



## Audit Committee Charter

AUTOBYTEL INC.

AUDIT COMMITTEE CHARTER  
Amended and Restated Effective as of June 23, 2010

### I. Mission

1.1

**Amendment and Restatement.** The Board of Directors ("**Board**") of Autobyte Inc. ("**Company**") hereby amends and restates the charter for the Audit Committee of the Board ("**Audit Committee**"). This Charter should be interpreted in the context of all applicable laws and the Company's Certificate of Incorporation and Bylaws, as amended from time to time, as well as all other corporate governance documents adopted by the Board. This Charter is subject to modification from time to time by the Board as the Board may deem appropriate in the best interests of the Company or as required by applicable laws.

1.2

**Purpose.** The primary purpose of the Audit Committee is to:

- a. Oversee the accounting and financial reporting processes of the Company;
- b. Have direct responsibility for the appointment, compensation, retention and oversight of any registered public accounting firm ("**Independent Auditors**") engaged (including resolution of disagreements between management and the Independent Auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and
- c. Produce an audit committee report for inclusion in the Company's annual proxy statement.

### II. Organization

2.1

**Number of Members.** The Audit Committee must be composed of at least three (3) members of the Board. Subject to the foregoing, the Board may fix, and from time to time change, the exact number of members of the Audit Committee.

2.2

**Independence.** Each member of the Audit Committee must be an "independent director" as defined in Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market. In addition, no member of the Audit Committee may:

- a. Have participated in the preparation of the financial statements of the Company or any current subsidiary at any time during the past three years;
- b. Other than in that member's capacity as a member of the Board or any committee thereof, accept any consulting, advisory or other compensatory fee from the Company or any subsidiary of the Company (other than the receipt of fixed amounts of compensation under a retirement plan, including deferred compensation, for prior service with the Company, provided such compensation is not contingent in any way on continued service); or
- c. Be an "affiliated person" (as defined in the Securities Exchange Act of 1934, as amended, and/or the rules and regulations promulgated thereunder) of the Company or any subsidiary of the Company.

2.3

**Qualifications.** In addition to the independence standards set forth in Section 2.2, the Audit Committee must satisfy the following requirements.

- a. **Financial Literacy.** Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement.

- b. **Financial Experience.** At least one member of the Audit Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the member's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. A member who qualifies as an audit committee financial expert under Section 2.3(c) below is presumed to satisfy this financial sophisticated standard.
- c. **Financial Expert.** To the extent reasonably possible, at least one member of the Audit Committee should be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K adopted by the Securities and Exchange Commission ("SEC"). However, it may not be reasonably possible to satisfy this objective at all times due to the resignation, removal or death of the incumbent audit committee financial expert.

2.4

**Appointment and Removal.** The Board appoints the members of the Audit Committee. Members may be recommended to the Board by an appropriate committee of the Board as determined by the Board. The Board in its discretion may remove any or all of the Audit Committee members, with or without cause.

2.5

**Chair.** The Board must designate one member of the Audit Committee to be the Chair of the Audit Committee.

2.6

**Meetings.** The Audit Committee must meet on a regular basis, but not less frequently than quarterly, with such additional meetings as the Chair of the Audit Committee deems necessary. Meetings and actions of the Audit Committee are governed by, and must be held and taken in accordance with the Company's Bylaws. The Chair or the Chief Financial Officer, at the direction of the Chair, must establish an agenda for each meeting. The Audit Committee must meet periodically with management. The Audit Committee must also meet periodically with the Independent Auditors, with and without the participation of management. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or Independent Auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

2.7

**Minutes.** The Audit Committee must keep minutes of all Audit Committee meetings or actions by written consent, which must be available to the Board for its review.

2.8

**Reporting to Board.** The Chair must report to the Board following regular meetings of the Audit Committee, and at such other times as the Chair determines appropriate.

### III. Duties and Responsibilities

3.1

#### Oversight of Independent Auditors.

- a. **Appointment and Oversight.** The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the Independent Auditors, including the resolution of any disagreement between management and the Independent Auditors regarding financial reporting. The Audit Committee must take appropriate action to provide that the Company's Independent Auditors are accountable directly to the Audit Committee.
- b. **Independence of Auditors.** The Audit Committee has responsibility for: (i) receiving and discussing with the Independent Auditors their written disclosures and the letter required by the Public Company Accounting Oversight Board ("PCAOB") regarding the Independent Auditors' communications concerning independence; (ii) receiving a formal written statement delineating all relationships between the Independent Auditors and the Company, consistent with Independence Standards Board Standard No. 1; and (iii) actively engaging in a dialogue with the Independent Auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the Independent Auditors and for taking, or recommending that the full Board take, appropriate action to oversee the independence of the Independent Auditors.
- c. **Non-Audit Services.** Neither the Independent Auditors nor any person affiliated with the Independent Auditors (as

determined under Regulation S-X) may provide to the Company contemporaneously with the audit, and the Audit Committee may not approve, any of the following non-audit services, as defined in Rule 2-01(c)(4) of Regulation S-X adopted by the SEC:

- i. Bookkeeping or other services related to the accounting records or financial statements of the audit client;
- ii. Financial information systems design and implementation;
- iii. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- iv. Actuarial services;
- v. Internal audit outsourcing services;
- vi. Management functions;
- vii. Human resources;
- viii. Broker or dealer, investment adviser, or investment banking services;
- ix. Legal services;
- x. Expert services unrelated to the audit; or
- xi. Any other service that the PCAOB determines, by regulation, is impermissible.

The Independent Auditors may engage in any non-audit service, including tax services, that is not described above for the Company, provided the activity is approved in advance by the Audit Committee in accordance with Section 3.1(d) below.

- d. **Pre-Approval.** All auditing services (including the provision of comfort letters in connection with securities underwritings) and permitted non-audit services (including the fees and terms thereof) provided to the Company by the Independent Auditors must be approved in advance by the Audit Committee, except that pre-approval is not required with respect to the provision of services, other than audit, review or attest services, if:
- i. The aggregate amount of all such services provided constitutes no more than five percent of the total amount of revenues paid by the Company to its Independent Auditors during the fiscal year in which the services are provided;
  - ii. Such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - iii. Such services are promptly brought to the attention of the Audit Committee and, prior to the completion of the audit, approved by the Audit Committee or by one or more members of the Audit Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Audit Committee.

If the Audit Committee approves an audit service within the scope of the engagement of the Independent Auditors, that audit service will be deemed to have been preapproved for the purposes of this Section 3.1(d).

- e. The Audit Committee may delegate to any member or members of the Audit Committee the power to grant any pre-approval, provided that such pre-approval is reported to the Audit Committee at the next scheduled Audit Committee meeting. The Audit Committee may adopt a pre-approval policy setting forth procedures by which such pre-approvals may be granted.
- f. **Independent Auditors Access.** The Audit Committee must provide the Company's Independent Auditors full and free access to the Audit Committee to meet privately at such times as the Independent Auditors determine appropriate.

## 3.2

### **Financial Statement and Disclosure Matters and Audits.**

- a. **Reports by the Independent Auditors.** The Audit Committee must obtain and review timely reports from the Company's Independent Auditors regarding:
- i. All critical accounting policies and practices to be used;
  - ii. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditors; and
  - iii. Other material written communications between the Independent Auditors and management of the Company, such as any management letter or schedule of unadjusted differences.
- b. **Audited Financial Statements and Recommendation to Board.** The Audit Committee must:
- i. Review and discuss with management and the Independent Auditors the audited financial statements and the

disclosures made in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("**MD&A**") section of the Company's annual reports on Form 10-K and such other disclosures as determined by the Audit Committee; and

- ii. Discuss with the Company's Independent Auditors the matters required to be communicated pursuant to Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the PCAOB in Rule 3200T ("**SAS 61**").
- c. **Financial Statements and Quarterly Reports.** The Audit Committee must review and discuss with management and the Independent Auditors the financial statements and the disclosures made in the MD&A section of the Company's quarterly reports on Form 10-Q and such other disclosures as determined by the Audit Committee prior to filing with the SEC, including the results of the Independent Auditors' review of the financial statements.
- d. **Financial Reporting Issues.** The Audit Committee must review and discuss with management and the Independent Auditors the significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles.
- e. **Internal Control Over Financial Reporting and Fraud.** The Audit Committee must review and discuss with management and the Independent Auditors any disclosures made to the Audit Committee by the Company's Chief (Principal) Executive Officer and Chief (Principal) Financial Officer during their certification process for the Company's annual report on Form 10-K and quarterly reports on Form 10-Q about:
  - i. Any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; or
  - ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

The Audit Committee must annually review all reports of management and the Independent Auditors on the Company's internal control over financial reporting.

- f. **Risk Assessment and Management.** The Audit Committee must review and discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- g. **Press Releases and Pro Forma Information.** The Audit Committee or the Chair must, prior to release, discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-generally accepted accounting principles information, as well as financial information and earnings guidance provided to analysts and rating agencies.
- h. **SEC Comments.** The Audit Committee must review and discuss with management any comments from or matters raised by the staff of the SEC regarding the Company's financial statements or other financial information filed with the SEC.
- i. **Audit Review.** The Audit Committee must meet at least annually with the Independent Auditors and financial management of the Company to review the scope of the audit of the books of account of the Company and other operations and controls and the procedures to be utilized.

### 3.3

#### **Legal and Regulatory Compliance.**

- a. **Legal Matters and Contingencies.** The Audit Committee is authorized to review and discuss with the Company's management, Chief Legal Officer (General Counsel), outside legal counsel, as deemed necessary, and Independent Auditors the substance of any significant issues raised by the Chief Legal Officer (General Counsel) concerning litigation, contingencies, claims or assessments with respect to the Company, including the effectiveness of the Company's policies, procedures and control systems in preventing illegal and improper acts and the effectiveness and timeliness of management's response in the event any instances of illegal or improper acts are discovered. The Audit Committee must review and discuss with the Chief Legal Officer (General Counsel) and, as deemed necessary, outside counsel those legal matters brought to the Audit Committee's attention that may have a material impact on the financial statements or the Company's compliance policies.
- b. **Audit Committee Reports.**

- i. **Proxy Report.** The Audit Committee must provide its recommendation to the Board concerning whether the audited financial statements be included in the Company's annual report on Form 10-K for filing with the SEC.
- ii. **Other Information and Reports.** The Audit Committee must provide the Board with other information and reports required to be disclosed in the Company's proxy statement or reports filed with the SEC regarding the Audit Committee, the fees paid to the Company's Independent Auditors, the Audit Committee's pre-approval policies and procedures, and the services of the Company's Independent Auditors that have been approved.

### 3.4

#### **Other Responsibilities.**

- a. **Complaint Procedures.** The Audit Committee must establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- b. **Review of Charter and Audit Committee.** The Audit Committee must review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee must annually review the Audit Committee's own performance in accordance with this Charter, as may be amended from time to time.
- c. **Advisors.** The Audit Committee has the authority, to the extent it deems necessary or appropriate to carry out its duties, to retain legal counsel and other advisors, including accounting, financial or other consultants, to advise the Audit Committee.
- d. **Funding.** The Company must provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the Independent Auditors for the purpose of rendering or issuing an audit report and any financial statement reviews and to any other advisors retained by the Audit Committee.
- e. **Code of Ethics.** The Audit Committee must review from time to time the Company's code of ethics for its senior financial officers which includes those standards that the Audit Committee has determined to be reasonably necessary to promote:
  - i. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
  - ii. Full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the Company under the Exchange Act; and
  - iii. Compliance with applicable governmental rules and regulations.
- f. **Related Person Transactions.** The Audit Committee may in its discretion approve or ratify related party transactions disclosed to it pursuant to the Company's code of ethics, provided that authority is not to be construed as imposing on the Audit Committee the responsibility for monitoring or enforcing the Company's code of ethics.

## **IV. Limitation of Audit Committee's Role and Liability**

### 4.1

**Responsibilities of Management and Independent Auditors.** While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Independent Auditors.

### 4.2

**Subject to Delaware Law.** Subject to applicable federal law, nothing contained in this Charter is intended to, or should be

construed as, creating any responsibility or liability of the members of the Audit Committee except to the extent otherwise provided under Delaware law.

A copy of this Audit Committee Charter shall be posted on the Company's website, [www.autobytel.com](http://www.autobytel.com).