or the Executive's personal financial dealings, or (iii) that is made to a member of the Executive's immediate family; provided, however, that with respect to subsections (ii) and (iii) of this Section 8(c), any person to whom the Executive discloses such information has agreed in advance to maintain the confidentiality of such information consistent with the terms of this Agreement.

d) Beneficiaries. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be

payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

9. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

10. Notices. Notices, demands and all other communications provided for in this Agreement shall be in writing and shall be sent by messenger, overnight courier, certified or registered mail, postage prepaid and return receipt requested or by facsimile transmission to the parties at their respective addresses and fax numbers set forth below or to such other address or fax number as to which notice is given.

If to the Executive:
Mark W. Lorimer
2624 Calle Onice
San Clemente, CA 92673

If to the Company:
Autobytel Inc.
18872 MacArthur Boulevard
Irvine, CA 92612

Attention: General Counsel

Fax: (949) 862-1323

Notices, demands and other communications shall be deemed given on delivery thereof or, in the case of facsimile transmission, upon receipt of successful transmission from the transmitting facsimile machine.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. Entire Agreement; Effect on Employment Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations (including that certain letter from the Executive to the Company dated as of December 13, 2001) or warranties, whether oral or written, by either party or by any officer, employee or representative of either party hereto. Without limiting the generality of the foregoing, as of the Effective Date, the Employment Agreement shall become null and void and of no further force, except that Section 7 thereof shall remain in full force and effect until the second anniversary of the Effective Date.

13. Legal Fees. The Company shall reimburse the Executive for his legal fees and expenses in the amount of $25,000 incurred in connection with the preparation and negotiation of this Agreement.

14. Review and Revocation. The Executive acknowledges that the Company has advised him to consult with an attorney of his choosing prior to signing this Agreement. The Executive understands and agrees that he has the right and has been given the opportunity to review this Agreement and, specifically, the release in Section 7 hereof, with an attorney of his choice. The Executive also understands and agrees that he has entered into this Agreement freely and voluntarily. The Executive has twenty-one (21) days to consider the release of his rights under ADEA, although he may sign this Agreement sooner if he so desires. Furthermore, once the Executive has signed this Agreement, he has seven (7) additional days from the date he signs it to revoke his consent to the release of his rights under ADEA. The Executive's release of his rights under ADEA will not become effective until seven (7) days after the date he has signed this Agreement (the day immediately following the expiration of such 7-day period being referred to herein as the "Revocation Date") and the payments and obligations of the Company set forth in this Agreement shall not become due unless and until the period for such revocation has expired with no such revocation by the Executive having occurred.

15. No Admission of Wrongdoing. The Company's offer to the Executive of this Agreement and the payments and benefits set forth herein is not intended to, and shall not be construed as, an admission of liability by the Company or of any improper conduct on the Company's part, all of which the Company specifically denies.

16. Representations of the Company. The Company represents and warrants to the Executive that the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized on behalf of the Company and that all corporate action required to be taken by the Company for the execution, delivery and performance of this Agreement including, without limitation, the performance of Section 1(b) hereof, has been or promptly will be duly and effectively taken. The Company acknowledges that the Executive has relied upon such representations and warranties in entering into this Agreement.

17. No Mitigation or Offsets. The Executive shall not be required to seek other employment or to reduce or otherwise mitigate any severance amount or benefit payable to him under this Agreement and, except as expressly provided in Section 1(c) above, no severance amount or benefit shall be reduced on account of any compensation received by the Executive from other employment. The Company's obligation to pay severance amounts and

benefits under this Agreement shall not be reduced by any amount owed by the Executive to the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date set forth above.

Autobytel Inc.

/s/ Mark W. Lorimer	By:/s/ Ariel Amir
- ----------	----------
Mark W. Lorimer	Executive Vice President and General Counsel

EXHIBIT 10.19

SEPARATION AGREEMENT

This Agreement is made as of January 17, 2002 (the "Effective Date"), by and between Dennis Benner (the "Executive") and Autobytel Inc. (the "Company").

WHEREAS, the Executive has been employed by the Company or its predecessor companies or its or their subsidiaries or affiliates as its Executive Vice President, Corporate Development, pursuant to an employment agreement by and between the Company and the Executive, dated as of May 3, 2000 (the "Employment Agreement");

WHEREAS, the Executive resigned from his position as Executive Vice President, Corporate Development of the Company, and from all other positions with the Company and its subsidiaries or affiliates effective December 31, 2001 (the "Resignation Date"); and

WHEREAS, the Executive and the Company desire to set forth the terms of the Executive's separation from the Company.

NOW THEREFORE, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Payments and Benefits to the Executive.

a) Cash Payments. Subject to and conditioned upon the performance by the Executive of his obligations set forth in this Agreement, the Company agrees to pay the Executive an amount equal to $440,529.40 which shall be paid to the Executive on the Revocation Date (as defined in Section 14 hereof). In addition, the Company shall pay the Executive an amount equal to $19,470.60 representing accrued and unpaid vacation.

b) Stock Options.

(i) The 150,000 options granted to the Executive pursuant to the Employment Agreement (the "Regular Options") are vested and exercisable and shall remain exercisable by the Executive until the second anniversary of the Resignation Date, notwithstanding anything to the contrary set forth in the agreements pursuant to which such options were granted. Except as specifically set forth in this Section 1(b)(i), the Regular Options shall continue to be governed by and subject to the terms of the applicable stock option plans and option agreements pursuant to which such options were granted.

(ii) The parties acknowledge and agree that the Regular Options comprise all of the options to acquire shares of common stock of the Company held by the Executive as of the date hereof.

c) Health and Welfare Benefits. The Company shall make monthly payments to the Executive for health insurance through April 30, 2003, such payments totaling in the aggregate $19,317.38.

d) Equipment. As soon as practicable following the Revocation Date, the Executive shall return to the Company all computer and other equipment, if any, belonging to the Company.

e) Other. In addition to the foregoing,

(i) the Executive acknowledges that he has received all salary payments, as well as accrued but unused vacation and all other amounts due him, through the Resignation Date and that no further salary or other compensation for services rendered is due to him; and

(ii) the Executive acknowledges that the Company shall deduct all applicable withholding taxes from the amounts to be paid to the Executive under this Agreement.

2. Confidential Information. The Executive acknowledges that the Company's and its subsidiaries' and affiliates' trade secrets, information concerning products and services and their development, technical information, marketing and sales activities and procedures, promotion and pricing techniques and credit and financial data concerning the Company, its subsidiaries and affiliates and their customers (the "Proprietary Information") are valuable, special and unique assets of the Company and its subsidiaries and affiliates, access to and knowledge of which have been gained by virtue of the Executive's position and involvement with the Company and its subsidiaries and affiliates. Proprietary Information shall not include information which is or becomes generally available to the public other than as a result of unauthorized disclosure by the Executive. The Executive agrees that he will not disclose any of such Proprietary Information to any person or other entity for any reason or purpose whatsoever, and that the Executive will not make use of any Proprietary Information for the benefit of any person or other entity other than the Company and its subsidiaries and affiliates, except to the extent disclosure is or may be required by a statute, by a court of law, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with jurisdiction to order him to divulge, disclose or make accessible such information, provided, however, that the Executive shall give

the Company notice of any such request or demand for such information upon his receipt of same and the Executive shall reasonably cooperate with the Company in any application the Company may make seeking a protective order barring disclosure by the Executive.

3. Restrictive Covenants. The Company is engaged in the business of independent online automotive marketing services and information (the "Business") throughout the world. The Executive represents, warrants, acknowledges and agrees that (i) the market for the Business is extremely competitive and extends throughout the world and the Executive, through the Company, is among the limited number of people engaged in the Business; (ii) the restrictive covenants and other agreements contained herein are an essential part of this Agreement; (iii) the Executive has been fully advised by, or has had the opportunity to be advised by, an attorney in connection with the negotiation, preparation, execution and delivery of this Agreement and the transactions contemplated by this Agreement; and (iv) no reasonable person would engage in any of the transactions contemplated by this Agreement without the benefit of the restrictive covenants and the other agreements contained herein by the Executive. Accordingly, the Executive agrees to be bound by the restrictive covenants and the other agreements contained in this Agreement to the maximum extent permitted by law, it being the intent and spirit of the parties that the restrictive covenants and the

other agreements contained herein shall be valid and enforceable in all respects, and, subject to the terms and conditions of this Agreement, mutually dependent upon the obligations of the Company to pay the Executive the consideration due the Executive under this Agreement.

a) Noncompetition. During the period commencing with the Revocation Date (as defined in Section 14 hereof) and extending for one year thereafter (the "Restricted Period"), the Executive shall not in any city, town, county, parish or other municipality in any state of the United States where the Company or any of its subsidiaries, successors or assigns engages in the Business, directly or indirectly, (i) engage in the Business for the Executive's own account; (ii) enter the employ of, or render any services to or for any entity that is engaged in the Business; or (iii) become interested in any such entity in any capacity, including as an individual, partner, shareholder, officer, director, employee, principal, agent, trustee or consultant; provided, however, the Executive may own, directly or indirectly, solely as a passive investment, securities of any entity traded on any national securities exchange or automated quotation system if the Executive, individually or in the aggregate, is not a controlling Person of, or a member of a group which controls, such entity and does not, directly or indirectly, "beneficially own" (as defined in Rule 13d-3 of

the Securities Exchange Act of 1934, as amended (the "Exchange Act")), without regard to the 60 day period referred to in Rule 13d-3(d)(1)(i)) 2% or more of any class of securities of such entity.

b) Noninterference. During the Restricted Period, the Executive shall not, directly or indirectly, (i) hire, solicit, induce, or attempt to solicit or induce any person known to the Executive to be an employee of the Company or any of its subsidiaries, successors or assigns, that is involved in the Business to terminate his or her employment or other relationship with the Company, its subsidiaries, successors or assigns for the purpose of associating with (A) any entity of which the Executive is or becomes an officer, director, partner, executive, employee, principal, agent, or consultant or (B) any competitor of the Company or its subsidiaries, successors or assigns in the Business, or (ii) otherwise encourage any person to terminate his or her employment or other relationship with the Company or any of its subsidiaries, successors or assigns for any other purpose or no purpose.

4. Standstill Agreement. The Executive, on behalf of himself and his affiliates (as such term is defined in Rule 12b-2 under the Exchange Act), agrees that, for a period of 2 years from the Effective Date, he and his affiliates shall not, and shall cause any person or entity controlled by him or them not to: (i) in

any manner acquire, agree to acquire or make any proposal to acquire ownership directly nor indirectly (including, but not limited to beneficial ownership as defined in Rule 13d-3 under the Exchange Act) of any voting securities or other equity interests in, debt securities, trade payables, or property of the Company or any rights or options to acquire such ownership except for the Regular Options; (ii) solicit proxies or consents, directly or indirectly, or become a "participant" in any "solicitation" (as such terms are defined in Regulation 14A under the Exchange Act) of proxies or consents to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of the Company; (iii) with respect to any voting securities of the Company, (a) form, join or be part of any "group" (within the meaning of Section 13(d)(3) of the Exchange Act); (iv) otherwise act, alone or in concert with others, to seek to control or influence the management or policies of the Company or the Board of Directors of the Company; or (v) advise, assist or encourage any other person in connection with any of the foregoing.

5. Rights and Remedies Upon Breach by the Executive. If the Executive breaches, or threatens to commit a breach of, any of the provisions of this Agreement, the Company, and its subsidiaries, successors or assigns shall have the following rights and remedies, each of which shall be independent of the others and severally enforceable, and each of which shall be in addition

to, and not in lieu of, any other rights or remedies available to the Company, or its subsidiaries, successors or assigns at law or in equity under this Agreement, or otherwise:

a) Specific Performance. The right and remedy to have each and every one of the covenants in this Agreement specifically enforced and the right and remedy to obtain injunctive relief, it being agreed that any breach or threatened breach of any of the restrictive covenants in this Agreement would cause irreparable injury to the Company and its subsidiaries, successors or assigns and that money damages would not provide an adequate remedy to the Company and its subsidiaries, successors or assigns.

b) Accounting. The right to other appropriate equitable or monetary relief.

c) Severability of Covenants. The Executive acknowledges and agrees that the restrictive covenants in this Agreement are reasonable and valid in geographic, temporal and subject matter scope and in all other respects, and do not impose limitations greater than are necessary to protect the goodwill, proprietary information, and other business interests of the Company and its subsidiaries, successors or assigns. If, however, any court of competent jurisdiction subsequently determines that any of the restrictive covenants, or any part thereof, is

invalidor unenforceable, the remainder of the restrictive covenants shall not thereby be affected and shall be given full effect without regard to the invalid portions.

d) Blue-Penciling. If any court of competent jurisdiction determines that any of the restrictive covenants, or any part thereof, is unenforceable because of the duration or scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable to the maximum extent permitted by applicable law.

e) Enforceability in All Jurisdictions. The Executive intends to and hereby confers jurisdiction to enforce each and every one of the covenants in this Agreement upon the courts of any jurisdiction within the geographic scope of such restrictive covenants. If the courts of any one or more of such jurisdictions hold the restrictive covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the Executive that such determination shall not bar or in any way affect the Company's, or any of its subsidiaries', successors' or assigns' right to the relief provided above in the courts of any other jurisdiction within the geographic scope of such restrictive covenants, as to breaches of such restrictive covenants in such other respective jurisdictions, such restrictive covenants as

they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

6. Cooperation. The Executive agrees to cooperate in the Company's handling or resolution of any matter in which the Executive was involved in the course of his employment, provided that such requests shall not be unduly burdensome. By way of example only, such obligation of cooperation may include furnishing information and assisting the Company in legal proceedings. Promptly following submission of a written statement by the Executive, the Company shall reimburse the Executive his reasonable out-of-pocket costs and other reasonable expenses incurred in connection with his cooperation pursuant to this Section 6, including but not limited to reasonable attorney's fees.

7. Releases

a) Release by the Executive.

(i) The Executive on behalf of himself and his agents, assignees, attorneys, heirs and executors (the "Executive Releasors") agrees to and does hereby forever release the Company, any affiliated companies, and their past and present parents, subsidiaries, and present and former employees, officers, directors, shareholders, agents, successors and assigns of any of them (but, as to any such individuals, only in connection with or in relationship to their capacity as an employee, officer, director, shareholder, agent, successor or assignee of the Company, any affiliated companies, and their past and present parents and subsidiaries, successors and assignees and not in connection with or in relationship to their personal capacity unrelated to a referenced corporate entity; such individuals as described and such corporate entities collectively, the "Company Releasees") from all claims, demands, causes of action, controversies, agreements, promises and remedies, of any type which the Executive may have as of the date hereof, whether known or unknown, in connection with or in relationship to the Executive's capacity as an employee, officer or director of any of the Company Releasees, and the termination of any such capacity, other than

with respect to the rights expressly preserved herein (such released claims are collectively referred to herein as the "Released Executive Claims"). Without any limitation on the foregoing, the Released Executive Claims shall include any claims arising under the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act, the Americans with Disabilities Act, the California Fair Employment and Housing Act, as amended, the California Labor Code and all other federal, state and local laws.

(ii) In addition, the Executive, on behalf of himself and the Executive Releasors expressly waives all rights afforded by Section 1542 of the Civil Code of the State of California ("Section 1542") with respect to the Company Releasees. Section 1542 states as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM

MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release, the Executive understands and agrees that this Release is intended to include and does include all claims, if any, which the Executive may have and which the Executive does not now know or suspect to exist in his favor against the Company Releasees, and this Release extinguishes those claims.

(iii) Notwithstanding the foregoing, the Executive does not waive, and "Released Executive Claims" shall not include, any rights to which he may be entitled (A) to seek to enforce this Agreement or (B) to obtain contribution as permitted by law in the event of the entry of judgment against him as a result of any act or failure to act for which both the Executive and the Company are held to be jointly liable. The Executive shall have the right to indemnification, to the fullest extent permitted under applicable law, to the same extent as other senior executive officers and directors of the Company or its subsidiaries or affiliates are so entitled, in accordance with the

provisions of the Company's by-laws, certificate of incorporation or as otherwise provided under the laws of the state of Delaware, whichever provides the Executive with the broadest protections, and directors' and officers' liability insurance policies to the same extent as other senior executive officers and directors of the Company, and in the event such indemnification or liability insurance policy rights are subsequently enhanced, and relate to the period of time prior to the Resignation Date the Executive shall be entitled to the protection of such enhanced rights.

(iv) The Executive, on behalf of himself and the Executive Releasors, promises never to file a lawsuit or arbitration asserting any Released Executive Claims against the Company Releasees. If the Executive files a lawsuit or arbitration against the Company Releasees based on the Released Executive Claims, he agrees to pay for all costs incurred by the Company Releasees, including reasonable attorney's fees, in defending against such claim.

b) Release by the Company.

(i) The Company, on behalf of itself and any affiliated companies and their past and present parents and subsidiaries (the "Company Releasors"), agree to forever release the Executive and his family, estate, agents, attorneys, heirs, executors, successors and assigns (the "Executive Releasees") from any and all claims, demands, causes of action, controversies, agreements, promises and remedies, in connection with or in relationship to the Executive's capacity as an employee, officer or director of any of the Company Releasors which they may have as of the date hereof, whether known or unknown, including, without limitation, any rights to pursue such dispute(s) against the Executive Releasees (the "Released Company Claims") except for any claims, demands, causes of action, controversies, agreements, promises and remedies arising out of the Executive's intentional disclosure of, or direction to disclose, material non-public information to any person.

(ii) The Company, on behalf of itself and the Company Releasors, promises never to file a lawsuit or arbitration against the Executive Releasees asserting any Released Company Claims.

If the Company files a lawsuit or arbitration against the Executive Releasees based on Released Company Claims, it will pay for all costs incurred by the Executive Releasees, including reasonable attorney's fees, in defending against such claims. Notwithstanding the foregoing, the Company does not waive, and "Released Company Claims" shall not include, any rights to which the Company may be entitled to seek to enforce this Agreement.

8. Miscellaneous.

a) Mutual Nondisparagement. The Executive shall not make any public statements, encourage others to make statements or release information intended to disparage or defame the Company, its subsidiaries or affiliates or their products or services or their officers, directors or managers. The Company, on behalf of itself and its subsidiaries and affiliates, shall not make any public statements, encourage others to make statements or release information intended to disparage or defame the Executive's reputation. Notwithstanding the foregoing, nothing in this Section 8(a) shall prohibit any person from making truthful statements when required by order of a court or other body having jurisdiction.

b) Resolution of Disputes. Any disputes or claims arising under or in connection with this Agreement, including, without limitation, any disputes arising under Sections 3 or 4 hereof, shall be resolved by binding arbitration, to be held in Orange County, California, in accordance with the Commercial Rules of the American Arbitration Association before a panel of three (3) arbitrators, one appointed by the Executive, one appointed by the Company, and the third appointed by mutual agreement of the arbitrators selected by the Executive and the Company. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Each party shall bear its own counsels' fees in arbitration or litigation, and shall share equally the costs of arbitration; provided however the Company shall pay and be solely responsible for any attorneys' fees and expenses and court or arbitration costs incurred by the Executive as a result of a claim that the Company has breached or otherwise failed to perform this Agreement or any provision thereof to be performed by the Company if the Executive prevails in the contest in whole or in substantial part. Nothing herein shall prevent the Company from seeking equitable relief in court as provided for in Section 5 hereof.

c) General. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of any similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware without regard to its conflicts of law principles. Except as otherwise expressly provided in this Agreement, including without limitation the provisions of Section 2 hereof, and except for disclosure by the Company to its legal, accounting and other advisors, and/or in due diligence to potential investors, it is the express intention of the parties hereto that this Agreement and the provisions hereof be treated as confidential and not disclosed in any public manner other than disclosure (i) that is or may be required by a statute, by a court of law, by any governmental agency having

supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with jurisdiction to order that such information be divulged, disclosed or made accessible; provided, however, that the Executive shall give the Company notice of any such request or demand for such information upon his receipt of same and the Executive shall reasonably cooperate with the Company in any application the Company may make seeking a protective order barring disclosure by the Executive; (ii) that is made to the Executive's legal counsel or personal financial advisor and is reasonably necessary in connection with the Executive's consideration of the terms of this Agreement or the Executive's personal financial dealings, or (iii) that is made to a member of the Executive's immediate family; provided, however, that with respect to subsections (ii) and (iii) of this Section 8(c), any person to whom the Executive discloses such information has agreed in advance to maintain the confidentiality of such information consistent with the terms of this Agreement.

d) Beneficiaries. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be

payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

9. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

10. Notices. Notices, demands and all other communications provided for in this Agreement shall be in writing and shall be sent by messenger, overnight courier, certified or registered mail, postage prepaid and return receipt requested or by facsimile transmission to the parties at their respective addresses and fax numbers set forth below or to such other address or fax number as to which notice is given.

If to the Executive:
Dennis Benner
29906 Avenida Magnifica
Rancho Palos Verdes, CA 90274

If to the Company:
Autobytel Inc.
18872 MacArthur Boulevard
Irvine, CA 92612

Attention: General Counsel

Fax: (949) 862-1323

Notices, demands and other communications shall be deemed given on delivery thereof or, in the case of facsimile transmission, upon receipt of successful transmission from the transmitting facsimile machine.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. Entire Agreement; Effect on Employment Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, including, without limitation, the Employment Agreement, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by either party or by any officer, employee or representative of either party hereto.

13. Legal Fees. Each party shall bear its own legal fees and expenses in connection with the preparation and negotiation of this Agreement.

14. Review and Revocation. The Executive acknowledges that the Company has advised him to consult with an attorney of his choosing prior to signing this Agreement. The Executive understands and agrees that he has the right and

has been given the opportunity to review this Agreement and, specifically, the release in Section 7 hereof, with an attorney of his choice. The Executive also understands and agrees that he has entered into this Agreement freely and voluntarily. The Executive has twenty-one (21) days to consider the release of his rights under ADEA, although he may sign this Agreement sooner if he so desires. Furthermore, once the Executive has signed this Agreement, he has seven (7) additional days from the date he signs it to revoke his consent to the release of his rights under ADEA. The Executive's release of his rights under ADEA will not become effective until seven (7) days after the date he has signed this Agreement (the day immediately following the expiration of such 7-day period being referred to herein as the "Revocation Date") and the payments and obligations of the Company set forth in this Agreement shall not become due unless and until the period for such revocation has expired with no such revocation by the Executive having occurred.

15. No Admission of Wrongdoing. The Company's offer to the Executive of this Agreement and the payments and benefits set forth herein is not intended to, and shall not be construed as, an admission of liability by the Company or of any improper conduct on the Company's part, all of which the Company specifically denies.

16. Representations of the Company. The Company represents and warrants to the Executive that the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized on behalf of the Company and that all corporate action required to be taken by the Company for the execution, delivery and performance of this Agreement including, without limitation, the performance of Section 1(b) hereof, has been or promptly will be duly and effectively taken. The Company acknowledges that the Executive has relied upon such representations and warranties in entering into this Agreement.

17. No Mitigation or Offsets. The Executive shall not be required to seek other employment or to reduce or otherwise mitigate any severance amount or benefit payable to him under this Agreement and no severance amount or benefit shall be reduced on account of any compensation received by the Executive from other employment. The Company's obligation to pay severance amounts and benefits under this Agreement shall not be reduced by any amount owed by the Executive to the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date set forth above.

Autobytel Inc.

/s/ Dennis Benner
- ----------
Dennis Benner

By: /s/ Ariel Amir

Executive Vice President and General Counsel

EXHIBIT 10.20

VOID IF ALTERED

[AUTOWEB LOGO]
A wholly owned subsidiary of Autobytel Inc.
18872 MacArthur Boulevard, Irvine, California 92612-1400
Tel. 949-225-4500*Fax 949-862-3042

GENERAL DEALER AGREEMENT

This General Dealer Agreement (the "Agreement") is entered into by and between _____,
(Legal Name of Dealership)

(DBA)_____. ("you" or "Dealer"),

a [ ] Corporation, [ ] LLC, [ ] Partnership, [ ] LLP, [ ] Sole Proprietor, [ ] Other _____ under the laws of the state of _____, located at _____ and Autoweb.com, Inc. a Delaware corporation ("we" or "Autoweb.com").

Recitals

Autoweb.com is committed to providing quality lead referral information to our Member Dealers. Through our Per Lead Fee Agreement, Autoweb.com and the dealer agree to the following:

What we agree to do:

- - Purchase Requests with verified customer information, accuracy of model, equipment and color

- - Dedicated Account Managers regionally assigned to member dealers

What you agree to do:

- - In a professional manner, respond to each customer inquiry within 24 hours

- - Offer up front pricing/information to the consumer during the first contact or when appropriate

- - Notify us promptly if there are personal or contact information changes within the dealership

Per Lead Fee Agreement

Now therefore, for good and valuable consideration, the receipt and sufficiency is hereby acknowledged, the parties agree as follows:

FOR NEW VEHICLE INQUIRIES, we will invoice you and you agree to pay _____ dollars ($_____) for each Inquiry.

Inquiries invoiced on a monthly basis will include only those Inquiries from those zip codes that lie in whole or in part within the Specified Radius Distance(s) for each Franchise. (Please See Franchise Information sheet) The dealer will also be charged for additional zip codes the dealer chooses that are outside the specified radius. Each billing will be for the previous month's Inquiries delivered to you. You agree to pay the invoice within thirty (30) days even if all the Inquiries are not Qualified Inquiries. A QUALIFIED INQUIRY IS AN INQUIRY THAT IS DELIVERED TO YOU AND THAT HAS A NAME AND A VALID TELEPHONE NUMBER OR EMAIL ADDRESS. If you believe that an Inquiry charged to you is not a Qualified Inquiry and you inform us in writing, on a form we will provide to you, within thirty (30) days of the invoice date, we will issue you a credit toward your account for an Inquiry that is not a Qualified Inquiry. We will also credit you for duplicate Inquiries ("Duplicate Inquiry") in the same manner. A Duplicate Inquiry is a second Inquiry generated from the Autoweb.com Site and received from the same person within seventy-two (72) hours. You understand and agree that an Inquiry is an expression of interest on the part of a consumer and that it does not necessarily lead to a sale of a vehicle. You also agree to pay Autoweb a $_____ start-up fee upon your execution of this Agreement.

DG# _____ Region name: _____
AL-Aweb agree Flex

Acceptance. This Agreement becomes valid and binding upon acceptance by Autoweb (the "Effective Date"). Upon acceptance, Autoweb shall mail a copy of the fully executed Agreement to you. Until accepted, meaning executed and activated by Autoweb, this Agreement shall not be binding on Autoweb and shall have no force or effect.

Term and Termination
After the Dealer has been on the program for (the "Initial Term") 3 MONTHS _____ 6 MONTHS _____ 12 MONTHS_____, the contract will automatically renew on each consecutive "Initial Term" anniversaries until or unless the contract is cancelled. Either party may terminate this Agreement for any reason, after (90) days from the "Effective Date" upon thirty (30) days' written notice and upon payment to Autoweb.com of any unpaid invoices or accrued charges throughout the last day of the month within which the thirty (30) day termination notice expires.

IN WITNESS WHEREOF, the parties have executed this General Dealer Agreement as of the date signed below.

DEALER:	AUTOWEB.COM, INC.
_____ (Legal name of dealership)	
By: _____ (Signature)	By: _____ (Signature)
Name: _____ (Printed)	Name: _____
Title: _____ (Printed)	Title: _____
Date: _____	Date: _____

DG# _____ Region name: _____
AL-Aweb agree Flex

Rev 1/24/02

VOID IF ALTERED

GENERAL DEALER AGREEMENT

BILLING REQUEST

Autoweb.com will remit _____ (___) monthly bill(s) with supporting documentation for all franchises to the following address:

[ ] Individual Store Billing
[ ] One Central Billing Location listed below:

$ Amount contracted for per lead

Total number of rooftops contracted for:

Total number of franchises contracted for:

Existing Dealer ID #:

Current A/R Amount: Start Date:

ROOFTOP 1 INFORMATION

Dealership:

Address:

City: ST: Zip:

Dealership web address:

Management Contact Information:

Name:

Job title:

Phone: Fax:

Franchises managed at this location:

Date:

BILLING LOCATION INFORMATION

Dealership:

Address:

City: ST: Zip:

BILLING CONTACT INFORMATION:

Name:

Job title:

Phone: Fax:

Email address:

FRANCHISE 1 INFORMATION
Dealership:

Franchise:

Center Zip: Radius:

Number of estimated leads @ set-up:

Lead Contact Information:
Name:

Job title:

Phone: Fax:

Email Adress

Lead delivery information (email address, fax #, XML):

- ---

Dealership authorized agent signature:

DG# _____ Region name: _____
AL-Aweb agree Flex

Rev 1/24/02 VOID IF ALTERED

EXHIBIT 10.26

CARSMART.COM
INTERNET MARKETING AGREEMENT
A.I.N. CORPORATION A WHOLLY OWNED SUBSIDIARY OF AUTOBYTEL INC.
18872 MacArthur Boulevard, Irvine, California 92612-1400
Tel. 949-225-4500*Fax 949-862-3042

THIS AGREEMENT, dated _____ is entered into by A.I.N. Corporation, a Delaware corporation ("AIN"), and _____ ("Dealer"). (Legal Name of Dealership)

PURPOSE OF AGREEMENT: This Agreement sets forth the terms and conditions of Dealer's participation in the CarSmart.com(R)Internet Marketing Program (herein referred to as "Program") and the mutual obligation of Dealer and A.I.N. in connection therewith.

1. OBLIGATIONS OF AIN: In consideration of Dealer's fulfilling all of the obligations herein set forth, AIN agrees, for the term of this Agreement, to include Dealer as a participating dealer in the Program. The Program may from time-to-time be redefined and changed by AIN to afford Dealer the promotional, training, advertising and other benefits of participation therein. AIN shall provide a marketing program on the Internet to attract potential buyers and shall forward information regarding the potential buyers identified for the make(s) set forth below and in the territory (defined below) of the Dealer. Additionally, AIN will:

a) Grant Dealer a non-exclusive license that will allow dealer access to an automated consumer tracking and communications system.

b) Use reasonable efforts to forward consumer information to Dealer within 60 minutes of receipt from consumer.

2. OWNERSHIP OF PROGRAM AND INTELLECTUAL PROPERTY: AIN warrants that it is the lawful holder of the federally registered trademark CarSmart(R) and that it is the owner and operator of the CarSmart(R) web site located at URL www.carsmart.com. The Program services to be provided hereunder by AIN, together with any modifications and/or improvements therein made by AIN or Dealer during the term of this Agreement and all copies thereof, are proprietary to AIN and title thereto remains in AIN. All applicable rights to patents, copyrights, trademarks and trade secrets in the Program and in the name "CarSmart" and its logos are and shall remain the sole property of AIN.

3. OBLIGATIONS OF DEALER: Dealer understands and agrees that the Program is intended to identify for Internet consumers, ethical automobile dealers who are ready, willing, and able to provide new vehicles at a fair price and without the anxiety and hassle frequently associated with the process of acquiring a new vehicle. Dealer agrees and warrants that all of Dealer's dealings hereunder will be completely fair and in accordance with the highest ethical standards. Additionally, Dealer agrees:

a) To provide a bonafide price quote to all CarSmart consumers via telephone, fax or e-mail.

b) To provide such price quote within 6-8 business hours after receiving request.

c) To extend to consumers, courteous, ethical service in connection with the purchase of vehicles.

d) To price any vehicle included in the Program competitively with that price which a knowledgeable and diligent buyer can generally obtain for the same model, similarly equipped, from the Dealer or from other dealers within the Dealer's marketing area.

e) To offer any dealer-installed optional equipment or service, including extended service contracts, that the consumer wishes to purchase with the automobile at a fair mark-up, so as not to exceed Dealer's average selling price for that equipment or service.

f) That consumers may special-order models covered by the Program at the same competitive price.

g) That all of the terms and conditions contained in Dealer information transmitted to consumers shall remain in full force and effect and be binding upon Dealer for a period of seven (7) days after its transmittal (including transmittal by e-mail or facsimile), provided the identified vehicle remains available for sale.

h) To offer consumers the better of dealer-advertised price and the

pre-arranged price set in the price quoted to or transmitted to consumers.

i) Not to interfere with the consumers' choice of financing institution. The benefits to consumers afforded under the Program shall not in any way be dependent upon financing the purchase or lease through any particular financing institution. Dealer further agrees not to solicit financing from any Credit Union member utilizing the Program. Dealer acknowledges violation of this term will cause immediate termination of this Agreement.

k) To appraise all trade-ins at, and to credit all trade-ins at, or above, their ACTUAL CASH VALUE notwithstanding any discount being afforded under the Program.

l) At its sole cost and expense, to provide the computer and other office equipment necessary to use and receive the services to be provided hereunder by AIN.

m) That it is an independent contractor and not an agent or employee of AIN and that AIN does not have, nor shall it exercise, any right of control as to the personnel, business methods or means employed by the Dealer. Dealer at all times shall act in the capacity of an independent contractor and shall be exclusively responsible for its acts.

n) To have a minimum of one (1) CarSmart trained representative on staff. Dealer agrees to send dealership representative off-site to a CarSmart-conducted training seminar when conducted in Dealer's local geographic area.

o) To meet all legal requirements of the city and county in which it operates and to comply with all federal, state and local laws regulating Dealer's business.

4. TERRITORY OF DEALER: Subject to the terms and conditions set forth in this Agreement, AIN hereby grants to Dealer the exclusive (except in the State of Texas), non-transferable right to use the services of the Program, within the geographical area (zip code, county descriptions preferable), set forth in Appendix "A" attached hereto and incorporated herein by this reference (the "Territory"). In Texas, the Territory is deemed to be the area within the zip code where Dealer is located and there is no Appendix A. AIN reserves the right to redefine the Dealer's Territory upon 30 days written notice. Dealers in the State of Texas, acknowledge and agree that no exclusive Territory is granted by this Agreement.

5. INDEMNIFICATION: Dealer promises to indemnify and hold harmless AIN, its subsidiaries, parent, affiliates and respective members, managers, directors, officers, employees, and agents against any and all losses, liabilities, claims, awards, damages, judgments, settlements, and costs, including fees and expenses, arising out of or related to Dealer's negligence or wrongful conduct, or arising out of any third-party claim, including, but not limited to, any claim for damages by any person or entity regarding the purchase, lease and/or finance of a motor vehicle from Dealer or resulting from Dealer's utilization of AIN's services, or from any other act done or omitted to be done by Dealer in executing the terms of this Agreement. In the event AIN is served with notification of action or suit against Dealer, AIN will promptly notify Dealer of such claim.

6. Compensation to AIN: Dealer promises to pay AIN monetary fees for services rendered as follows:

a) Dealer agrees to pay AIN: A $ _____ Territory fee with Dealer's execution of this Agreement.

b) As additional ongoing consideration, Dealer agrees to pay AIN the amount of_____ _____ Dollars ($_____) as a total monthly Services Fee, which is due and payable in advance on the first day of every calendar month. The Services Fees for first and last month of the term shall be prorated and charged to Dealer at a daily fee rate equivalent to the total monthly service fee divided by the number of calendar days for the applicable month, multiplied by the number of calendar days services were rendered in the applicable month. The first and last months' total fee is due and payable concurrently with the execution of this Agreement. All fees paid to AIN pursuant to this Agreement are non-refundable, regardless of circumstances.

For the purpose of this section 6, the term "services" shall mean the forwarding of the Purchase Requests by AIN to Dealer. Services are deemed rendered at the

time a Purchase Request is forwarded by AIN to Dealer, and is not contingent upon an actual sale being consummated. AIN, in its sole discretion, may change the amount of the fees charged to Dealer including, but not limited to, the right to change the structure, method and/or basis of the fees at any time during the term of this Agreement. Any of the foregoing changes shall be effective upon thirty (30) days written notice to Dealer.

7. LATE PAYMENT: Payments received more than thirty (30) days following the invoice date shall be subject to a late fee of $25.00 and shall incur interest charges on the balance due at an annual percentage rate of eighteen (18.0%) percent per annum. AIN reserves the right to suspend services for any payment sixty (60) days or more past due until the account is brought current.

DG# _____ Region Name:_____ 2

]
Upon notification of any change in the amount of the fees charged to Dealer including, but not limited to, a change in the structure, method and/or basis of the fees, Dealer has the option to terminate this Agreement. In the event Dealer chooses to terminate, Dealer must notify AIN, in writing within 10 days of receipt of such notification. AIN shall not require an affirmative response from Dealer in the event Dealer chooses to accept the new terms as outlined in such notification.

8. TERM: This Agreement shall continue in full force and effect unless sooner terminated according to the provisions of this Agreement.

9. TERMINATION:

A. AIN may terminate this Agreement:

1) Immediately for any breach of this Agreement by Dealer which is not cured within ten (10) days after Dealer receives written notice of the breach from AIN.

2) Immediately if any fees due AIN under this Agreement are unpaid and outstanding more than (30) days after AIN makes a written request for payment.

3) Immediately upon the Dealer's sale or transfer of all, or substantially all, of its dealership assets and/or management and control.

4) Immediately upon a finding of Dealer's violation of state or federal law or conviction for such violation.

5) Immediately if an order for liquidation against Dealer is entered into.

6) Upon thirty (30) days written notice to Dealer, for any reason or no reason.

B. Dealer may terminate this Agreement:

1) Immediately, if an order for liquidation against AIN is entered and not stayed in a bankruptcy proceeding;

2) Immediately, if AIN is guilty of willful misconduct in the performance of its duties under this Agreement; or

3) Immediately for any breach of this Agreement by AIN which is not cured within ten (10) days after Dealer provides written notice of the breach to AIN; or

4) Upon thirty (30) days written notice to AIN, fir any reason or no reason.

Under any of the circumstances above in this section 9, Dealer shall remain responsible for all fees due and payable up through the effective date of the termination. Notwithstanding anything to the contrary contained herein, in the event that AIN terminates this Agreement as a result of Dealer's breach of any provision of this Agreement, whether material or otherwise, Dealer shall forfeit all fees previously paid, and such forfeiture shall not be in limitation of, but shall be in addition to, any other remedy which may be available to AIN as the result of such breach.

10. OBLIGATIONS UPON TERMINATION: Upon termination of this Agreement, regardless of the circumstances, AIN shall have no further obligation to Dealer under this Agreement and Dealer's participation in the Program shall cease. Dealer shall remain liable to AIN for any and all unpaid obligations due hereunder until paid in full.

11. ATTORNEYS FEES and COSTS: If any legal action is necessary to enforce the terms of this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees and costs in addition to any damages and other relief to which such party may be entitled.

12. GOVERNING LAW: This Agreement shall be governed by and interpreted under the laws of the State of California.

13. NO IMPLIED WARRANTY. LIMITATION OF LIABILITY: AIN makes no warranty regarding the performance of its services under this Agreement and Dealer specifically waives all warranties, expressed or implied arising out of, or in connection with, the services to be provided hereunder. In no event shall AIN be

liable for any loss of business profits, or any consequential, incidental, punitive or similar damages, or for the claims of damages made by any third party.

14. NO IMPLIED WAIVER: The failure by either party at any time to require performance by the other party of any provisions of this Agreement shall not affect the right to require such performance at any time thereafter.

Neither shall the waiver by either party of a breach of any provision of this Agreement be taken or held to be a waiver of the provision itself.

15. NOTICES: All notices, requests and consents given under this Agreement shall be in writing and shall be delivered by hand, an express mail service from which a delivery receipt may be obtained, by fax if delivery is confirmed or certified mail to:

If to AIN:
A.I.N. CORPORATION
CarSmart(R) ONLINE NETWORK
18872 MacArthur Boulevard
Irvine, Ca 92614-1400

If to Dealer:
(At the address shown on the attached Dealer Information Addendum)

16. ACCEPTANCE: This Agreement becomes valid and binding upon acceptance by AIN. Upon acceptance, AIN shall mail a copy of the fully executed Agreement to Dealer. Until executed by AIN, this Agreement shall not be binding on AIN and shall have no force or effect.

17. REQUISITE AUTHORITY: Each party signing this Agreement hereby represents that he/she is authorized on behalf of his/her respective corporation/entity to enter into this Agreement, and that each corporation/entity is in good standing under all applicable laws.

ENTIRE AGREEMENT: This Agreement contains the entire agreement between AIN and the Dealer and no modification or supplement to the terms hereof shall be binding unless in writing and signed by both parties.

AIN CORPORATION

By: _____

Title: Sr. VP Dealer & Customer Service

DEALER:

By: _____
(Signature)

Name: _____
(Printed)

Title: _____
(Printed)

DEALER INFORMATION ADDENDUM

ENTER INFORMATION IN EACH BOX CLEARLY AND COMPLETELY

Dealer's Legal Name

DBA

Address

List New Car Franchises

1) _____

2) _____

3) _____

4) _____

5) _____

DG# _____ Region Name: _____ 4

- ----------
City

- ----------
State

- ----------
Zip

( )
 ------ ----------
Telephone No.

( )
 ------ ----------
Fax No.

HOURS OF OPERATION:

Mon. - Fri. to
          ----- -------
Sat.   to
          ----- -------

Sun.   to
          ----- -------

Dealership Slogan:

==========

- ----------

COMPUTER SYSTEM TYPE:

ADP/R&R/Other:
              ----

6) ----------

7) ----------

8) ----------

DEALER E-MAIL ADDRESS:

1. @
  ---------- ----------

2. @
  ---------- ----------

DEALER WEB SITE:

http://www.

CONTACT INFORMATION:

CarSmart Rep:

CarSmart Rep:

Accounts Payable Contact:

[ ] CHECK IF PAYMENT IS ENCLOSED OR RECEIVED.
DEALER HAS VERIFIED ALL OF THE ABOVE FOR ACCURACY: _____
                                                   DEALER INITIALS

THE FOLLOWING EMPLOYEE CLASSIFICATIONS ARE AUTHORIZED TO
EXECUTE DOCUMENTS ON BEHALF OF THE DEALER:

- ------- Dealer Owner
- ------- GM
- ------- GSM
- ------- NCSM
- ------- Controller
- ------- F & I Manager
- ------- Office Manager
- -------

----- UCSM
----- Fleet Manager
----- Internet Manager
----- Business Manager
----- Service Manager

Other:

EXHIBIT 10.37

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This Amendment No. 1 to Employment Agreement ("Amendment") is made and entered into, at Irvine, California, as of the 30th day of January, 2002, by and between AUTOBYTEL INC. (FORMERLY AUTOBYTEL.COM INC.), a corporation duly organized under the laws of the State of Delaware (the "Company"), with offices at 18872 MacArthur Boulevard. Second Floor, Irvine, California, 92612-1400, and AMIT KOTHARI (hereinafter referred to as the "Employee"), who resides at 27 Union Jack #B, Marina del Ray, California 90292.

RECITALS

WHEREAS: The Company currently employs and desires to continue to employ the Employee as Vice President and Corporate Controller of the Company.

WHEREAS: The Employee is currently employed and desires to continue to be so employed by the Company.

WHEREAS: The Company and Employee desire to amend that certain Employment Agreement, dated as of August 30, 1999, between the Company and Employee (the "Employment Agreement") as set forth below.

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

ARTICLE 1

TERM OF EMPLOYMENT

1. Section 1.1 of the Employment Agreement is hereby amended in its entirety as set forth below:

"Section 1.1 The Company hereby employs the Employee as Vice President and Corporate Controller of the Company and the Employee hereby accepts such employment by the Company for a period of one (1) year (the "Term") commencing from January 30, 2002 (the "Commencement Date") and expiring on the first anniversary of the Commencement Date (the "Termination Date"), which term shall automatically renew for one year periods unless either party notifies the other of its election not to renew at least sixty (60) days prior to the Termination Date or any applicable anniversary of the Termination Date."

ARTICLE 2

COMPENSATION

2.1 Section 4.1 of the Employment Agreement is herby amended in its entirety as set forth below:

"Section 4.1 As compensation for the services to be rendered by the Employee pursuant to this Agreement, the Company hereby agrees to pay the Employee a base salary equal to at least One Hundred Seventy Five Thousand Dollars ($175,000.00) per year during the Term of this Agreement, which rate may be increased (but not reduced) in such amounts as the Board deems appropriate. The base salary shall be paid in substantially equal bimonthly installments, in accordance with the normal payroll practices of the Company."

2.2 Section 4.3 of the Employment Agreement is hereby amended in its entirety as set forth below:

"Section 4.3 The Company shall provide the Employee with the opportunity to earn an annual bonus for each fiscal year of the Company, occurring in whole or in part during the Term. The annual bonus payable to the Employee shall be in such amount and based on such criteria for the award as may be established by the Board from time to time."

2.3 Section 4.4 of the Employment Agreement is hereby amended in its entirety as set forth below:

"Section 4.4 The Employee shall participate in all other short term and long term bonus or incentive plans or arrangements in which other employees of the Company are eligible to participate from time to time. The Company may provide for shareholder approval of any performance based compensation and may provide for the compensation committee to establish any applicable performance goals and determine whether such performance goals have been met."

ARTICLE 3

TERMINATION OF EMPLOYMENT

3. Article 7 is hereby amended in its entirety to read as set forth below:

"ARTICLE 7 TERMINATION OF EMPLOYMENT

7.1 TERMINATION FOR CAUSE. The Company may, during the Term, without notice to the Employee, terminate this Agreement and discharge the Employee for Cause, whereupon the respective rights and obligations of the parties hereunder shall terminate; provided, however, that the Company shall immediately pay the Employee any amount due and owing pursuant to Articles 4, 5 and 6, prorated to the date of termination. As used herein, the term "for Cause" shall refer to the termination of the Employee's employment 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 crime or 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 which has a materially injurious effect on the business or reputation of the Company; or (iv) failure to consistently discharge his duties under this Agreement which failure continues for thirty (30) days following written notice from the Company detailing the area or areas of such failure. For purposes of this Section 7.1, 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 his action or omission was in the best interest of the Company. The Employee shall have the opportunity to cure any such acts or omissions (other than item (i) above) within fifteen (15) days of the Employee's receipt of a notice from the Company finding that, in the good faith opinion of the Company, the Employee is guilty of acts or omissions constituting "Cause".

7.2 TERMINATION WITHOUT CAUSE. Anything in this Agreement to the contrary notwithstanding, the Company shall have the right, at any time in its sole and subjective discretion, to terminate this Agreement without Cause upon not less than thirty (30) days prior written notice to the Employee. The term "termination without Cause" shall mean the termination of the Employee's employment for any reason other than those expressly set forth in Section 7.1, or no reason at all, and shall also mean the Employee's decision to terminate this Agreement by reason of any act, decision or omission by the Company or the Board that: (A) materially adversely modifies, reduces, changes, or restricts the Employee's salary, bonus opportunities, options or other compensation benefits or perquisites, or the Employee's authority, functions, services, duties,

rights, and privileges as, or commensurate with the Employee's position as, Vice President and Corporate Controller of the Company as described in Section 2.1 hereof or; (B) relocates the Employee without his consent from the Company's offices located at 18872 MacArthur Boulevard, Irvine, California, 92612-1400 to any other location in excess of fifty (50) miles beyond the geographic limits of Irvine, California; (C) deprives the Employee of his titles and positions of Vice President and Corporate Controller of the Company, it being understood that this applies only to reduction in title and position; or (D) involves or results in any 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 notice thereof given by the Employee (each a "Good Reason"). In the event the Company or the Employee shall exercise the termination right granted pursuant to this Section 7.2, the Company shall, within thirty (30) days of notice of termination to or from the Employee (as the case may be), pay to the Employee in a single lump-sum payment the base salary that would have been received by the Employee if he had remained employed by the Company for an additional six months; provided, however, that for purposes of calculating the payment pursuant to this sentence, the Employee's base salary per year shall be the highest rate in effect during the Term. The Company also shall continue to provide to the Employee and his beneficiaries, at its sole cost, the insurance coverages provided by the Company as of the date of termination to the extent he would have received such insurance coverages had he remained employed by the Company for an additional six months.

7.3 TERMINATION FOR DEATH OR DISABILITY. The Employee's employment shall terminate automatically upon the Employee's death during the Term. If the Company determines in good faith that the Disability (as defined below) of the Employee has occurred during the Term, it shall give written notice to the Employee of its intention to terminate his employment. In such event, the Employee's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Employee, provided that, within the thirty (30) days after such receipt, the Employee shall not have returned to full-time performance of his duties.

For purposes of this Agreement, "Disability" shall mean the inability of the Employee to perform his 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.

7.4 TERMINATION WITHOUT GOOD REASON. Anything in this Agreement to the contrary notwithstanding, the Employee shall have the right, at any time in his sole and subjective discretion, to terminate this Agreement without Good Reason upon not less than thirty (30) days prior written notice to the Company. In the event the Employee voluntarily terminates his employment hereunder other than for Good Reason, the respective rights and obligations of the parties hereunder shall terminate; provided, however, that the Company shall immediately pay the Employee any amount due and owing pursuant to Articles 4, 5 and 6, prorated to the date of termination.

7.5 OPTIONS.

(a) As of the date of the Employee's termination for Cause, any unvested or unexercised portion of any option shall terminate immediately and shall be of no further force or effect.

(b) As of the date of the Employee's termination by the Company without Cause, other than for Disability or death, or by the Employee for Good Reason, any unvested portion of any option shall become immediately and fully vested.

(c) As of the date of any voluntary termination of employment with the Company by the Employee,

including due to death or Disability but excluding for Good Reason, or termination of employment by the Company for Disability or death, any unvested portion of any option shall terminate immediately and shall be of no further force or effect."

ARTICLE 4

NO MITIGATION OR OFFSET; INSURANCE

4. Article 9 of the Employment Agreement is hereby amended by adding the following sections 9.13 and 9.14:

"Section 9.13 MITIGATION. The Employee shall not be required to seek other employment or to reduce any severance benefit payable to him under Article 7 hereof, and no severance benefit shall be reduced on account of any compensation received by the Employee from other employment. The Company's obligation to pay severance benefits under this Agreement shall not be reduced by any amount owed by the Employee to the Company.

Section 9.14 INDEMNIFICATION; INSURANCE.

(a) If the Employee is a party or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, or appeal therefrom, whether civil, criminal, administrative, investigative or otherwise, because he is or was an officer of the Company, or at the express request of the Company is or was serving, for purposes reasonably understood by him to be for the Company, as a director, officer, partner, employee, agent or trustee (or in any other capacity of an association, corporation, general or limited partnership, joint venture, trust or other entity), the Company shall indemnify the Employee against any reasonable expenses (including attorneys' fees and disbursements), and any judgments, fines and amounts paid in settlement incurred by him in connection with such claim, action, suit, proceeding or appeal therefrom to the extent such expenses, judgments, fines and amounts paid in settlement were not advanced by the Company on his behalf pursuant to subsection (b) below, to the fullest extent permitted under Delaware law. The Company shall provide Employee with D&O insurance coverage as the Company may maintain from time to time.

(b) Provided that the Employee shall first have agreed to in writing to repay such amounts advanced if it is determined by an arbitrator or court of competent jurisdiction that the Employee was not entitled to indemnification, upon the written request of the Employee specifying the amount of a requested advance and the intended use thereof, the Company shall indemnify Employee for his expenses (including attorneys' fees and disbursements), judgments, fines and amounts paid in settlement incurred by him in connection with such claim, action, suit, proceeding or appeal whether civil, criminal, administrative, investigative or otherwise, in advance of the final disposition of any such claim, action, suit, proceeding or appeal therefrom to the fullest extent permitted under Delaware law."

ARTICLE 5

MISCELLANEOUS

5. The terms and conditions of this Amendment shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

6. This Amendment shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the principles of conflict of laws thereof, except that the indemnification provisions of Section 9.14 of the Employment Agreement, as amended hereby, shall be governed by Delaware law without regard to conflict of laws principles.

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

8. Except as amended hereby, the Employment Agreement shall remain in full force and effect in accordance with its terms.

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

AUTOBYTEL INC.

By: /s/ Jeffrey A. Schwartz

Jeffrey A. Schwartz
Chief Executive Officer and President

/s/ Amit Kothari

Amit Kothari

EXHIBIT 10.46

AMENDMENT NO. 2 TO THE AUTOBYTEL.COM INC. 2000 STOCK OPTION PLAN

This Amendment No. 2 ("Amendment No. 2") dated as of January 30, 2002 to the autobytel.com inc. 2000 Stock Option Plan, as amended (the "Plan") is adopted by the Board of Directors (the "Board") of Autobytel Inc. (the "Company") pursuant to Section 8.1 of the Plan.

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

1. Section 3.1 of the Plan is hereby amended and restated in its entirety as follows:

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

2. Section 4.4 of the Plan is hereby amended and restated in its entirety as follows:

> "4.4. Outstanding Stock. For purposes of Section 4.2 above, "outstanding stock" shall include all stock actually issued and outstanding immediately after the grant of the Option to the Participant. "Outstanding stock" shall not include shares authorized for issue under outstanding Options held by the Participant or by any other person."

3. Section 6.1(a) of the Plan is hereby amended and restated in its entirety as follows:

> "(a) The Administrator may from time to time, subject to the terms of this Plan, grant to any Participant one or more Options

but in no event may any such Participant receive Options under this Plan of more than 500,000 Shares during any one calendar year; provided, however, that the Special Committee may from time to time grant Options to eligible persons not described in Section 16 of the Exchange Act. Each Option grant shall be evidenced by a written Stock Option Agreement, dated as of the date of grant and executed by the Company and the Optionee, which Stock Option Agreement shall set forth the number of Options granted, whether the Options are Incentive Stock Options or Nonstatutory Stock Options, the Option Price, the Option Term and such other terms and conditions as may be determined appropriate by the Administrator (or the Special Committee), provided that such terms and conditions are not inconsistent with this Plan. The Stock Option Agreement shall incorporate this Plan by reference and provide that any inconsistencies or disputes shall be resolved in favor of this Plan language."

4. Section 6.6(b) of the Plan is hereby amended and restated in its entirety as follows:

"(b) Options shall be exercisable in full or in such equal or unequal installments as the Administrator (or the Special Committee) shall determine; provided that if an Optionee does not purchase all of the Shares which the Optionee is entitled to purchase on a certain date or within an established installment period, the Optionee's right to purchase any unpurchased Shares shall continue during the Option Term (taking into account any early termination of such Option Term which may be provided for under this Plan); provided, further that an Optionee who is not an officer, director or consultant shall have the right to exercise at least 20% of the options granted per year over five (5) years from the grant date."

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

IN WITNESS WHEREOF, the Board has caused this Amendment No. 2 to be duly executed as of the day and year first above written.

AUTOBYTEL INC.

By: /s/Ariel Amir

Name: Ariel Amir

Title: Executive Vice President and General Counsel

EXHIBIT 10.54

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made and entered into, at Irvine, California, as of the 17th day of December, 2001, by and between Autobytel Inc., a corporation duly organized under the laws of the State of Delaware (the "Company"), with offices at 18872 MacArthur Boulevard, Second Floor, Irvine, California 92612-1400, and Jeffrey Schwartz (hereinafter referred to as the "Executive"), who resides at 24950 Norman's Way, Calabasas, California 91302.

RECITALS

WHEREAS, the Executive has been employed by the Company as Vice Chairman.

WHEREAS, in recognition of the Executive's skill and dedication to the Company, the Company wishes to employ the Executive as its President and Chief Executive Officer.

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

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

ARTICLE 1

TERM OF EMPLOYMENT

The Company hereby employs the Executive as President and Chief Executive Officer and the Executive hereby accepts such employment by the Company for a period of two (2) years (the "Term") commencing on December 5, 2001 (the "Commencement Date") and expiring on the second anniversary of the Commencement Date (the "Termination Date"), which term shall automatically renew for one year periods unless either party notifies the other of its election not to renew at least one hundred eighty (180) days prior to the Termination Date or any applicable anniversary of the Termination Date. Notwithstanding the above, in the event of a Change of Control of the Company prior to the Termination Date or any extension thereof and while the Executive remains employed by the Company, the Term shall automatically extend for a period of two (2) years commencing from the date of the Change of Control. For purposes of this Agreement "Change of Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation but not including any underwritten public offering registered under the Securities At of 1933 ("Public Offering")) in one or a series of related transactions of all or substantially all of the assets of the Company taken as a whole to any individual, corporation, limited liability company, partnership or other entity (each a

"Person") or group of Persons acting together (each a "Group") (other than any of the Company's wholly-owned subsidiaries or any Company employee pension or benefits plan), (ii) the adoption of a plan relating to the liquidation or dissolution of the Company, (iii) the consummation of any transactions (including any stock or other purchase, sale, acquisition, disposition, merger, consolidation or reorganization, but not including any Public Offering) the result of which is that any Person or Group (other than any of the Company's wholly-owned Subsidiaries, any underwriter temporarily holding securities pursuant to a Public Offering or any Company employee pension or benefits plan), becomes the beneficial owners of more than 40 percent (40%) of the aggregate voting power of all classes of stock of the Company having the right to elect directors under ordinary circumstances; or (iv) the first day on which a majority of the members of the board of directors of the Company (the "Board") are not individuals who were nominated for election or elected to the Board with the approval of two-thirds of the members of the Board just prior to the time of such nomination or election. During the Term and any extension thereof Company shall cause Executive to be elected to the Board of Directors of Company provided, however, upon the termination of employment, as provided for in Article 6 hereof, Executive shall immediately resign from the Board of Directors.

ARTICLE 2

DUTIES AND OBLIGATIONS

2.1 DUTIES. During the Term of this Agreement, the Executive shall: (i) devote his full business time, attention and energies to the business of the Company; (ii) shall use his best efforts to promote the interests of the Company; (iii) shall perform such functions and services as President and Chief Executive Officer as shall be directed by the Board; (iv) shall act in accordance with the policies and directives of the Company; and (v) shall report directly to the Board.

2.2 RESTRICTIONS. Except as provided in Section 9.2(i), the Executive covenants and agrees that, while actually employed by the Company, he shall not engage in any other business duties or pursuits whatsoever, or directly or indirectly render any services of a business or commercial nature to any other Person including, but not limited to, providing services to any business that is in competition with or similar in nature to the Company, whether for compensation or otherwise, without the prior written consent of the Board. However, the expenditure of reasonable amounts of time for educational, charitable, or professional activities shall not be deemed a breach of this Agreement, if those activities do not materially interfere with the services required under this Agreement, and such activities shall not require the prior written consent of the Board. Notwithstanding anything herein contained to the contrary, this Agreement shall not be construed to prohibit the Executive from making passive personal investments or conducting personal business, financial or legal affairs or other personal matters if those activities do not materially interfere with the services required hereunder. In addition to the foregoing, notwithstanding anything contained herein to the contrary, this Agreement shall not be construed to prohibit the Executive from serving as a director or board

member of any other corporation, company, or other business entity, subject to the approval of the Board.

2.3 LOCATION. The principal location in which the Executive's services are to be performed will be the Irvine, California area. The Executive shall not be required to change such principal location in excess of fifty miles beyond the geographic limits of Irvine, California, without his consent.

ARTICLE 3

COMPENSATION

3.1 BASE SALARY. As compensation for the services to be rendered by the Executive pursuant to this Agreement, the Company hereby agrees to pay the Executive a base salary equal to at least Three Hundred Twenty-Five Thousand Dollars ($325,000.00) for the first year of the Term of this Agreement and Three Hundred Fifty Thousand Dollars ($350,000.00) for the second year of the Term of this Agreement, which rate shall be reviewed by the Board at least annually and may be increased (but not reduced) by the Board in such amounts as it deems appropriate. The base salary shall be paid in substantially equal bimonthly installments, in accordance with the normal payroll practices of the Company.

3.2 BONUSES. The Board may, in its sole discretion, provide the Executive with the opportunity to earn an annual bonus for each fiscal year of the Company, occurring in whole or in part during the Term. The annual bonus, if any, payable to the Executive shall be equal to up to fifty percent (50%) of the Executive's then current base salary, based on such criteria as may be established by the Board, in its sole discretion, from time to time. The Executive shall participate in all other short term and long term bonus or incentive plans or arrangements in which other senior executives of the Company are eligible to participate from time to time. Any bonus shall be paid as promptly as practicable following the end of the preceding fiscal year. The provisions of this Section 3.2 shall be subject to the provisions of Section 3.4.

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

3.4 RIGHT TO SEEK APPROVAL. The Company may provide for shareholder approval of any performance based compensation provided herein and may provide for the compensation committee to establish any applicable performance goals and determine whether such performance goals have been met.

ARTICLE 4

EMPLOYEE BENEFITS

4.1 BENEFITS. The Company agrees that the Executive shall be entitled to all ordinary and customary perquisites afforded generally to executive employees of the Company (except to the extent employee contribution may be required under the Company's benefit plans as they may now or hereafter exist), which shall in no event be less than the benefits afforded to the Executive on the date hereof and generally to the other executive employees of the Company as of the date hereof or from time to time, but in any event shall include any qualified or non-qualified pension, profit sharing and savings plans, any death benefit and disability benefit plans, life insurance coverages, any medical, dental, health and welfare plans or insurance coverages and any stock purchase programs that are approved in writing by the Board, in its sole discretion, on terms and conditions at least as favorable as provided to the Executive on the date hereof and other senior executives of the Company as of the date hereof or from time to time.

4.2 VACATION. The Executive shall be entitled to four (4) weeks of paid vacation for each full calendar year of his employment hereunder, which, to the extent unused in any given year, may be carried over in accordance with the policies of the Company then in effect. Notwithstanding anything to the contrary, however, the Executive shall not be entitled to carry over any unused vacation for a period exceeding two (2) years provided, however, that any such unused vacation time which is not allowed to be carried over shall be cashed out by the Company according to its value at the time of such payment. Subject to the limitations set forth in this Section, the Executive shall carry over any accrued unused vacation he has earned during his employment with Autoweb.com, Inc. through the time of the Commencement Date.

4.3 AUTOMOBILE. The Executive shall be entitled to a car allowance of One Thousand Five Hundred Dollars ($1,500.00) per month during the Term.

ARTICLE 5

BUSINESS EXPENSES

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

5.2 TRAVEL COSTS. The Company shall reimburse the Executive for expenses incurred with business-related travel. Notwithstanding the above, the Company shall not pay or reimburse the Executive for the costs of any business-related airline travel to the extent such costs exceed the cost of Business Class unless, at the time of travel, Business Class is not available, in which case the travel may be by First Class.

5.3 RECORDS. As a condition to reimbursement under this Article 5, the Executive shall furnish to the Company adequate records and other documentary evidence required by federal and state statutes and regulations for the substantiation of each expenditure. The Executive acknowledges and agrees that failure to furnish the required documentation may result in the Company denying all or part of the expense for which reimbursement is sought.

ARTICLE 6

TERMINATION OF EMPLOYMENT

6.1 TERMINATION FOR CAUSE. The Company may, during the Term, without notice to the Executive, terminate this Agreement and discharge the Executive for Cause, whereupon the respective rights and obligations of the parties hereunder shall terminate; provided, however, that the Company shall immediately pay the Executive any amount due and owing pursuant to Articles 3, 4, and 5, prorated to the date of termination. As used herein, the term "for Cause" shall refer to the termination of the Executive's employment as a result of any one of the following: (i) any conviction of, or pleading of nolo contendere or guilty by, the Executive for any misdemeanor involving moral turpitude which if committed at the work place or in connection with employment would have constituted violation of Company policy or felony; (ii) any willful misconduct of the Executive which has a materially injurious effect on the business or reputation of the Company; (iii) the gross dishonesty of the Executive which has a materially injurious effect on the business or reputation of the Company; or (iv) a material failure to consistently discharge his duties under this Agreement 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 his Disability as defined below. For purposes of this Section 6.1, no act or failure to act, on the part of the Executive, shall be considered "willful" if it is done, or omitted to be done, by the Executive in good faith or with reasonable belief that his action or omission was in the best interest of the Company. The Executive shall have the opportunity to cure any such acts or omissions (other than item (i) above) within thirty (30) days of the Executive's receipt of a notice from the Company finding that, in the good faith opinion of the Company, the Executive is guilty of acts or omissions constituting "Cause".

6.2 TERMINATION WITHOUT CAUSE. Anything in this Agreement to the contrary notwithstanding, the Company shall have the right, at any time in its sole discretion, to terminate this Agreement without Cause upon not less than thirty (30) days prior written notice to the Executive. The term "Termination Without Cause" shall mean the termination of the Executive's employment for any reason other than those expressly

set forth in Section 6.1, or no reason at all, and shall also mean the Executive's decision to terminate this Agreement by reason of any act, decision or omission by the Company or the Board that: (A) materially modifies, reduces, changes, or restricts the Executive's salary, bonus opportunities, options or other compensation benefits or perquisites, or the Executive's authority, functions, or duties as President and Chief Executive Officer and/or his position as a member of the Board; (B) deprives the Executive of his title(s) and/or position(s) of President or Chief Executive Officer or member of the Board; (C) relocates the Executive without his consent from the Company's offices at 18872 MacArthur Boulevard, Irvine, California 92612-1400 to any other location in excess of fifty (50) miles beyond the geographic limits of Irvine, California, or (D) involves or results in any 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 notice thereof given by the Executive (each a "Good Reason"). In the event the Company or the Executive shall exercise the termination right granted pursuant to this Section 6.2, the Company shall, within thirty (30) days of notice of termination to or from the Executive (as the case may be), begin to pay to the Executive the base salary of the Executive in each of twenty-four (24) months following the exercise of such termination right; provided, however, that for purposes of calculating the payment pursuant to this sentence, the Executive's base salary year shall be the highest rate in effect during the Term as it may be extended hereunder. The Company also shall (i) continue to provide to the Executive and his beneficiaries, at its sole cost, the insurance coverages referred to in Section 4.1, and (ii) within thirty (30) days of notice of termination to or from the Executive, pay to the Executive in lump single lump-sum payment the aggregate cost of the benefits (other than insurance coverages) under Section 4.1, in each case to the extent he would have received such insurance coverages and benefits had he remained employed by the Company for twenty-four (24) months following such termination.

6.3 TERMINATION FOR DEATH OR DISABILITY. The Executive's employment shall terminate automatically upon the Executive's death during the Term. If the Company determines in good faith that the Disability (as defined below) of the Executive has occurred during the Term, it shall give written notice to the Executive of its intention to terminate his employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive, provided that, within the thirty (30) days after such receipt, the Executive shall not have returned to full-time performance of his duties.

For purposes of this Agreement, "Disability" shall mean the inability of the Executive to perform his duties to the Company on account of physical or mental illness or incapacity for a period of one hundred and eighty (180) consecutive calendar days, or for a period of two hundred ten (210) calendar days, whether or not consecutive, during any three hundred sixty-five (365) day period. The Company hereby agrees that at all times prior to the Termination Date or any extension thereof, the Company shall provide Executive with disability insurance coverage which is substantially comparable to the coverage the Company provides to Executive on the date hereof.

6.4 TERMINATION WITHOUT GOOD REASON. Anything in this Agreement to the contrary notwithstanding, the Executive shall have the right, at any time in his sole discretion, to terminate this Agreement without Good Reason upon not less than thirty (30) days prior written notice to the Company. In the event the Executive voluntarily terminates his employment hereunder other than for Good Reason, the respective rights and obligations of the parties hereunder shall terminate; provided, however, that the Company shall immediately pay the Executive any amount due and owing pursuant to Articles 3, 4 and 5, prorated to the date of termination.

6.5 TERMINATION PRIOR TO OR FOLLOWING A CHANGE OF CONTROL. Notwithstanding the foregoing:

(a) in the event the employment of the Executive is terminated during the first twelve (12) months following, a Change of Control either (i) by the Executive for Good Reason or (ii) by the Company other than for Cause, Disability or death, then, the provisions of Section 6.2 shall not apply, and the Company shall, within thirty (30) days of notice of termination to the Executive, pay to the Executive in a single lump-sum payment the base salary that the Executive would have received if he had remained employed by the Company for two (2) years (calculated at the highest base salary rate during the Term). In addition, the Company shall continue for two (2) years to provide the Executive and his beneficiaries, at its sole cost, the insurance coverage provided in Section 4.1. For purposes of this Section 6.5, "Term" shall be the period of time of this Agreement as defined by Article 1, which includes any extension thereof by reason of a Change of Control prior to the Termination Date.

(b) if, within six (6) months following the delivery of a notice of termination to or from the Executive in accordance with Section 6.2, a Change in Control occurs, the Company shall, within thirty (30) days following the date of such Change in Control, pay to the executive an amount equal to (x) minus (y) where (x) is equal to the benefits the Executive is entitled to receive pursuant to Section 6.5 and (y) is equal to the benefits the Executive is entitled to receive pursuant to Section 6.2.

6.6 OPTIONS. As further consideration for the services rendered by the Executive during the Term, the Executive is being granted stock options to purchase shares of the Company's common stock pursuant to the stock option agreements of even date herewith. Anything in this Agreement to the contrary notwithstanding, upon the Executive's termination under this Article 6, the Company's obligations with respect to any stock option to purchase shares of the Company's common stock granted to the Executive shall be determined by the terms and conditions of such option as set forth in the Executive's written option agreement regarding such option. The parties hereto expressly acknowledge that any and all options previously granted to Executive by the Company shall remain in full force and effect in accordance with their respective terms. Without limitation, such options include those Options referenced in Article 10.1 of the Employment Agreement between Executive and Company dated August 14, 2001

("Initial Agreement"), the options referenced in Exhibit A to the Initial Agreement and all stock options which have been granted to Executive under either the 1999 or the 2000 Stock Option Plans and all Employee Stock Option Agreements dated August 14, 2001, or as otherwise may be applicable.

ARTICLE 7

PARACHUTE TAX INDEMNITY

7.1 GROSS-UP PAYMENT.

(a) If it shall be determined that any amount paid, distributed or treated as paid or distributed by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, any stock option agreement between Executive and the Company or otherwise, but determined without regard to any additional payments required under this Article 7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including without limitation, any income taxes (including any interest or penalties imposed with respect thereto) and Excise Tax imposed on the Gross-up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments, provided, however, that in no event will the amount of the Gross-Up Payment payable pursuant to this Article 7 exceed One Million Dollars ($1,000,000.00).

(b) The determinations of whether and when a Gross-Up Payment is required under this Article 7 shall be made by independent tax counsel (the "Tax Counsel") based on its good faith interpretation of applicable law. The amount of such Gross-Up Payment and the valuation assumptions to be utilized in arriving at such determination shall be made by an independent nationally recognized accounting firm (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. The Tax Counsel and Accounting Firm shall initially be appointed by the Company after consultation in good faith with the Executive and subject to the approval of the Executive (which approval shall not be unreasonably withheld), provided, however, that if the potential amount of the Gross-Up Payment (but for the limit in Section 7.1(a)) could exceed One Million Dollars ($1,000,000.00), the Executive shall have the opportunity to appoint a new Tax Counsel and Accounting Firm after consultation in good faith with the Company. If the Tax Counsel and Accounting Firm selected by the Company determine that the amount of the Gross-Up Payment is less than

One Million Dollars ($1,000,000.00), but Executive provides an opinion of a second independent Tax Counsel that the Gross-Up Payment (but for the limit- in Section 7.1(a)) could be greater than One Million Dollars ($1,000,000.00), then Executive shall be entitled to appoint the Tax Counsel and the Accounting Firm after consultation in good faith with the Company and subject to the approval of the Company (which approval shall not be unreasonably withheld). All fees and expenses of any Tax Counsels and Accounting Firms referred to above shall be borne by the Company. Any Gross-Up Payment, as determined pursuant to this Article 7, shall be paid by the Company to the Executive within ten (10) days of the receipt of the Accounting Firm's determination. Any determinations by the Tax Counsel and Accounting Firm shall be binding upon the Company and the Executive, provided, however, if it is later determined that there has been an underpayment of Excise Tax and that Executive is required to make an additional Excise Tax payment(s) on any Payment or Gross-Up Payment, the Company shall provide a similar full gross-up on such additional liability , subject to the overall One Million Dollars ($1,000,000.00) limit set forth in Section 7.1(a).

(c) For purposes of any determinations made by any Tax Counsel and Accounting Firm acting under Section 7.1(b):

(i) All Payments and Gross-Up Payments with respect to Executive shall be deemed to be "parachute Payments" under Section 280G(b) (2) of the Code and to be "excess parachute payments" under Section 280G(b) (1) of the Code that are fully subject to the Excise Tax under Section 4999 of the Code, except to the extent (if any) that such Tax Counsel determines in writing in good faith that a Payment in whole or in part does not constitute a "parachute payment" or otherwise is not subject to Excise Tax;

(ii) The value of any non-cash benefits or deferred or delayed payments or benefits shall be determined in a manner consistent with the principles of Section 280G of the Code; and

(iii) Executive shall be deemed to pay federal, state and local income taxes at the actual maximum marginal rate applicable to individuals in the calendar year in which the Gross-Up Payment is made, net of any applicable reduction in federal income taxes for any state and local taxes paid on the amounts in question.

7.2 CLAIMS AND PROCEEDINGS. The Executive shall notify the Company in writing of any Excise Tax claim by the Internal Revenue Service (or any other state or local taxing authority) that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than twenty (20) business days after the Executive is informed in writing of

such claim and shall apprise the Company of the nature of such claim and the date on which such claim is to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such Excise Tax claim, the Executive shall: (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company after consultation in good faith with Executive and subject to approval by Executive (which approval shall not be unreasonably withheld) under the circumstances set forth in Section 7.1; (iii) cooperate with the Company in good faith in order to effectively contest such claim; and (iv) permit the Company to participate in any proceeding relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expense. Without limitation of the foregoing provisions of this Article 7, if the Gross-Up Payment payable hereunder (determined on the basis of the amount being contested), together with any previous Gross-Up Payment made by the Company to the Executive hereunder (collectively the "Aggregate Gross-Up Payment"), would not exceed One Million Dollars ($1,000,000.00) (determined without regard to the One Million Dollars ($1,000,000.00) limit in Section 7.1(a)), the Company shall control the Excise Tax portion of any proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such Excise Tax claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the Excise Tax claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine. If the Company directs the Executive to pay such Excise Tax claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest and penalties) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, however, that any Company-directed extension of the statute of limitations relating to payment of taxes for the Executive's taxable year with respect to which such contested Excise Tax amount is claimed to be due shall be effective only if it can be and is limited to the contested Excise Tax liability. Notwithstanding anything to the contrary herein, the Executive shall control the settlement or contest, as the case may be, of all non-Excise Tax issues and of any Excise Tax issues with respect to which the Aggregate Gross-Up Payment payable hereunder (but for the limit in Section 7.1(a)) would exceed One Million Dollars ($1,000,000.00).

The Executive shall be entitled to settle or contest, as the case may be, any non-Excise Tax issue raised by the Internal Revenue Service or any other taxing authority, so long as such action does not have a material adverse effect on an Excise Tax contest being pursued by and under the control of the Company.

7.3 REFUNDS. If, after the Executive's receipt of an amount advanced by the Company pursuant to this Article 7 for payment of Excise Taxes, the Executive files an Excise Tax refund claim and receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of this Article 7) except as provided below, promptly pay to the Company the amount of any such refund of Excise Tax (together with any interest paid or credited thereon, but after any and all taxes applicable thereto), plus the amount (after any and all taxes applicable-thereto) of the refund (if any is applied for and received) of any income tax paid by Executive with respect to and as a result of his prior receipt of any previously paid Gross-Up Payment indemnifying Executive with respect to any such Excise Tax later so refunded. In the event Executive files for a refund of the Excise Tax and such request would, if successful, require Executive to refund any amount to the Company pursuant to this provision, then Executive shall be required to seek a refund of the Income Tax portion of any corresponding Gross-Up Payment so long as such refund request would not have a material adverse effect on Executive (which determination shall be made by independent tax counsel selected by Executive after good faith consultation with the Company and subject to approval of the Company, which approval shall not be unreasonably withheld). Notwithstanding the above, Executive shall have no obligation to pay any portion of any such tax refund(s) to the Company if and to the extent that the Excise Tax to which such refund relates was not eligible for a Gross-Up Payment by reason of the One Million Dollars ($1,000,000.00) limit in Section 7.1(a). For this purpose, if the total Excise Tax paid with respect to Executive exceeds the maximum amount eligible for Gross-Up Payment coverage by reason of the One Million Dollars ($1,000,000.00) limit in Section 7.1(a), any subsequent Excise Tax refunds shall first be applied against the portion of any Excise Tax payments that are not covered by the Gross-Up Payments provided under this Article 7. If, after the Executive's receipt of an amount advanced by the Company pursuant to this Article 7, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

7.4 GROSS UP INCREASES. References to "One Million Dollars ($1,000,000.00)" in Sections 7.1 through 7.3 of this Article 7 shall be automatically increased on each of the first four (4) six month anniversaries of the date hereof by Five Hundred Thousand Dollars ($500,000.00) so that on December 17, 2003 such references will be "Three Million Dollars ($3,000,000.00)". In no event shall such references exceed Three Million Dollars ($3,000,000.00).

ARTICLE 8

NO MITIGATION OR OFFSET; INSURANCE

8.1 NO MITIGATION OR OFFSET. The Executive shall not be required to seek other employment or to reduce any severance benefit payable to him under Article 6, and no severance benefit shall be reduced on account of any compensation received by the Executive from any other employment or source except that the Company's obligation to provide insurance shall be reduced to the extent that reasonably comparable insurance is provided by an employer to Executive and his dependents, without further cost to Executive than the cost Executive bears for such Company-provided insurance on the date of termination as a result of any subsequent employment of Executive. The Company's obligation to pay severance benefits under this Agreement shall not be reduced by any amount owed by the Executive to the Company.

8.2 INDEMNIFICATION, INSURANCE.

(a) If the Executive is a party or is threatened to be made a party to any threatened, pending, or completed claim, action, suit or proceeding, or appeal therefrom, whether civil, criminal, administrative, investigative or otherwise, because he is or was an officer, director or employee of the Company, or at the express request of the Company is or was serving, for purposes reasonably understood by him to be for the Company, as a director, officer, partner, employee, agent or trustee (or in any other capacity of an association, corporation, general or limited partnership, joint venture, trust or other entity), the Company shall indemnify the Executive against any reasonable expenses (including attorneys' fees and disbursements), and any judgments, fines and amounts paid in settlement incurred by him in connection with such claim, action, suit, proceeding or appeal therefrom to the extent such expenses, judgments, fines and amounts paid in settlement were not advanced by the Company on his behalf pursuant to subsection (b), to the fullest extent permitted under Delaware law. The Company shall provide Executive with D&O insurance coverage at least as favorable to Executive as what the Company maintains as of the date hereof or such greater coverage as the Company may maintain from time to time thereafter; provided, however, that in no event shall the Company be required to spend a greater amount on such coverage than it does as of the Commencement Date. In addition to his rights hereunder, if Executive becomes a Director of the Company he shall receive the benefit of any and all rights of indemnity provided to any Company Director pursuant to Company practice, policy, agreement, Bylaws, Certificate of Incorporation or otherwise.

(b) Provided that the Executive shall first have agreed to in writing to repay such amounts advanced if it is determined by an arbitrator or court of competent jurisdiction that the Executive was not entitled to indemnification, upon the written request of the Executive specifying the amount of a requested advance and the intended use thereof, the Company shall indemnify Executive for his expenses (including attorneys' fees and disbursements), judgments, fines and amounts paid in settlement incurred by him in connection with such claim, action, suit, proceeding or appeal whether

civil, criminal, administrative, investigative or otherwise, in advance of the final disposition of any such claim, action, suit, proceeding or appeal therefrom to the fullest extent permitted under Delaware law.

ARTICLE 9

RESTRICTIVE COVENANTS

9.1 COVENANT NOT TO DISCLOSE CONFIDENTIAL INFORMATION. During the Term and following termination of this Agreement, the Executive agrees that, without the Company's prior written consent, he will not use or disclose to any person, firm, association, partnership, entity or corporation, any confidential information concerning: (i) the business, operations or internal structure of the Company or any division or part thereof; (ii) the customers of the Company or any division or part thereof; (iii) the financial condition of the Company or any division or part thereof; and (iv) other confidential information pertaining to the Company or any division or part thereof, including without limitation, trade secrets, technical data, marketing analyses and studies, operating procedures, customer and/or inventory lists, or the existence or nature of any of the Company's agreements or agreements of any division thereof (other than this Agreement and any other option or compensation related agreements involving, the Executive); provided, however, that the Executive shall be entitled to disclose such information: (i) to the extent the same shall have otherwise become publicly available (unless made publicly available by the Executive); (ii) during, the course of or in connection with any actual or potential litigation, arbitration, or other proceeding based upon or in connection with the subject matter of this Agreement; (iii) as may be necessary or appropriate to conduct his duties hereunder, provided the Executive is acting, in good faith and in the best interest of the Company; (iv) as may be required by law or judicial process or (v) if the information is generally known to personnel in Executive's trade or business.

9.2 COVENANT NOT TO COMPETE. The Executive acknowledges that he has established and will continue to establish favorable relations with the customers, clients and accounts of the Company and will have access to trade secrets of the Company. Therefore, in consideration of such relations and to further protect trade secrets, directly or indirectly, of the Company, the Executive agrees that during the Term and for a period of one (1) year from the date of termination of the Executive, the Executive will not, directly or indirectly, without the express written consent of the Board:

(i) own or have any interest in or act as an officer, director, partner, principal, employee, agent, representative, consultant or independent contractor of, or in any way assist in, any business which is engaged, directly or indirectly, in any business competitive with the Company in those automotive markets and/or automotive products lines in which the Company competes within the United States at any time

during the Term, or become associated with or render services to any person, firm, corporation or other entity so engaged ("Competitive Businesses"); provided, however, that the Executive may own without the express written consent of the Company not more than two percent (2%) of the issued and outstanding securities of any company or enterprise whose securities are listed on a national securities exchange or actively traded in the over the counter market;

(ii) solicit clients, customers or accounts of the Company for, on behalf of or otherwise related to any such Competitive Businesses or any products related thereto; or

(b) solicit any person who is or shall be in the employ or service of the Company to leave such employ or service for employment with the Executive or an affiliate of the Executive.

Notwithstanding the foregoing, if any court determines that the covenant not to compete, or any part thereof, is unenforceable because of the duration of such provision or the geographic area or scope covered thereby, such court shall have the power to reduce the duration, area or scope of such provision to the extent necessary to make the provision enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced. The Company shall pay and be solely responsible for any attorney's fees, expenses, costs and court or arbitration costs incurred by Executive in any matter or dispute between Executive and the Company which pertains to this Article 9 if the Executive prevails in the contest in whole or in part.

9.3 SPECIFIC PERFORMANCE. Recognizing that irreparable damage will result to the Company in the event of the breach or threatened breach of any of the foregoing, covenants and assurances by the Executive contained in Sections 9.1 and 9.2, and that the Company's remedies at law for any such breach or threatened breach may be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall be entitled to an injunction to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Executive, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach. The obligations of the Executive and rights of the Company pursuant to this Article 9 shall survive the termination of this Agreement. The covenants and obligations of the Executive set forth in this Article 9 are in addition to and not in lieu of or exclusive of any other obligations and duties the Executive owes to the Company, whether expressed or implied in fact or law.

ARTICLE 10

GENERAL PROVISIONS

10.1 FINAL AGREEMENT. This Agreement is intended to be the Final, complete and exclusive agreement between the parties relating to the employment of the Executive by the Company and all prior or contemporaneous understandings, representations and statements, oral or written, are merged herein. Except with regard to (a) the options granted to the Executive in accordance with Section 6.6 and (b) any Autoweb.com, Inc. options to purchase common stock held by Executive, which will be allowed to vest according to their terms, including the terms of the Autoweb.com, Inc. Change of Control Benefit Plan and the certain letter to Executive dated January 16, 2001, pertaining thereto, this Agreement supersedes all of Executive's compensation agreements with Autoweb.com, Inc. and Executive expressly acknowledges that he is not and will not be entitled to any severance payments under any Autoweb.com, Inc. agreement or change of control plan. 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.

10.2 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.

10.3 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.

10.4 NOTICE. Except as otherwise provided in this Agreement, any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon any person in connection with this Agreement shall be in writing. Such notice shall be personally served, sent by telegram, tested telex, 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 telegram, telex, 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 telegram, telex, 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.com inc. 18872 MacArthur Boulevard Irvine, California 92612-1400 Facsimile: (949) 862-1323 Attn: General Counsel
If to the Executive:	Jeffery Schwartz 24950 Normans Way Calabasas, California 91302
With a copy to:	Larry C. Drapkin Mitchell, Silberberg & Knupp 113770 Olympic Boulevard Los Angeles, California 90064

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

10.6 GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the principles of conflict of laws thereof, except that the indemnification provisions of Section 8.2 shall be governed by Delaware law without regard to conflict of law principles.

10.7 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.

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

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

10.10 ARBITRATION. Any controversy or claim arising out of, or related to, this Agreement, or the breach thereof, shall be settled by binding arbitration in the City of Irvine, California, in accordance with the employment arbitration rules then in effect of the American Arbitration Association, and the arbitrator's decision shall be binding and final, and judgment upon the award rendered may be entered in any court having jurisdiction thereof. Each party hereto shall pay its or their own expenses incident to the negotiation, preparation and resolution of any controversy or claim arising out of, or related to, this Agreement, or the breach thereof; provided, however, the Company shall pay and be solely responsible for any attorneys' fees and expenses and court or arbitration costs incurred by the Executive as a result of a claim brought by either the Executive or

the Company alleging that the other party breached or otherwise failed to perform this Agreement or any provision hereof to be performed by the other party if the Executive prevails in the contest in whole or in part.

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

Autobytel Inc.

By: /s/ Michael Fuchs

Name: Michael Fuchs

Title: Chairman

/s/ Jeffrey A. Schwartz

Jeffrey A. Schwartz

EXHIBIT 10.55

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into, at Irvine, California, as of September 13, 2001, by and between AUTOBYTEL.COM INC., a corporation duly organized under the laws of the State of Delaware, with its principal offices at 18872 MacArthur Blvd., Second Floor, Irvine, California, 92612-1400, a Delaware corporation, (hereinafter, collectively referred to as the "Company"), and John Honiotes, domiciled at 621 Acacia, Corona Del Mar CA 92625.

WHEREAS: Company desires to employ John Honiotes (hereinafter, sometimes referred to herein as "Employee"), as Vice President, Automotive Operations for the Company.

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

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

ARTICLE 1. TERM OF EMPLOYMENT

Section 1.1 The Company hereby employs John Honiotes as Vice President, Automotive Operations, of the Company, on an "at-will" basis and Employee hereby accepts such employment by the Company, on such basis, commencing on November 1, 2001.

ARTICLE 2. DUTIES AND OBLIGATIONS OF EMPLOYEE

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

ARTICLE 3. OBLIGATIONS OF THE COMPANY

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

ARTICLE 4. COMPENSATION OF EMPLOYEE

Section 4.1 As compensation for services to be rendered by Employee pursuant to this Agreement, the Company hereby agrees to pay Employee a semi-monthly (twenty-four (24) pay periods per year) salary of $7,291.76 (begining January 1, 2002), ($175,000.00 begining January 1, 2002 annually) payable at such times or on such dates that employees of the Company are regularly and customarily paid during a subsequent 12 month period.

Section 4.2 Additionally, Employee will be granted stock options under ABT's 1999 Stock Option Plan to purchase 125,000 shares (pending board approval) of ABT common stock at an exercise price equal to the trading price on the close of business on the date of hire or approval date. So long as you are employed by ABT or any subsidiary thereof, thirty-three and one third percent (33 1/3%) shall vest and become exercisable twelve (12) calendar months after the applicable vesting commencement date, and one thirty-sixth (1/36) shall vest and become exercisable at the end of each successive calendar month thereafter for the following twenty-four (24) months (please see offer letter for vesting exceptions if terminated other than for cause).

Section 4.3 The Company shall have the right to deduct or withhold from the compensation due to Employee hereunder any and all sums required for federal income and social security taxes and all state or local taxes now applicable or that may be enacted and become applicable during the term of your employment.

ARTICLE 5. EMPLOYEE BENEFITS

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

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

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

Section 5.4 Regular full-time employees are eligible for up to six (6) days of paid sick time off per year. Employees who have been employed since January 1st will be eligible for the full six (6) days of paid sick time off. Employees hired after the first of the year will receive a pro-rated amount of time based upon their date of hire. Because sick time does not accrue, balances are not paid out to an employee in the event of termination.

ARTICLE 6. BUSINESS EXPENSES

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

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

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

ARTICLE 7. TERMINATION OF EMPLOYMENT

The Company is an "At-Will" employer. You are free to terminate your employment with the Company at any time, with or without reason, and the Company has the right to terminate your employment at any time with or without reason. Although the Company may choose to terminate employment for cause, cause is not required. The "at-will" nature of employment cannot be changed except by a written agreement signed by the President and CEO of the Company and Employee.

ARTICLE 8. RESTRICTIVE COVENANTS

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

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

Section 8.3 Either party may request temporary or preliminary injunctive relief in accordance with applicable law.

Section 8.4

As used in this Article 8, the term Company shall include all affiliated entities of the Company, including without limitation, corporations, partnerships and limited liability companies.

ARTICLE 9. GENERAL PROVISIONS

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

Section 9.2 No waiver, by conduct or otherwise, by any party of any term, provision, or condition of this Agreement, shall be deemed or construed as a further or continuing waiver of any such term, provision, or condition.

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

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

9.4.1 With respect to any dispute between the parties, the parties shall attempt in good faith first to mediate such dispute and use their best efforts to reach agreement on the matters in dispute. After a written request for non-binding mediation, which shall specify in detail the facts of this dispute, and within ten (10) business days from the date of delivery of the demand, the matter shall be submitted to a mediator mutually agreeable to the parties (the "Mediator") in Irvine, California. The party who did not initiate the mediation may submit a statement of facts to the Mediator, and provide a copy to the other party within five (5) business days of the mediation hearing. The mediator shall hear the matter and provide an informal opinion and advice, none of which shall be binding upon the parties, but is expected by the parties to help resolve the dispute. Pursuant to Evidence Code Section 1152.5(c) the parties agree: (i) Evidence of anything said or of any admission made in the course of the mediation is not admissible in evidence, and disclosure of any such evidence shall not be compelled, in any arbitration proceeding or civil action in which, pursuant to law,

testimony can be compelled to be given; (ii) Unless the document otherwise provides, no document prepared for the purpose of, or in the course of, or pursuant to, the mediation, or copy thereof, is admissible in evidence, and disclosure of any such document shall not be compelled, in any arbitration proceeding or civil action in which, pursuant to law, testimony can be compelled to be given; and (iii) The Mediator's fee shall be paid by the Company. If the dispute has not been resolved, the matter shall then be submitted to arbitration in accordance with section 9.4.2

9.4.2 Any dispute between the parties that is to be resolved by arbitration as provided in Section 9.4.1 shall be conducted pursuant to the provisions of California Code of Civil Procedure Sections 1280 through 1287.6, except as provided below. Any such arbitration shall be held and conducted in Irvine, California, and shall be conducted by a sole arbitrator mutually selected by the parties. If the parties cannot agree on a sole arbitrator within ten (10) business days from the first request for arbitration, each party shall each select one arbitrator and the two (2) selected arbitrators shall select the third arbitrator. The parties further agree: (i) Any request for arbitration shall be in writing and must be made within a reasonable time after the claim, dispute or other matter in question has arisen; provided, however, that in no event shall the demand for arbitration be made after the date that institution of legal or equitable proceedings based on such claim, dispute, or other matter would be barred by the applicable statute of limitations; (ii) The arbitrator or arbitrators appointed must be former or retired judges or attorneys at law with at least ten (10) years experience in employment, financing, and other matters; (iii) All proceedings involving the parties shall be reported by a certified shorthand court reporter and written transcripts of the proceedings shall be prepared and made available to the parties; (iv) The arbitrator or arbitrators shall prepare in writing and provide to the parties an award together with the reasons upon which the award of the arbitrators is based; (v) The final award by the arbitrator or arbitrators must be made within ninety (90) days from the date the arbitration proceedings are initiated; (vi) The prevailing party shall be awarded his/its reasonable attorney's fees if the claim is for breach of contract. If the claim is based o statute or tortious conduct, the prevailing party shall be awarded his/its reasonable attorney's fees in accordance with the terms of the applicable statute or common law, and/or as interpreted by judicial decisions. In addition, the prevailing party shall be entitled to his/its reasonable costs of suit in accordance

with the provisions for recovery of costs in court litigation contained in the California Code of Civil Procedure; and (vii) The award or decision of the arbitrator or arbitrators, which may include equitable relief, shall be final and judgment may be entered on it in accordance with applicable law in any court having jurisdiction over the matter.

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

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

Company Initials /s/ DB ------ Employee's Initials /s/ JH ------

Section 9.5 The rights under this Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by any party to exercise, and no delay in exercising, any rights shall be construed or deemed to be a waiver thereof, nor shall any single or partial exercise by any party preclude any other or future exercise thereof or the exercise of any other right.

Section 9.6 Except as otherwise provided in this Agreement, any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon any person in connection with this Agreement shall be in writing. Such notice shall be personally served, sent by facsimile, reputable courier or sent prepaid by registered or certified mail with return receipt requested and shall be deemed given (i) if personally served, when delivered to the person to whom such notice is addressed, (ii) if given by facsimile, confirmed in accordance with the records of the facsimile machine through which the notice is sent, (iii) if sent by reputable courier, when received by the party to which it is sent as reflected on the courier's receipt and records, or (iv) if given by mail, two (2) business days following deposit in the United States mail. Such notices shall be

addressed to the party to whom such notice is to be given at the party's address set forth below or as such party shall otherwise direct.

IF TO THE COMPANY, TO:	IF TO EMPLOYEE:
AUTOBYTEL.COM INC.	John Honiotes
18872 MacArthur Blvd., Second Floor	621 Acacia
Irvine, California 92612-1400	Corona Del Mar, CA 92625
Attn.: General Counsel	

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

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

Section 9.9 This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument.

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

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

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

ARTICLE 10. EMPLOYEE CONFIDENTIALITY AGREEMENT

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

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

AUTOBYTEL.COM INC.	EMPLOYEE:
By: /s/ Dennis Benner	/s/ John Honiotes
Dennis Benner, Executive V.P., Corporate Development	John Honiotes

CONFIDENTIAL TREATMENT REQUESTED

AMENDMENT NUMBER 2 TO INTERACTIVE MARKETING AGREEMENT

This Amendment Number 2 to Interactive Marketing Agreement (this "Second Amendment") dated as of April 1, 2001 (the "Second Amendment Date"), is by and between America Online, Inc. ("AOL"), a Delaware corporation, with offices at 22000 AOL Way, Dulles, Virginia 20166, and Autoweb.com ("MP" or "Autoweb"), a Delaware corporation, with offices at 3270 Jay Street, Santa Clara, California 95054, and shall amend that certain Interactive Marketing Agreement dated June 30, 1999, by and between AOL and MP (the "Original Agreement"), as amended by that certain Amendment Number 1 to Interactive Marketing Agreement, by and between AOL and MP (the "First Amendment") (the Original Agreement as amended by the First Amendment is hereinafter referred to as the "Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement.

INTRODUCTION

1. The Parties have reviewed the performance of the relationship created pursuant to the Agreement and have now desire to amend the relationship further in accordance with the Terms of this Second Amendment.

2. Except as specifically amended by this Second Amendment, the Parties desire that the Agreement remain in full force and effect.

TERMS

A. CARRIAGE.

A.1 AMENDMENT OF CARRIAGE PLAN. Exhibit A of the Agreement as amended by Section L.1. of the First Amendment is hereby further amended to provide that in lieu of the Promotions set forth herein, the Promotions to be provided from and after the Second Amendment Date in accordance therewith shall be as set forth on Exhibit A of this Second Amendment.

A.2 IMPRESSIONS COMMITMENT. The first sentence of Section 1.2 of the Agreement as amended by Section L.2. of the First Amendment is hereby further amended to provide that the Impression Commitment, during the Initial Term, as set forth in the First Amendment, shall be reduced to an amount equal to the sum of (i) the Impressions delivered by AOL under the Agreement prior to the Second Amendment Date, and (ii) [**] Impressions.

A.3 FIXED PLACEMENT. The Agreement, as amended by the First Amendment, is hereby further amended by adding the following at the end of the second sentence of Section L.3(a):

> "Notwithstanding the attainment of the minimum Delivery Number, until MP shall deliver the notice required under Section L.3(c) below, AOL shall continue the placements designated on Exhibit A as "Product Page Impressions" as a permanent placement; provided that notwithstanding the foregoing, MP agrees and acknowledges that the [**] Product Page Impressions shall not be permanent and shall be subject to replacement. In addition, as of May 1, 2001, MP agrees and acknowledges that the [**] Product Page Impressions Promotions shall not be permanent and shall be subject to replacement."

**Confidential treatment has been requested with respect to certain information contained in this document. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

B. PAYMENTS.

B.1 GUARANTEED PAYMENT. The portion of Guaranteed Payment as set forth in Section M.3(b) of First Amendment, which would otherwise be payable by MP to AOL, but which has not been paid to AOL by MP as of the Second Amendment Date, is hereby amended and the amount payable with respect to such unpaid portion of guaranteed payment set forth in such Section M.3(b) shall be reduced by substituting in lieu thereof of a guaranteed payment of [**] Dollars ($**), which shall payable by MP to AOL as follows: [**]Dollars ($**) shall be payable on each of [**] (each a "Payment Date")

C. EXHIBIT A. Exhibit A identified in and attached to this Second Amendment is incorporated into the Agreement and are hereby made a part of this Second Amendment.

D. EFFECT ON AGREEMENT. Except as specifically amended by this Second Amendment, the Agreement remains in full force and effect.

[SIGNATURE PAGE FOLLOWS]

**Confidential treatment has been requested with respect to certain information contained in this document. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

In witness whereof, the Parties have executed this Second Amendment as of the date written hereinabove.

AMERICA ONLINE, INC.

By: /s/

Name:

Title:

AUTOWEB.COM, INC.

By: /s/ Jeffrey Schwartz

Name: Jeffrey Schwartz

Title:

**Confidential treatment has been requested with respect to certain information contained in this document. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

EXHIBIT 21.1

Subsidiaries of autobytel.com inc.:

Autobytel Services Corporation, a Delaware corporation.

Auto-By-Tel Acceptance Corporation, a Delaware corporation.

Auto-By-Tel Insurance Services, Inc., a Delaware corporation.

Kre8.net inc., a Delaware corporation.

e-autosdirect.com inc., a Delaware corporation, doing business as "autobyteldirect.com."

I-Net Training Technologies, LLC, a Delaware limited liability company.

Autobytel.Europe LLC, a Delaware limited liability company.

AutoVisions Communications, Inc., a Delaware corporation.

A.I.N. Corporation, a California corporation, doing business as "CarSmart.com."

Autobytel.ca inc., a Delaware corporation.

Autobytel Information Services Inc., a Delaware corporation.

Autoweb.com, Inc., a Delaware corporation.

iBuy Inc., a Delaware corporation.

Autobytel.Europe Holdings B.V., a corporation organized under the laws of the Netherlands.

Autobytel.Europe Investment B.V., a corporation organized under the laws of the Netherlands.

Autobytel France SA, a corporation organized under the laws of France.

Exhibit 23.01

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements File No. 333-90045, File No. 333-77943, File No. 333-33038, File No. 333-39396, File No. 333-67692 and File No. 333-70334 on Form S-8.

ARTHUR ANDERSEN LLP

March 21, 2002
Los Angeles, California

EXHIBIT 23.2

MANHEIM
AUCTIONS

February 19, 2002

Ariel Amir
Executive Vice President and General Counsel
autobytel.com inc.
18872 MacArthur Boulevard
Irvine, CA 92612-1400

Dear Mr. Amir:

This letter will serve as permission to use our statistics, with proper identification, in your Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

As reflected in the attached, the size of the U.S. automotive market (new and used) in 2000 and 2001 was $743 billion and $755 billion, respectively.

Sincerely,

/s/ George Largay

George Largay
Director of Communications
404-269-7065
404-843-5378 Fax

1400 LAKE HEARN DRIVE
ATLANTA, GEORGIA 30319
800-777-2053
http://www.manheim.com

Exhibit 99.1

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

March 21, 2002

Dear Sirs:

We have received a letter dated March 21, 2002 from our auditors, Arthur Andersen LLP ("AA"), containing certain representations concerning AA's ability to comply with professional standards including their quality control system for the U.S. accounting and auditing practice, appropriate continuity of AA personnel working on the audit and availability of national office consultation.

/s/ Jeffrey A. Schwartz
- ------------------------------------
Chief Executive Officer and President

/s/ Hoshi Printer
- ------------------------------------
Executive Vice President and
Chief Financial Officer