# AUTOBYTEL INC

## FORM 10-K
(Annual Report)

Filed 03/10/16 for the Period Ending 12/31/15

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| Address | 18872 MACARTHUR BLVD<br>SUITE 200<br>IRVINE, CA 92612-1400 |
| Telephone | 9492254500 |
| CIK | 0001023364 |
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number 1-34761

# 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, Suite 200**
**Irvine, California 92612-1400**
**(Address of principal executive offices) (Zip Code)**

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

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, par value $0.001 per share | The Nasdaq Capital Market |

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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|---|---|---|---|
| Large accelerated filer ☐ | Accelerated filer ☒ | Non-accelerated filer ☐ **(Do not check if a smaller reporting company)** | Smaller reporting company ☐ |

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

Based on the closing sale price of $15.99 for our common stock on The Nasdaq Capital Market on June 30, 2015, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately $142 million.

As of March 7, 2016, 10,626,624 shares of our common stock were outstanding.

**Documents Incorporated by Reference**

Portions of our Definitive Proxy Statement for the 2016 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.

**Autobytel Inc.**

**ANNUAL REPORT ON FORM 10-K**
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

## FORWARD-LOOKING STATEMENTS

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

## PART I

### Item 1. *Business*

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

### Overview

We are an automotive marketing services company that assists automotive retail dealers (" **Dealers** ") and automotive manufacturers (" **Manufacturers** ") market and sell new and used vehicles to consumers through our programs for online lead referrals (" **Leads** "), Dealer marketing products and services, and online advertising and consumer traffic referral programs and mobile products. Our consumer-facing automotive websites (" **Company Websites** "), which include our flagship website Autobytel.com ® , provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles (" **Vehicle Leads** "). Our AutoWeb pay-per-click advertising marketplace program uses proprietary technology to refer in-market consumer traffic to Dealers and Manufacturer websites. For consumers who may not be able to secure loans through conventional lending sources, our Company Websites provide these consumers the ability to submit inquiries requesting Dealers or other lenders that may offer vehicle financing to these consumers to contact the consumers regarding vehicle financing (" **Finance Leads** "). The Company's mission for consumers is to be "Your Lifetime Automotive Advisor ® " by engaging consumers throughout the entire lifecycle of their automotive needs.

**Available Information**

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

**Significant Business Developments**

***AutoWeb Acquisition* .** On October 1, 2015 (" **AutoWeb Merger Date** "), Autobytel entered into and consummated an Agreement and Plan of Merger by and among Autobytel, New Horizon Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Autobytel (" **Merger Sub** "), AutoWeb Inc., a Delaware corporation (" **AutoWeb** "), and Jose Vargas, in his capacity as Stockholder Representative. On the AutoWeb Merger Date, Merger Sub merged with and into AutoWeb, with AutoWeb continuing as the surviving corporation and as a wholly owned subsidiary of Autobytel. AutoWeb was a privately-owned company providing an automotive search engine that enables Manufacturers and Dealers to optimize advertising campaigns and reach highly-targeted car buyers through a click marketplace. Prior to the acquisition, the Company owned approximately 15% of the outstanding shares of AutoWeb, on a fully converted and diluted basis, and accounted for the investment on the cost basis. See Note 3 of the "Notes to Consolidated Financial Statements" of this Annual Report on Form 10-K.

AutoWeb brings new technology and practice to Autobytel's technology team and platform. The AutoWeb technical team has deep roots in automation and multivariate testing that bring to Autobytel the ability to change, update and improve technology more quickly and identify key optimization opportunities, which are focused on driving better conversion and monetization of consumer traffic. A shortened cycle of iteration is accomplished through the use of automated processes taking developed technology through testing and deployment as frequently as daily or even multiple times a day. We believe these added benefits to the Autobytel technology team, platform and practice can bring greater scale and faster time-to-market for key initiatives on a more cost-effective basis than is currently the case.

In connection with the AutoWeb acquisition, Autobytel obtained AutoWeb's Guatemalan website, software development and operations, which were provided as a contract service provider organization through Endine Enterprises Corp., a British Virgin Islands company and an entity effectively controlled by AutoWeb (" **Endine** "). We currently plan to terminate this contract service provider arrangement and maintain the forgoing services and operations directly under a wholly-owned, indirect Guatemalan subsidiary of Autobytel that we anticipate will have approximately seventy website, software development and operational employees in Guatemala.

***Dealix/Autotegrity Acquisition* .** On May 21, 2015 (" **Dealix/Autotegrity Acquisition Date** "), Autobytel and CDK Global, LLC, a Delaware limited liability company (" **CDK** "), entered into and consummated a Stock Purchase Agreement in which Autobytel acquired all of the issued and outstanding shares of common stock in Dealix Corporation, a California corporation (" **Dealix** ") and subsidiary of CDK, and Autotegrity, Inc., a Delaware corporation (" **Autotegrity** ") and subsidiary of CDK (Dealix and Autotegrity are collectively, " **Dealix/Autotegrity** "). Dealix Corporation provides new and used car Leads to automotive dealerships, Dealer groups and Manufacturers, and Autotegrity, Inc. is a consumer Leads acquisition and analytics business. See Note 3 of the "Notes to Consolidated Financial Statements" of this Annual Report on Form 10-K.

## Industry Background

We believe that consumers engaged in the vehicle purchasing process have adopted the internet, primarily because the internet is one of the best methods to easily find the information necessary to make informed buying decisions. Additionally, the internet is a primary tool for consumers to begin communicating with local Dealers regarding vehicle pricing, availability, options and financing. J.D. Power and Associates reported in 2015 that 80% of all U.S. new light vehicle consumer buyers use third party websites for vehicle research. In addition, we believe that many Dealers and all major Manufacturers that market their vehicles in the U.S. use the internet as an efficient way to reach consumers through marketing programs.

According to Automotive News, U.S. light vehicle sales were 17.5 million in 2015, a 6% increase over 16.5 million vehicles sold in 2014. J.D. Power and LMC Automotive are forecasting 2016 U.S. light vehicle and retail light-vehicle sales at 17.8 million and 14.5 million, respectively. We believe an increase in automotive sales should result in increased use of the internet by consumers engaged in the vehicle purchasing process and increased submission of Leads by consumers in 2016.

## Products and Services

Leads are internally-generated from our Company Websites (“ **Internally-Generated Leads** ”) or acquired from third parties (“ **Non-Internally-Generated Leads** ”) that generate Leads from their websites (“ **Non-Company Websites** ”). We sell Internally-Generated Leads and Non-Internally-Generated Leads directly to Dealers and indirectly to Dealers through a wholesale market consisting of Manufacturers and other third parties in the automotive Lead distribution industry. In conjunction with our Lead programs, we also offer Dealers and Manufacturers other products and services, including our iControl by Autobytel ® , WebLeads+, Email Marketing Manager, Payment Pro ® and Lead Call products and services, to assist them in capturing online, in-market customers and selling more vehicles by improving conversion of Leads to sale transactions. Our AutoWeb pay-per-click advertising marketplace program provides Dealers and Manufacturers with access to what we believe are some of the highest intent car shoppers on the internet.

### Vehicle Lead Programs

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

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

Our Leads are subject to quality verification that is designed to maintain the high quality of our Leads and increase the Lead buy rates for our Lead customers. Quality verification includes the validation of name, phone number, email address and postal address. Our quality verification also involves proprietary systems as well as arrangements with third party vendors specializing in customer validation. After a Lead has been subjected to quality verification, if we have placement coverage for the Lead within our own Dealer network, we send the Lead to Dealers that sell the type of vehicle requested in the consumer's geographic area. We also send an email message to the consumer with the Dealer's name and phone number, and if the Dealer has a dedicated internet manager, the name of that manager. Dealers contact the consumer with a price quote and availability information for the requested vehicle. In addition to sales of Leads directly to Dealers in our network, we also sell Leads wholesale to Manufacturers for delivery to their Dealers and to third parties that have placement coverage for the Lead with their own customers.

Dealers participate in our retail new Vehicle Lead program by entering into contracts directly with us or through major Dealer groups. Generally, our Dealer contracts may be terminated by either party on 30 days' notice and are non-exclusive. The majority of our retail new Vehicle Lead revenues consists of either a monthly subscription or a per Lead fee paid by Dealers in our network; however, under our pay-per-sale program, we offer a limited number of Dealers in states where we are permitted to charge on a per transaction basis the opportunity to pay a flat per transaction fee for a Lead that results in a vehicle sale. We reserve the right to adjust our fees to retail Dealers upon 30 days' prior notice at any time during the term of the contract. Manufacturers (directly or through their marketing agencies) and other third parties participate in our wholesale new Vehicle Lead programs generally by entering into agreements where either party has the right to terminate upon prior notice, with the length of time for the notice varying by contract. Revenues from retail new Vehicle Leads accounted for 27%, 32% and 28% of total revenues in 2015, 2014 and 2013, respectively. Revenues from wholesale Leads accounted for 47%, 44% and 51% of total revenues in 2015, 2014 and 2013, respectively.

We measure Lead quality by the conversion of Leads to actual vehicle sales, which we refer to as the "buy rate." Buy rate is the percentage of the consumers submitting Leads that we delivered to our customers represented by the number of these consumers who purchased vehicles within ninety days of the date of the Lead submission. We rely on detailed feedback from Manufacturers and wholesale customers to confirm the performance of our Leads. In addition, we use IHS Inc. (" **IHS** "), a third party business data and analytics company, to evaluate the performance quality of Leads that we send to our customers. Our Manufacturers, wholesale customers and IHS each match the Leads we deliver to our customers against vehicle sales or registration data to provide us with information about vehicle purchases by the consumers who submitted Leads that we delivered to our customers. This information allows us to estimate the buy rates for the consumers who submitted our Internally-Generated Leads and our Non-Internally Generated Leads and based on these estimates, to estimate an industry average buy rate. Based on the most current IHS data, we have estimated that, on average, consumers who submit Internally-Generated Leads that we deliver to our customers have an estimated buy rate of approximately 19%, which is three times our internal estimate of the industry average buy rate. Buy rates that individual Dealers may achieve can be impacted by factors such as the strength of processes and procedures within the dealership to manage communications and follow up with consumers.

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

During 2015, we continued to focus our Dealer acquisition and retention strategies on dealerships to which we could deliver a higher percentage of our Internally-Generated Leads and that are more cost effective for us to support. We believe this will result in increased vehicle sales for our Dealers and ultimately stronger relationships with us because, based on our evaluation of the third party performance data discussed above, we believe our Internally-Generated Leads are of high quality. We believe that this strategy should allow us to have more profitable relationships with our Dealers both in terms of cost to supply Leads and to support the Dealers. Dealer count is the sum of the number of Dealer franchises subscribing to our new vehicle Leads programs and the sum of the number of Dealer franchises and independent Dealers subscribing to our used vehicle Leads program. For 2015, we increased the number of our Dealers and ended the year with 14% more Dealers compared to the number of Dealers at year-end 2014. The increase in Dealers was primarily attributable to the acquisition of Dealix.

***Used Vehicle Lead Program*** . Our used Vehicle Lead program allows consumers to search for used vehicles according to specific search parameters, such as the price, make, model, mileage, year and location of the vehicle. The consumer is able to locate and display the description, price and, if available, digital images of vehicles that satisfy the consumer's search parameters. The consumer can then submit a Lead for additional information regarding a specific vehicle that we then deliver to the Dealer offering the vehicle. In addition to sending Leads directly to Dealers through our Lead delivery system, consumers may choose to contact the Dealer using a toll free number posted next to the vehicle search results. We charge each Dealer that participates in the used Vehicle Lead program a monthly subscription or per Lead fee. Revenues from used Vehicle Leads accounted for 11%, 12% and 8% of total revenues in 2015, 2014 and 2013, respectively.

**Finance Lead Program**

Our Finance Lead program is designed to provide consumers who may not be able to secure loans through conventional lending sources the opportunity to obtain vehicle financing and other services from Dealers or financial institutions offering vehicle financing to these consumers. Consumers can submit a request for vehicle financing or submit a credit questionnaire for a credit report or other credit services that are provided by third party providers. Finance Leads are forwarded to the nearest participating Dealer that offers financing or, if a Dealer is not available, to an institutional automotive finance lender. We charge each Dealer and institutional finance lender that participates in the Finance Lead program a monthly subscription or per Lead fee. Revenues from Finance Leads accounted for 5%, 7% and 8% of total revenues in 2015, 2014 and 2013, respectively. We have a call center program that consists of telephone surveys of Finance Lead consumers. The purpose of this program is to evaluate consumer experience with our Dealers and other financing customers and our Finance Lead program and to determine whether or not the consumer purchased a vehicle. In addition, we inquire about the consumer's interest in obtaining information or quotes for relevant products and services, including credit report repair and vehicle loan refinancing, offered by third parties. If the consumer expresses an interest, we refer the consumer to the third party and obtain a referral fee.

**Other Dealer Products and Services**

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

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

We currently have over one-half of our new vehicle Dealers participating in our iControl by Autobytel ® product.

***WebLeads+*** . Designed to work in connection with a Dealer's participation in our traditional Lead programs, WebLeads+ offers a Dealer multiple coupon options that display relevant marketing messages to consumers visiting the Dealer's website. When a Dealer uses WebLeads+ **,** consumers visiting the Dealer's website are encouraged to take action in two ways. First, while interacting with the Dealer website, a consumer is presented with a customized special offer formatted for easy Lead submission. If a vehicle quote is requested, the Lead goes directly into the dealership management tool so a salesperson can promptly address the customer's questions. Second, if the consumer leaves the Dealer's website but remains online, Autobytel's WebLeads+ product keeps the coupon active under the consumer's browser windows, providing the Dealer a repeat branding opportunity and giving the consumer an easy way to re-engage with the Dealer's website through submission of a Lead. The additional Leads generated by the coupons are seamlessly integrated into our Extranet tool.

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

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

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

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

**Advertising Programs**

Our Company Websites attract an audience of prospective automotive buyers that advertisers can target through display advertising. A primary way advertisers use our Company Websites to reach consumers is through vehicle content targeting . This allows automotive marketers to reach consumers while they are researching one of our comprehensive automotive segments such as mini-vans or SUVs and offer Manufacturers sponsorship opportunities to assist in their efforts both in terms of customer retention and conquest strategies. Our Company Websites also offer Manufacturers the opportunity to feature their makes and models within highly contextual content. Through their advertising placements, Manufacturers can direct consumers to their respective websites for further information. We believe this transfer of consumers from our Company Websites to Manufacturer sites is the most significant action measured by Manufacturers in evaluating our performance and value for the Manufacturer's marketing programs. Through our agreement with Jumpstart Automotive Group (" **Jumpstart** "), Jumpstart sells our fixed placement advertising across our Company Websites to automotive advertisers. Jumpstart currently reaches 21.0 million unique visitors per month and works with every major automotive Manufacturer across its portfolio of digital publishers. We also offer a direct marketing platform that enables Manufacturers to selectively target in-market consumers during the often-extended vehicle shopping process. Designed to keep a specific automotive brand in consideration, our direct marketing programs allow automotive marketers to deliver specific communication through either email or direct mail formats to in-market consumers during their purchase cycle.

Our AutoWeb product is our pay-per-click advertising marketplace program. The AutoWeb program proprietary technology analyzes web traffic and adjusts advertiser costs based on traffic quality and content.

Advertising revenues, including direct marketing, accounted for 8%, 4% and 4% of total revenues in 2015, 2014 and 2013, respectively.

**Strategy**

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

***Increasing Traffic to our Company Websites*** . Traffic to our Company Websites is obtained through a variety of sources and methods, including direct navigation to our Company Websites, natural search (search engine optimization or " **SEO** ", which is the practice of optimizing keywords in website content to drive traffic to a website), paid search (search engine marketing, or " **SEM** ," which is the practice of bidding on keywords on search engines to drive traffic to a website), direct marketing and partnering with other website publishers that provide links to our websites. Traffic to our Company Websites is monetized primarily though the creation of Vehicle Leads that are delivered to our Dealer and Manufacturer customers to help them market and sell new and used vehicles, and through the sale of advertising space on our Company Websites. We plan to increase revenues from our Company Websites by:

- *I* ***ncreasing the quality of our Leads*** . High quality Leads are those Leads that result in high transaction (i.e., purchase) closing rates for our Dealer customers. Internally-Generated Leads are generally higher quality than Non-Internally-Generated Leads and increase the overall quality of our Lead portfolio. Non-Internally-Generated Leads are of varying quality. Therefore, we plan to continue to develop and maintain strong relationships only with suppliers of Non-Internally-Generated Leads that consistently provide high quality Leads.

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

- ***Continuing to enhance the quality and user experience of our Company Websites*** . We continuously make enhancements to our Company Websites, including enhancements of the design and functionality of our Company Websites. These enhancements are intended to position our Company Websites as comprehensive best in class destinations for automotive purchase research by consumers.

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

***Increasing Lead Sales to Our Dealer Customers*** . Sales of Vehicle Leads to our Dealer network constitute a significant source of our revenues. Our goal is to continue to increase the number of Vehicle Leads sold to our retail Dealer customers by:

- increasing the quality of the Vehicle Leads sold to our Dealers,
- increasing the number of Dealers in our Dealer network,
- reducing Dealer churn in our Dealer network,
- providing customizable Lead programs to meet our Dealers' unique marketing requirements,
- providing additional value added marketing services that help Dealers more effectively utilize the internet to market and sell new and used vehicles,
- increasing overall Dealer satisfaction by improving all aspects of our services,
- increasing the size of our retail Dealer footprint,
- focusing on higher revenue Dealers that are more cost-effective to support; and
- enhancing our internal lead generation activities by leveraging our expanded retail lead coverage.

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

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

***Continuing to Expand our Products and Services.*** We gather significant amounts of data on consumer intent as it relates to purchasing vehicles. We intend to use this data to create products and services, including direct business database offerings, which we believe will ultimately help Manufacturers and Dealers market and sell more new and used vehicles. Our objective is to generate revenues from this asset in the most effective and efficient ways possible. We also intend to further enhance our mobile product offerings by incorporating the latest technologies and optimizing user touchpoints across our entire suite of products. In addition, mobile capabilities have been added to the SaleMove product, and we will continue to leverage integration points between SaleMove and our other product suites.

***Focusing on Mobile Products.*** The Company's Autobytel Mobile group provides the automotive industry with a suite of advanced mobile technologies that facilitate communication between Dealers and consumers on smart phones and tablets at the time, place and in a manner preferred by many consumers. This platform is the core of a wide array of mobile services Autobytel offers to its Dealer and Manufacturer customers and also makes it available to consumers through Company Websites. At the center of this platform is Autobytel's unique TextShield ® product that offers Dealers the ability to connect with consumers using text communication via a secure platform that protects the consumer's privacy. In addition, we offer Dealers mobile websites designed to drive consumer engagement with Dealers as well as mobile apps, text message marketing and the ability for a consumer to send information to their mobile devices using our "send to phone" product.

***Leveraging the SaleMove Enhanced Online Shopping Experience.*** Through our agreement with SaleMove we are the exclusive provider to the automotive industry of SaleMove's innovative technology for enhancing communications with consumers. SaleMove's patent-pending technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. Utilizing SalesMove's "guided tour" capabilities, Dealers can take advantage of a new line of high touch communication with consumers by browsing the Dealer's website with consumers, creating a virtual extension of the Dealer's physical showroom. Additionally, SaleMove's technology helps Dealers and Manufacturers improve the online consumer experience and identify potential buyers by better understanding visitor preferences gathered through real-time viewing of how consumers are interacting with a website. Using this technology, our customers will be able to interact directly with consumers on a deeper and more personal level, providing a highly customized experience for car buyers. In addition to the foregoing reseller arrangement with SaleMove, the Company holds convertible promissory note investments in SaleMove. See Note 2 of the "Notes to Consolidated Financial Statements" in Part II, Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K for information regarding our investment in SaleMove.

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

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

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

**Seasonality**

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

**Intellectual Property**

Our intellectual property includes patents and patent applications related to our innovations, products and services; trademarks related to our brands, products and services; copyrights in software and creative content; trade secrets; and other intellectual property rights and licenses of various kinds. We seek to protect our intellectual property assets through patent, copyright, trade secret, trademark and other laws and through contractual provisions. We enter into confidentiality and invention assignment agreements with our employees and contractors, and non-disclosure agreements with third parties with whom we conduct business in order to secure our proprietary rights and additionally limit access to, and disclosure of, our proprietary information. We have registered service marks with the United States Patent and Trademark Office, including Autobytel, Autobytel.com, MyGarage, Your Lifetime Automotive Advisor, iControl by Autobytel, TextShield, Payment Pro, AutoWeb, AutoWeb.com and the global highway logo. We have also been issued patents related to methods and systems for managing a Lead in data center systems; and a method and system for managing Leads and routing them to one or more destinations. We cannot assure that any of our patents will be enforceable by us in litigation. We have applied for additional patents, including a patent on our proprietary Lead distribution engine and a patent for a system and method for message tethering and tagging related to mobile device texting. We cannot assure that any additional patents will be issued, or if issued, that they will be enforceable by us in litigation.

Additional information regarding certain risks related to our intellectual property is included in Part I, Item 1A "Risk Factors" of this Annual Report on Form 10-K.

**Competition**

In the automotive-related Lead marketing services and advertising marketplace we compete for Dealer and Manufacturer customers. Competition with respect to our core Lead referral programs continued to be impacted by changing industry conditions in 2015. We continue to compete with several companies that maintain business models similar to ours, some with greater resources, and competition has increased from larger competitors that traditionally have competed only in the used vehicle market. Dealers continue to invest in their proprietary websites and traffic acquisition activities, and we expect this trend to continue as Dealers strive to own and control more Lead generating assets under their captive brands. Additionally, all major Manufacturers that market their vehicles in the U.S. have their own websites that market their vehicles direct to consumers and generate Leads for delivery direct to the Manufacturers' Dealers.

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

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

**Customers**

We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), General Motors and Ford Direct. During 2015, approximately 28% of our total revenues were derived from these three customers, and approximately 37% or $10.7 million of gross accounts receivable related to these three customers at December 31, 2015. In 2015, Urban Science Applications accounted for 16% of total revenues and accounts receivable as of December 31, 2015, respectively.

**Operations and Technology**

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

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

**Government Regulation**

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

**Employees**

As of March 7, 2016, we had 200 employees. None of our employees are represented by labor unions.

**Item 1A.** ***Risk Factors***

The risks described below are not the only risks that we face. The following risks as well as risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially and adversely affect our business, results of operations, financial condition, earnings per share, cash flow or the trading price of our stock, individually and collectively referred to in these Risk Factors as our " **financial performance** ." See also the discussion of "Forward-Looking Statements" immediately preceding Part I of this Annual Report on Form 10-K.

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

We derive more than 90% of our revenues from Vehicle Lead fees paid by Dealers and Manufacturers participating in our Lead programs. Our ability to increase revenues from sales of Vehicle Leads is dependent on a mix of interrelated factors that include increasing Vehicle Lead revenues by attracting and retaining Dealers and Manufacturers, increasing the number of high quality Vehicle Leads we sell to Dealers and Manufacturers, and improving margins by increasing the number of Internally-Generated Leads that we sell to our customers. We are also focused on higher revenue Dealers that are more cost-effective to support. Our sales strategy is intended to result in more profitable relationships with our Dealers both in terms of cost to supply Leads and to support the Dealers. Dealer churn impacts our revenues, and if our sales strategy does not mitigate the loss in revenues by maintaining the overall number of Leads sold by increasing sales to other Dealers or Manufacturers while maintaining the overall margins we receive from the Leads sold, our revenues would decrease. We cannot provide any assurances that we will be able to prevent Dealer attrition or to offset the revenues lost due to Dealer attrition by other means, and our failure to do so could materially and adversely affect our financial performance.

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

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

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

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

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

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

- The effect of unemployment on the number of vehicle purchasers;
- Pricing and purchase incentives for vehicles;
- The expectation that consumers will be purchasing fewer vehicles overall during their lifetime as a result of better quality vehicles and longer warranties;
- The impact of fuel prices on demand for the number and types of vehicles;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale customers in our customer base;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations; and
- The competitive impact of consolidation in the online automotive referral industry.

***We may acquire other companies, and there are many risks associated with acquisitions.***

As part of our business strategy we evaluate potential acquisitions that we believe will complement or enhance our existing business. We currently do not have any definitive agreements to acquire any company or business, and we may not be able to identify or complete any acquisition in the future. Acquisitions involve numerous risks that include the following, any of which could materially and adversely affect our financial performance:

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

- Consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes.
- Persuading employees that business cultures are compatible, maintaining employee morale, retaining key employees and integrating employees into the Company.
- Coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures.
- Managing integration issues shortly after or pending the completion of other independent transactions.

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

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are primarily maintained with two financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. Generally these deposits may be redeemed upon demand. Accounts receivable are primarily derived from fees billed to Dealers and Manufacturers. We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), General Motors and Ford Direct. During 2015 approximately 28% of the Company's total revenues were derived from these customers, and approximately 37% or $10.7 million of gross accounts receivable are receivable from them at December 31, 2015. In 2015, Urban Science Applications accounted for 16% of total revenues and accounts receivable as of December 31, 2015, respectively. No collateral is required to support our accounts receivables, and we maintain an allowance for bad debts for potential credit losses. If there is a decline in the general economic environment that negatively affects the financial condition of our customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required, and the adverse impact on our financial performance could be material.

***We depend on Manufacturers through our third party sales channel for a significant amount of our advertising revenues, and we may not be able to maintain or grow these relationships.***

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

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

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

We operate in a regulatory climate in which there is uncertainty as to the application of various laws and regulations to our business. Our business could be significantly affected by different interpretations or applications of existing laws or regulations, future laws or regulations, or actions or rulings by judicial or regulatory authorities. Our operations may be subjected to adoption, expansion or interpretation of various laws and regulations, and compliance with these laws and regulations may require us to obtain licenses at an undeterminable and possibly significant initial and annual expense. These additional expenditures may increase future overhead, thereby potentially reducing our future results of operations. There can be no assurances that future laws or regulations or interpretations or expansions of existing laws or regulations will not impose requirements on internet commerce that could substantially impair the growth of e-commerce and adversely affect our financial performance. The adoption of additional laws or regulations may decrease the popularity or impede the expansion of e-commerce and internet marketing, restrict our present business practices, require us to implement costly compliance procedures or expose us and/or our customers to potential liability.

We may be considered to "operate" or "do business" in states where our customers conduct their business, resulting in regulatory action. If any state licensing laws were determined to be applicable to us, and if we are required to be licensed and we are unable to do so, or we are otherwise unable to comply with laws or regulations, we could be subject to fines or other penalties or be compelled to discontinue operations in those states. In the event any state's regulatory requirements impose state specific requirements on us or include us within an industry-specific regulatory scheme, we may be required to modify our marketing programs in that state in a manner that may undermine the program's attractiveness to consumers or Dealers. In the alternative, if we determine that the licensing and related requirements are overly burdensome, we may elect to terminate operations in that state. In each case, our financial performance could be materially and adversely affected. We have identified below areas of government regulation, which if changed or interpreted to apply to our business, we believe could be costly for us.

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

***Financial Broker and Consumer Credit Laws*** . We provide a connection through our websites that allows consumers to obtain finance information and submit Leads for vehicle financing to third party lenders. We also acquire finance-related Leads from third parties. We receive marketing fees from financial institutions and Dealers in connection with this marketing activity. We do not demand nor do we receive any fees from consumers for this service. In the event states require us to be licensed as a financial broker, we may be unable to comply with a state's laws or regulations, or we could be required to incur significant fees and expenses to obtain any financial broker required license and comply with regulatory requirements. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act established a new consumer financial protection bureau with broad regulatory powers, which could lead to regulation of our Finance Lead business directly or indirectly through regulation of automotive finance companies and other financial institutions.

***Insurance Broker Laws.*** We provide links on our websites and referrals from call centers enabling consumers to be referred to third parties to receive quotes for insurance and extended warranty coverage from such third parties. All online applications for quotes are completed on the respective insurance carriers' or other third party websites, and all applications for quotes obtained through call center referrals are conducted by the insurance carrier or other third party. We receive marketing fees from participants in connection with this marketing activity. We do not receive any premiums from consumers nor do we charge consumers fees for our services.

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

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

***Data Security and Privacy Risks***

Our business is subject to various laws, rules and regulations relating to data security and privacy. New data security and privacy laws, rules and regulations may be adopted regarding the internet or other online services that could limit our business flexibility or cause us to incur higher compliance costs. In each case, our financial performance could be materially and adversely affected. We have identified below some of these risks that we believe could be costly for us.

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

***Data privacy laws, rules and regulations.*** Various laws, rules and regulations govern the collection, use, retention, sharing and security of data that we receive from our users, advertisers and affiliates. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use and disclosure of user data and personal information. Any failure, or perceived failure, by us to comply with our posted privacy policies, Federal Trade Commission requirements or orders or other federal or state privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others. Further, failure or perceived failure by us to comply with our policies, applicable requirements or industry self-regulatory principles related to the collection, use, sharing or security of personal information or other privacy-related matters could result in a loss of user confidence in us, damage to our brands, and ultimately in a loss of users, advertisers or Lead referral and advertising affiliates. We cannot predict whether new legislation or regulations concerning data privacy and retention issues related to our business will be adopted, or if adopted, whether they could impose requirements that may result in a decrease in our user registrations and materially and adversely affect our financial performance. Proposals that have or that are currently being considered include restrictions relating to the collection and use of data and information obtained through the tracking of internet use, including the possible implementation of a "Do Not Track" list, that would allow internet users to opt-out of such tracking.

***Security risks associated with online Leads collection and referral, advertising and e-commerce risks associated with other online fraud and scams.*** A significant issue for online businesses like ours is the secure transmission of confidential and personal information over public networks. Concerns over the security of transactions conducted on the internet, consumer identity theft and user privacy issues have been significant barriers to growth in consumer use of the internet, online advertising and e-commerce. Despite our implementation of security measures, our computer systems or those of our vendors may be susceptible to electronic or physical computer break-ins, viruses and other disruptive harms and security breaches. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may specifically compromise our security measures. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any perceived or actual unauthorized disclosure of personally identifiable information regarding website visitors, whether through breach of our network by an unauthorized party, employee theft or misuse, or otherwise, could harm our reputation and brands, substantially impair our ability to attract and retain our audiences, or subject us to claims or litigation arising from damages suffered by consumers. If consumers experience identity theft after using any of our websites, we may be exposed to liability, adverse publicity and damage to our reputation. To the extent that identity theft gives rise to reluctance to use our websites or a decline in consumer confidence in financial transactions over the internet, our business could be adversely affected. Alleged or actual breaches of the network of one of our business partners or competitors whom consumers associate with us could also harm our reputation and brands. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. For example, California law requires companies to inform individuals of any security breaches that result in their personal information being stolen. Because our success depends on the acceptance of online services and e-commerce, we may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by those breaches. Internet fraud has been increasing over the past few years, and the Company has experienced fraudulent use of our name and trademarks on websites in connection with the purported sale of vehicles offered on third party websites, with payments to be handled through an online escrow service purported to be owned and operated by the Company. These fraudulent online transactions and scams, should they continue to increase in prevalence, could affect our reputation with consumers and give rise to claims by consumers for funds transferred to the fraudulent accounts, which could materially and adversely affect our financial performance.

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

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

*Technology Risks*

***Our business is dependent on keeping pace with advances in technology. If we are unable to keep pace with advances in technology, consumers may stop using our services and our revenues will decrease. If we are required to invest substantial amounts in technology, our financial performance will be adversely impacted.*** The internet and electronic commerce markets are characterized by rapid technological change, changes in user and customer requirements, frequent new service and product introductions embodying new technologies, including mobile internet applications, and the emergence of new industry standards and practices that could render our existing websites and technology obsolete. These market characteristics are intensified by the emerging nature of the market and the fact that many companies are expected to introduce new internet products and services in the near future. If we are unable to adapt to changing technologies, our financial performance could be materially and adversely affected. Our performance will depend, in part, on our ability to continue to enhance our existing services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our websites, mobile applications and other proprietary technology entails significant technical and business risks. We may not be successful in using new technologies effectively or adapting our websites or other proprietary technology to customer requirements or to emerging industry standards. In addition, if we are required to invest substantial amounts in technology in order to keep pace with technological advances, our financial performance could suffer.

***Interruptions or failures in our information technology platforms, communication systems or security systems could materially and adversely affect our financial performance.*** Our information technology and communications systems are susceptible to outages and interruptions due to fire, flood, earthquake, power loss, telecommunications failures, cyber attacks, terrorist attacks, failure of redundant systems and disaster recovery plans and similar events. Such outages and interruptions could damage our reputation and harm our operating results. Despite our network security measures, our information technology platforms are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage and similar disruptions from unauthorized tampering, as well as coordinated denial-of-service attacks. We do not have multiple site capacity for all of our services. In the event of delays or disruptions to services we rely on third party providers to perform disaster recovery planning and services on our behalf. We are vulnerable to extended failures to the extent that planning and services are not adequate to meet our continued technology platform, communication or security systems' needs. We rely on third party providers for our primary and secondary internet connections. Our co-location service and public cloud services that provide infrastructure and platform services, environmental and power support for our technology platforms, communication systems and security systems are received from third party providers. We have little or no control over these third party providers. Any disruption of the services they provide us or any failure of these third party providers to effectively design and implement sufficient security systems or plan for increases in capacity could, in turn, cause delays or disruptions in our services. We are insured for some, but not all, of these events. Even for those events for which we are insured and have coverage under the terms and conditions of the applicable policies, there are no assurances given that the coverage limits would be sufficient to cover all losses we might incur or experience.

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

- Political, social and economic instability;
- Exposure to different business practices and legal standards, particularly with respect to labor and employment laws and intellectual property;
- Continuation of overseas conflicts and the risk of terrorist attacks and resulting heightened security;
- The imposition of governmental controls and restrictions and unexpected changes in regulatory requirements;
- Theft and other crimes;
- Nationalization of business and blocking of cash flows;
- Changes in taxation and tariffs;
- Difficulties in staffing and managing international operations; and
- Foreign currency exchange fluctuations.

These risks can significantly impact our overseas operations and outsourcing and increase the cost of such operations and outsourcing, resulting in a material and adverse impact on our financial performance. In addition, we are subject to certain anti-corruption laws, including the U.S. Foreign Corrupt Pr actices Act, in addition to the laws of the foreign countries in which we operate. If any of our overseas operations, or our employees or agents, violates such laws, we could become subject to sanctions or significant penalties that could negatively affect our reputation and financial performance.

***Securities Market Risks***

***The public market for our common stock may be volatile, especially because market prices for internet-related and technology stocks have often been unrelated to operating performance; our common stock could be delisted from The Nasdaq Capital Market if we are not able to satisfy continued listing requirements, in which case the price of our common stock and our ability to raise additional capital and issue equity-based compensation may be adversely affected, and the ability to buy and sell our stock may be less orderly and efficient.*** Our common stock is currently listed on The Nasdaq Capital Market under the symbol "ABTL," but we cannot assure that an active trading market will be sustained or that the market price of the common stock will not decline. The stock market in general periodically experiences significant price fluctuations. The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as:

- Actual or anticipated variations in our quarterly operating results;
- Historical and anticipated operating metrics such as the number of participating Dealers, volume of Lead deliveries to Dealers, the number of visitors to Company Websites and the frequency with which they interact with Company Websites;
- Announcements of new product or service offerings;
- Technological innovations;
- Low trading volumes;
- Concentration of holdings in our common stock resulting in low public float for our shares;
- Decisions by holders of large blocks of our stock to sell their holdings on accelerated time schedules, including by reason of their decision to liquidate investment funds that hold our stock;
- Limited analyst coverage of the Company;
- Competitive developments, including actions by Manufacturers;
- Changes in financial estimates by securities analysts or our failure to meet such estimates;
- Conditions and trends in the internet, electronic commerce and automotive industries;
- Adoption of new accounting standards affecting the technology or automotive industry;
- Rumors, whether or not accurate, about us, our industry or possible transactions or other events;
- The impact of open market repurchases of our common stock; and
- General market or economic conditions and other factors.

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

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

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

***Risks Associated with Litigation***

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

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

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

***We could be materially and adversely affected by other litigation.*** From time to time, we are involved in litigation or legal matters not related to intellectual property rights and arising from the normal course of our business activities. The actions filed against us and other litigation or legal matters, even if not meritorious, could result in substantial costs and diversion of resources and management attention and an adverse outcome in litigation could materially and adversely affect our financial performance. Our liability insurance may not cover all potential claims to which we are exposed and may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of our insurance coverage could have a material adverse effect on our financial performance.

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

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

Our amended and restated certificate of incorporation allows us to issue preferred stock with rights senior to those of the common stock without any further vote or action by the stockholders. Our amended and restated certificate of incorporation also provides that the board of directors is divided into three classes, which may have the effect of delaying or preventing changes in control or change in our management because less than a majority of the board of directors are up for election at each annual meeting. In addition, provisions in our amended and restated certificate of incorporation and bylaws:

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

These provisions could make it more difficult for stockholders to effect corporate actions such as a merger, asset sale or other change of control of us.

Under our Tax Benefit Preservation Plan, rights to purchase capital stock of the Company (" **Rights** ") have been distributed as a dividend at the rate of five Rights for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $75.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company's outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company's outstanding common stock. If a person or group acquires 4.90% or more of our common stock, all Rights holders, except the acquirer, will be entitled to acquire at the then exercise price of a Right that number of shares of our common stock which, at the time, has a market value of two times the exercise price of the Right. The Tax Benefit Preservation Plan authorizes our board of directors to exercise discretionary authority to deem a person acquiring common stock in excess of 4.90% not to be an "Acquiring Person" under the Tax Benefit Preservation Plan, and thereby not trigger the Rights, if the Board finds that the beneficial ownership of the shares by the person acquiring the shares will not be likely to directly or indirectly limit the availability to the Company of the net operating loss carryovers and other tax attributes that the plan is intended to preserve or is otherwise in the best interests of the Company.

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

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In making its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015, management used the criteria described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (" **COSO** "). A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Management determined that we had no material weaknesses in our internal control over financial reporting as of December 31, 2015. Our internal controls may not prevent all potential errors and fraud, because any control system, no matter how well designed, can only provide reasonable and not absolute assurance that the objectives of the control system will be achieved. We have had material weaknesses in our internal control over financial reporting in the past and there is no assurance that we will not have one or more material weaknesses in the future resulting from failure of our internal controls and procedures. Management excluded from its assessment of internal control over financial reporting the Dealix/Autotegrity and AutoWeb businesses acquired during 2015.

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

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

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

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

**Item 1B.** ***Unresolved Staff Comments***

Not applicable.

**Item 2.** ***Properties***

Our headquarters are located in Irvine, California. Our headquarters consist of approximately 40,000 square feet of leased office space under a lease that expires in July 2017, with two extension options of one-year each (subject to the landlord's right to terminate the second extension option in the event the premises are to be redeveloped). Our SEM operations located in Tampa, Florida are in leased office space that consists of approximately 2,800 square feet under a lease that expires in June 2016. Our Tampa SEM operations will be moving in or about June 2016 to new leased office space in Tampa, Florida consisting of approximately 8,724 square feet under a lease that expires seven years after we f irst occupy the space . Our website development operations located in Guatemala City, Guatemala occupy approximately 4,434 square feet of leased office space under a lease that expires in February 2020. Our Finance Leads operations are located in Troy, Michigan and occupy approximately 5,400 square feet of leased office space under a lease that expires in July 2018, with two options to extend the lease, each for an additional three-year term. We also maintain SEM, direct marketing and software development operations in Cambridge, Massachusetts that occupy approximately 5,460 square feet of leased office space under a lease that expires in November 2017.We believe that our existing facilities are adequate to meet our needs and that existing needs and future growth can be accommodated by leasing alternative or additional space.

**Item 3.** ***Legal Proceedings***

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

**Item 4.** ***Mine Safety Disclosures***

Not applicable.

## PART II

### Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

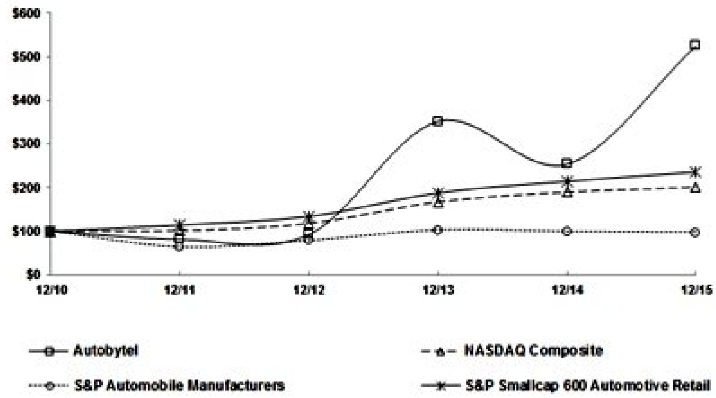
Our common stock, par value $0.001 per share, is listed on The Nasdaq Capital Market and trades under the symbol "ABTL." The following table sets forth, for the calendar quarters indicated, the range of high and low sales prices of our common stock:

| **Year** | **High** | **Low** |
|---|---|---|
| **2014** | | |
| First Quarter | $ 18.63 | $ 11.91 |
| Second Quarter | $ 15.09 | $ 10.67 |
| Third Quarter | $ 13.42 | $ 7.99 |
| Fourth Quarter | $ 11.77 | $ 8.56 |
| | | |
| **2015** | | |
| First Quarter | $ 14.78 | $ 9.07 |
| Second Quarter | $ 17.97 | $ 12.68 |
| Third Quarter | $ 19.79 | $ 14.93 |
| Fourth Quarter | $ 24.57 | $ 16.30 |

As of March 7, 2016, there were 205 holders of record of our common stock. We have never declared or paid any cash dividends on our common stock and we do not expect to pay any cash dividends in the foreseeable future. Payment of any future dividends will depend on our earnings, cash flows and financial condition and will be subject to legal and contractual restrictions. As of March 7, 2016, our common stock closing price was $19.00 per share.

**Performance Graph**

The following graph shows a comparison of cumulative total stockholder returns for our common stock, the NASDAQ Composite, the S&P Automobile Manufacturers Index, and the S&P Smallcap 600 Automotive Retail Index. The comparisons reflected in the graph and table below are not intended to predict the future performance of our stock and may not be indicative of our future performance. The data regarding our common stock assume an investment in our common stock at the closing price of $4.30 per share of our common stock on December 31, 2010.




| | Cumulative Total Return | | | | | |
|---|---|---|---|---|---|---|
| | 12/10 | 12/11 | 12/12 | 12/13 | 12/14 | 12/15 |
| Autobytel | $ 100.00 | $ 81.40 | $ 92.56 | $ 351.86 | $ 253.49 | $ 524.65 |
| NASDAQ Composite | 100.00 | 100.53 | 116.92 | 166.19 | 188.78 | 199.95 |
| S&P Automobile Manufacturers | 100.00 | 64.09 | 78.57 | 102.22 | 99.16 | 97.05 |
| S&P Smallcap 600 Automotive Retail | 100.00 | 114.28 | 133.86 | 187.69 | 214.33 | 235.43 |

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

The tables below set forth our selected consolidated financial data. We prepared this information using the consolidated financial statements of Autobytel for the five years ended December 31, 2015. Certain amounts in the selected consolidated financial data have been reclassified to conform to the current year presentation. You should read these selected consolidated financial data together with the Consolidated Financial Statements and related Notes to the Consolidated Financial Statements contained in this Annual Report on Form 10-K and also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

| | Years ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 (1) | 2012 | 2011 |
| | *(Amounts in thousands, except per-share data)* | | | | |
| RESULTS OF OPERATIONS: | | | | | |
| Total revenues | $ 133,226 | $ 106,278 | $ 78,361 | $ 66,802 | $ 63,812 |
| Income from continuing operations | $ 4,646 | $ 3,411 | $ 38,144 | 1,387 | $ 416 |
| Net income | $ 4,646 | $ 3,411 | $ 38,144 | 1,387 | $ 416 |
| Basic earnings per common share | $ 0.47 | $ 0.38 | $ 4.29 | $ 0.15 | $ 0.05 |
| Diluted earnings per common share | $ 0.37 | $ 0.32 | $ 3.61 | $ 0.15 | $ 0.04 |
| Weighted average diluted shares | 12,662 | 11,212 | 10,616 | 9,204 | 9,536 |

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

| | Years ended December 31, 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | (Amounts in thousands) | | | | |
| FINANCIAL POSITION (1): | | | | | |
| Cash and cash equivalents | $ 23,993 | $ 20,747 | $ 18,930 | $ 15,296 | $ 11,209 |
| Total assets | $ 153,588 | $ 104,749 | $ 88,193 | $ 40,767 | $ 38,794 |
| Non-current liabilities | $ 21,750 | $ 11,061 | $ 10,450 | $ 5,620 | $ 5,607 |
| Accumulated deficit | $ (234,295) | $ (238,941) | $ (242,352) | $ (280,496) | $ (281,883) |
| Stockholders' equity | $ 108,201 | $ 69,258 | $ 64,828 | $ 25,765 | $ 24,896 |

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

**Item 7.** ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

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

For the year ended December 31, 2015, our business, results of operations and financial condition were affected and may continue to be affected in the future by the events that occurred during or subsequent to year end that are described in Part I, Item 1 – Business – *Significant Business Developments* of this Annual report on Form 10-K.

**Results of Operations**

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

| | Years Ended December 31, 2015 | 2014 | 2013 |
|---|---|---|---|
| Revenues: | | | |
| Lead fees | 90.6% | 94.8% | 95.4% |
| Advertising | 7.9 | 3.9 | 4.2 |
| Other revenues | 1.5 | 1.3 | 0.4 |
| Total revenues: | 100.0 | 100.0 | 100.0 |
| Cost of revenues | 61.2 | 60.7 | 61.1 |
| Gross margin | 38.8 | 39.3 | 38.9 |
| Operating expenses: | | | |
| Sales and marketing | 12.0 | 13.5 | 12.2 |
| Technology support | 8.8 | 7.5 | 9.3 |
| General and administrative | 9.9 | 10.9 | 12.2 |
| Depreciation and amortization | 2.3 | 1.7 | 1.9 |
| Litigation settlements | (0.1) | (0.1) | (0.4) |
| Total operating expenses | 32.9 | 33.5 | 35.2 |
| Operating income | 5.8 | 5.8 | 3.7 |
| Interest and other income (expense), net | 0.2 | (0.7) | 0.3 |
| Income tax provision (benefit) | 2.5 | 1.9 | (44.7) |
| Net income | 3.5% | 3.2% | 48.7% |

Revenues by groups of similar services and gross profits are as follows (dollars in thousands):

| | Years Ended December 31, 2015 | 2014 | 2013 | 2015 vs. 2014 Change $ | % | 2014 vs. 2013 Change $ | % |
|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | |
| Lead fees | $ 120,678 | $ 100,744 | $ 74,732 | $ 19,934 | 20% | $ 26,012 | 35% |
| Advertising | 10,534 | 4,171 | 3,289 | 6,363 | 153 | 882 | 27 |
| Other revenues | 2,014 | 1,363 | 340 | 651 | 48 | 1,023 | 301 |
| Total revenues | 133,226 | 106,278 | 78,361 | 26,948 | 25 | 27,917 | 36 |
| Cost of revenues | 81,586 | 64,465 | 47,915 | 17,121 | 27 | 16,550 | 35 |
| Gross profit | $ 51,640 | $ 41,813 | $ 30,446 | $ 9,827 | 24% | $ 11,367 | 37% |

***2015 Compared to 2014***

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

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

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

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

The $17.1 million or 27% increase in cost of revenues in 2015 compared to 2014 was primarily due to a corresponding increase in revenue as a result of the Dealix/Autotegrity acquisition in May 2015.

***2014 Compared to 2013***

*Lead fees*. Lead fees increased $26.0 million or 35% in 2014 compared to 2013. The increase in Lead fees was primarily due to the higher lead volume associated with the increase in incremental and overlapping Dealers associated with the AutoUSA acquisition in January 2014.

*Advertising*. The $0.9 million or 27% increase in advertising revenues in 2014 compared to 2013 was primarily due to increased website traffic and better monetization of traffic through the Jumpstart relationship, as well as increased AutoWeb click revenue.

*Other revenues*. Other revenues increased $1.0 million or 301% in 2014 compared to 2013. The increase in other revenues was due to an increase in mobile product sales as a result of the Advanced Mobile acquisition in the fourth quarter of 2013.

*Cost of Revenues.* The $16.6 million or 35% increase in cost of revenues in 2014 compared to 2013 was primarily due to the increase in automotive Lead volume, associated with the AutoUSA acquisition in January 2014.

Operating expenses were as follows (dollars in thousands):

| | Years Ended December 31, | | | 2015 vs. 2014 Change | | 2014 vs. 2013 Change | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | $ | % | $ | % |
| Operating expenses: | | | | | | | |
| Sales and marketing | $ 15,956 | $ 14,404 | $ 9,612 | $ 1,552 | 11% | $ 4,792 | 50% |
| Technology support | 11,740 | 8,014 | 7,303 | 3,726 | 46 | 711 | 10 |
| General and administrative | 13,189 | 11,538 | 9,554 | 1,651 | 14 | 1,984 | 21 |
| Depreciation and amortization | 3,106 | 1,858 | 1,450 | 1,248 | 67 | 408 | 28 |
| Litigation settlements | (108) | (143) | (316) | 35 | (24) | 173 | (55) |
| Total operating expenses | $ 43,883 | $ 35,671 | $ 27,603 | $ 8,212 | 23% | $ 8,068 | 29% |

***2015 Compared to 2014***

*Sales and Marketing.* Sales and marketing expense includes costs for developing our brand, personnel costs, and other costs associated with Dealer sales, website advertising, Dealer support and bad debt expense.

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

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

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

*General and Administrative.* General and administrative expense consists of executive, financial and legal personnel expenses and costs related to being a public company.

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

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

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

*Interest and Other Income (Expense), net.* Interest and other income was $0.3 million for the year ended December 31, 2015 compared to interest and other expense of $0.7 million for the year ended December 31, 2014. Interest expense was $0.8 million and $0.7 million for the years ended December 31, 2015 and 2014, respectively. The year ended December 31, 2015 included $0.6 million related to a gain on investment recognized from the acquisition of AutoWeb and $0.5 million related to the Company's recovery of short-swing profits from a stockholder pursuant to Section 16(b) of the Securities Exchange Act of 1934.

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

***2014 Compared to 2013***

*Sales and Marketing.* Sales and marketing expense for the year ended December 31, 2014 increased by $4.8 million or 50% compared to the prior year, due principally to increased headcount costs associated with the AutoUSA and Advanced Mobile acquisitions which occurred in January 2014 and October 2013, respectively.

*Technology Support.* Technology support expense for the year ended December 31, 2014 increased by $0.7 million or 10% compared to the prior year, primarily due to an increase in headcount costs and professional fees associated with the AutoUSA acquisition.

*General and Administrative.* General and administrative expense for the year ended December 31, 2014 increased by $2.0 million or 21% compared to the prior year. The increase was primarily due to increased headcount related costs and professional fees related to the AutoUSA acquisition.

*Depreciation and Amortization.* Depreciation and amortization expense for the year ended December 31, 2014 increased by $0.4 million or 28% from the year ended December 31, 2013 primarily due to the addition of intangible assets associated with the AutoUSA and Advanced Mobile acquisitions offset by a portion of the intangible assets associated with the Cyber acquisition becoming fully amortized in 2013.

*Litigation Settlements* . Litigation settlements decreased to $0.1 million for the year ended December 31, 2014 compared to $0.3 million for the year ended December 31, 2013. These payments primarily relate to a settlement of patent infringement claims against third parties relating to the third party's method of Lead delivery.

*Interest and Other Income (Expense), net.* Interest and other expense was $0.7 million for the year ended December 31, 2014 compared to interest and other income of $0.2 million for the year ended December 31, 2013. Interest expense was $0.7 million and $0.3 million for the year ended December 31, 2014 and 2013, respectively. 2013 included receipt of a $0.5 million final payment related to early termination of a license agreement pursuant to which the Company, as licensor, had licensed certain rights in the Company's proprietary software, business procedures and brand.

*Income tax provision (benefit).* Income tax expense was $2.0 million for the year ended December 31, 2014 compared to income tax benefit of $35.1 million for the year ended December 31, 2013. The Company's effective tax rate of 37.4% for the year ended December 31, 2014 differed from the federal statutory rate principally as a result of deferred tax asset adjustments, a reversal of a portion of the valuation allowance, and state income taxes and permanent non-deductible tax items. The Company's effective tax rate of (1,139.1)% for the year ended December 31, 2013 differed from the federal statutory rate principally as a result of the reversal of a portion of the valuation allowance, federal rate adjustment from 35% to 34%, deferred tax asset adjustments and state income taxes.

Due to overall cumulative losses incurred over the years, the Company maintained a full valuation allowance against its deferred tax assets as of September 30, 2013. Historically, the Company has been in a position of overall cumulative losses over the trailing twelve quarters. However, ending with the quarter ended September 30, 2013, the Company had achieved a position of overall cumulative income in the trailing twelve quarters. While this factor did not in and of itself indicate that the valuation allowance or a portion of the allowance should be removed, cumulative three year income was an indicator that was considered in evaluating the need to maintain or release the valuation allowance. Other factors that were assessed included the future projections of income and the Company's ability to accurately project such income. The Company determined that it was appropriate to release $37.5 million of the valuation allowance in the quarter ended December 31, 2013. The only valuation allowance remaining is $1.4 million related to California net operating losses that will likely expire unutilized and $4.6 million related to stock option deductions that will be realized in the future years once the deductions reduce income taxes payable. This reversal was a one-time benefit to the financial statements and the Company began recognizing a tax provision on its pre-tax income prospectively, commencing with the quarter ending March 31, 2014.

**Segment Information**

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

**Liquidity and Capital Resources**

The table below sets forth a summary of our cash flow for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

| | Years Ended December31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Net cash provided by operating activities | $ 12,200 | $ 7,890 | $ 4,332 |
| Net cash used in investing activities | (28,105) | (12,548) | (5,052) |
| Net cash provided by financing activities | 19,151 | 6,475 | 4,354 |

Our principal sources of liquidity are our cash and cash equivalents and accounts receivable balances. Our cash and cash equivalents totaled $24.0 million as of December 31, 2015 compared to $20.7 million as of December 31, 2014.

On June 7, 2012, the Company announced that its board of directors had authorized the Company to repurchase up to $2.0 million of Company common stock, and on September 17, 2014 the Company announced that the board of directors had approved the repurchase of up to an additional $1.0 million of Company common stock. The authorization may be increased or otherwise modified, renewed, suspended or terminated by the Company at any time, without prior notice. We may repurchase common stock from time to time on the open market or in private transactions. Shares repurchased under this program have been retired and returned to the status of authorized and unissued shares. We funded repurchases and anticipate that we would fund future repurchases through the use of available cash. The repurchase authorization does not obligate the Company to repurchase any particular number of shares. The timing and actual number of repurchases of additional shares, if any, under the Company's stock repurchase program will depend upon a variety of factors, including price, market conditions, release of quarterly and annual earnings and other legal, regulatory and corporate considerations at the Company's sole discretion. The impact of repurchases on the Tax Benefit Preservation Plan and on the Company's use of its net operating loss carryovers and other tax attributes if the Company were to experience an "ownership change," as defined in Section 382 of the Internal Revenue Code is also a factor that the Company considers in connection with share repurchases. No repurchases were made in 2015. As of December 31, 2015, approximately $1.2 million remained available for the repurchase of Company common stock under this program.

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

Term Loan 1 is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under Term Loan 1 bear interest at either (i) the bank's Reference Rate (prime rate) minus 0.50% or (ii) the LIBOR plus 2.50%, at the option of the Company. Interest under Term Loan 1 adjusts (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. Borrowings under Term Loan 1 are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 1 matures on December 31, 2017. Borrowing under Term Loan 1 was limited to use for the acquisition of AutoUSA, and the Company drew down the entire $9.0 million of Term Loan 1, together with $1.0 million under the Revolving Loan, in financing this acquisition. The outstanding balance of Term Loan 1 as of December 31, 2015 was $4.5 million.

Term Loan 2 is amortized over a period of five years, with fixed quarterly principal payments of $750,000. Borrowings under Term Loan 2 bear interest at either (i) the London Interbank Offering Rate (" **LIBOR** ") plus 3.00% or (ii) the bank's Reference Rate (prime rate), at the option of the Company. Borrowings under the Revolving Loan bear interest at either (i) the LIBOR plus 2.50% or (ii) the bank's Reference Rate (prime rate) minus 0.50%, at the option of the Company. Interest under both Term Loan 2 and the Revolving Loan adjust (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. The Company paid an upfront fee of .10% of the Term Loan 2 principal amount upon drawing upon Term Loan 2 and also pays a commitment fee of 0.10% per year on the unused portion of the Revolving Loan, payable quarterly in arrears. Borrowings under Term Loan 2 and the Revolving Loan are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 2 matures June 30, 2020, and the maturity date of the Revolving Loan was extended from March 31, 2017 to April 30, 2018. Borrowings under the Revolving Loan may be used as a source to finance working capital, capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under Term Loan 2 was limited to use for the acquisition of Dealix/Autotegrity, and the Company drew down the entire $15.0 million of Term Loan 2, together with $2.75 million under the Revolving Loan and $6.76 million from available cash on hand, in financing this acquisition. The outstanding balances of Term Loan 2 and the Revolving Loan as of December 31, 2015 were $13.5 million and $8.0 million, respectively.

The Credit Facility Agreement contains certain customary affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain specified levels of minimum consolidated liquidity and quarterly and annual earnings before interest, taxes and depreciation and amortization, which the Company was in compliance with as of December 31, 2015.

We believe our current cash and cash equivalent balances together with anticipated cash flows from operations will be sufficient to satisfy our working capital and capital expenditure requirements for at least the next 12 months.

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

Net cash provided by operating activities in 2014 of $7.9 million resulted primarily from net income of $3.4 million, as adjusted for non-cash charges to earnings, offset by a decrease in working capital, which was the result of a year-over-year increase in our accounts receivable balance of $2.6 million in addition to a decrease in other assets of $0.6 million offset by an increase in accrued expenses and other liabilities of $1.8 million.

*Net Cash Used in Investing Activities.* Net cash used in investing activities of $28.1 million in 2015 primarily consisted of $25.0 million used to acquire Dealix/Autotegrity, a $0.4 million investment in GoMoto, Inc. (See "Critical Accounting Policies and Estimates-Investments" below) and $2.7 million in purchases of property and equipment.

Net cash used in investing activities of $12.5 million in 2014 primarily consisted of $10.0 million used to acquire AutoUSA, a $0.9 million investment in AutoWeb and $1.1 million in purchases of property and equipment.

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

Net cash provided by financing activities of $6.5 million in 2014 consisted of borrowings of $9.0 million and $1.0 million against the Term Loan and Revolving Loan, respectively, to fund the purchase of AutoUSA in the year ended December 31, 2014. Stock options for 134,668 shares of the Company's common stock were exercised in the year ended December 31, 2014 resulting in $0.6 million of cash inflow. Payments of $2.3 million were made against the Term Loan borrowings in the year ended December 31, 2014. $1.8 million was also used to repurchase our common stock.

**Contractual Obligations**

The following table provides aggregated information about our outstanding contractual obligations as of December 31, 2015 (in thousands):

| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|
| Long-term Debt Obligations (a) | $ 27,000 | $ 5,250 | $ 16,250 | $ 5,500 | $ — |
| Operating Lease Obligations (b) | 5,523 | 1,810 | 2,263 | 722 | 728 |
| Total | $ 32,523 | $ 7,060 | $ 18,513 | $ 6,222 | $ 728 |

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

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

**Off-Balance Sheet Arrangements**

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

**Critical Accounting Policies and Estimates**

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

*Revenue Recognition.* Leads consist of vehicle buying Leads for new and used vehicles and finance request fees. Fees paid by Dealers and Manufacturers participating in our Lead programs are comprised of monthly transaction and/or subscription fees. Advertising revenues represent fees for display advertising on our websites.

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

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

In September 2013 we entered into a Contribution Agreement with AutoWeb pursuant to which Autobytel contributed to AutoWeb $2.5 million and assigned to AutoWeb all the ownership interests in the autoweb.com domain name and two registered trademarks related to the AutoWeb name and related goodwill in exchange for 8,000 shares of AutoWeb Series A Preferred Stock, $0.01 par value per share. The 8,000 shares of AutoWeb Series A Preferred Stock represented 16% of all issued and outstanding common stock of AutoWeb as of September 18, 2013, assuming conversion of the Series A Preferred Stock into AutoWeb common stock as of September 18, 2013. The Company also obtained an option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock at a per share exercise price of $500.00. In connection with this investment, the Company also entered into arrangements with AutoWeb to use the AutoWeb pay-per-click, auction-driven automotive marketplace technology platform as both a publisher and as an advertiser. In November 2014 we entered into a Series B Preferred Stock Purchase Agreement with AutoWeb pursuant to which the Company paid $880,394 in exchange for 1,076 shares of AutoWeb Series B Preferred Stock, $0.01 par value per share. The investments in AutoWeb were recorded at cost because prior to the AutoWeb Merger Date, the Company did not have significant influence over AutoWeb. On the AutoWeb Merger Date, the shares of AutoWeb Series A Preferred Stock, AutoWeb Series B Preferred Stock, and the option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock were cancelled. See Note 3 of the "Notes to Consolidated Financial Statements" in Part II, Item 8 "Financial Statements and Supplemental Data" of this Annual Report on Form 10-K.

In September 2013 we entered into a Convertible Note Purchase Agreement in which Autobytel invested $150,000 in SaleMove in the form of a convertible promissory note (" **SaleMove Note 1** "). The convertible promissory note accrues interest at an annual rate of 6.0% and is due and payable in full on September 1, 2015 unless converted prior to such maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note.

In October 2013 the Company entered into an agreement with SaleMove to become the exclusive reseller to the automotive industry of SaleMove's technology for enhancing communications with consumers. SaleMove's patent-pending technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. We agreed to advance costs and expenses up to a total of $1.0 million (" **SaleMove Advances** "), all of which was advanced as of December 31, 2014. SaleMove Advances are repaid to the Company from SaleMove's share of net revenues from this reseller agreement. As of December 31, 2015, the net advances due from SaleMove totaled $0.7 million.

In November 2014 we invested an additional $400,000 in SaleMove in the form of a convertible promissory note (" **SaleMove Note 2** "). The convertible promissory note accrues interest at an annual rate of 6.0% and is due and payable in full on November 18, 2016 unless converted prior to the maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note. SaleMove Note 1 and SaleMove Note 2 were converted into 190,997 Series A Preferred Stock in July 2015 upon a preferred stock financing by SaleMove and is classified as a long-term investment on the consolidated balance sheet as of December 31, 2015.

In December 2014, we entered into a Series Seed Preferred Stock Purchase Agreement with GoMoto in which we paid $100,000 for 317,460 shares of Series Seed Preferred Stock, $0.001 par value per share. The $100,000 investment in GoMoto was recorded at cost because the Company does not have significant influence over GoMoto. In October 2015 we invested an additional $375,000 in GoMoto in the form of a convertible promissory note (" **GoMoto Note** "). The convertible promissory note accrues interest at an annual rate of 4.0% and is due and payable in full on or after October 28, 2017 upon demand or at GoMoto's option ten days' written notice unless converted prior to the maturity date. The convertible note will be converted into preferred stock of GoMoto in the event of a preferred stock financing by GoMoto of at least $1.0 million prior to the maturity date of the convertible note. The GoMoto Note is classified as an other long-term asset on the consolidated balance sheet as of December 31, 2015.

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

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

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

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

*Contingencies.* From time to time we may be subject to proceedings, lawsuits and other claims. We assess the likelihood of any adverse judgments or outcomes of these matters as well as potential ranges of probable losses. We record a loss contingency when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. The amount of allowances required, if any, for these contingencies is determined after analysis of each individual case. The amount of allowances may change in the future if there are new material developments in each matter.

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

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

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

Level 3 – Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

Cash equivalents, accounts receivable, net of allowance, accounts payable and accrued liabilities, are carried at cost, which management believes approximates fair value because of the short-term maturity of these instruments.

Our investments at December 31, 2015 and 2014 consist primarily of investments in SaleMove, AutoWeb and GoMoto and are accounted for under the cost method. Although there is no established market for these investments, we evaluated the investments for impairment by comparing them to an estimated fair value and determined that there is no impairment. To determine the estimated fair value for our investment in SaleMove, we analyzed the discounted future cash flows of our sales of SaleMove products. These fair value measurements are based on significant inputs not observable in the market and represent a Level 3 measurement. On the AutoWeb Merger Date, Merger Sub merged with and into AutoWeb, with AutoWeb as the surviving corporation and as a wholly-owned subsidiary of the Company. Prior to the acquisition, we owned 15% of the outstanding shares of AutoWeb, on a fully converted and diluted basis.

The following table presents the Company's activity for 2015 (dollars in thousands):

| Description | Note receivable-long-term | Note receivable-Current | Investments |
|---|---|---|---|
| Balance at December 31, 2014 | $ — | $ 150 | $ 3,880 |
| Total gains or (losses) (realized or unrealized) | — | — | 636 |
| Purchases | 375 | — | — |
| Sales | — | — | — |
| Transfers | — | (150) | (3,836) |
| Balance at December 31, 2015 | $ 375 | $ — | $ 680 |

*Variable Interest Entities.* We have investments in certain entities that are considered variable interest entities ("VIEs") under GAAP. We have concluded that our investment in SaleMove qualifies as a variable interest and SaleMove is a VIE. In addition, in relation to our acquisition of AutoWeb in October 2015 and AutoWeb's relationship with Endine, we have concluded that AutoWeb's relationship with Endine qualifies as a variable interest and Endine is a VIE. VIEs are legal entities in which the equity investors do not have sufficient equity at risk for the entity to independently finance its activities or the collective holders do not have the power through voting or similar rights to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the expected losses of the entity, or the right to receive expected residual returns of the entity. Consolidation of a VIE is considered appropriate if a reporting entity is the primary beneficiary, the party that has both significant influence and control over the VIE. Management periodically performs a qualitative analysis to determine if the Company is the primary beneficiary of a VIE. This analysis includes review of the VIEs' capital structures, contractual terms, and primary activities, including the Company's ability to direct the activities of the VIEs and obligations to absorb losses, or the right to receive benefits, significant to the VIEs. Additionally, changes in our various equity investments have in the past resulted in a reconsideration event

Based on our analysis, Autobytel is not the primary beneficiary of SaleMove. Accordingly, SaleMove does not meet the criteria for consolidation. The SaleMove Advances are classified as an other long-term asset on the consolidated balance sheet as of December 31, 2015. The carrying value and maximum potential loss exposure from SaleMove totaled $0.7 million and $1.6 million as of December 31, 2015 and 2014, respectively.

We performed an analysis of the VIE rules as it related to the acquisition of AutoWeb and its relationships. AutoWeb has a contract with Endine wherein Endine provides the technical expertise for AutoWeb that will continue into 2016. Based on our analysis of the contract that AutoWeb has with Endine under the VIE guidelines, we have concluded that AutoWeb is the primary beneficiary of Endine and that Endine meets the criteria for consolidation. We performed an analysis of Endine's financial position and operations and determined that consolidation of Endine into Autobytel is immaterial to Autobytel's consolidated financial statements. Our consolidated financial statements for the year ended December 31, 2015 do not include the consolidation of Endine.

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

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

*Share-Based Compensation Expense.* We account for our share-based compensation using the fair value method in accordance with the Stock Compensation Topic of the Codification. Under these provisions, we recognize share-based compensation net of an estimated forfeiture rate and therefore only recognize compensation cost for those shares expected to vest over the service period of the award. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model based on the underlying common stock closing price as of the date of grant, the expected term, expected stock price volatility and expected risk-free interest rates.

Calculating share-based compensation expense requires the input of highly subjective assumptions, including the expected term of the share-based awards, expected stock price volatility and expected pre-vesting option forfeitures. We estimate the expected life of options granted based on historical experience, which we believe are representative of future behavior. We estimate the volatility of the price of our common stock at the date of grant based on historical volatility of the price of our common stock for a period equal to the expected term of the awards. We have used historical volatility because we have a limited number of options traded on our common stock to support the use of an implied volatility or a combination of both historical and implied volatility. The assumptions used in calculating the fair value of share-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our share-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience of our share-based awards that are granted, exercised and cancelled. If our actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be significantly different from what we have recorded in the current period.

*Income Taxes*. We account for income taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We record a valuation allowance, if necessary, to reduce deferred tax assets to an amount we believe is more likely than not to be realized. During 2013, we reversed $37.5 million of our valuation allowance due to our historical earnings and future earnings projections.

As of December 31, 2015, we had $0.5 million of unrecognized tax benefits. There was a reduction of $0.1 million of uncertain tax positions due to lapses in the statute of limitations during the current period. Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2015, we accrued $10,000 of interest associated with our unrecognized tax benefits, and $3,000 of interest expense was recognized in 2015.

*Goodwill.* Goodwill represents the excess of the purchase price for business acquisitions over the fair value of identifiable assets and liabilities acquired. We evaluate the carrying value of enterprise goodwill for impairment. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the enterprise's carrying value to its fair value. If the fair value is less than the carrying value, enterprise goodwill is potentially impaired and we then complete the second step to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of enterprise goodwill, an impairment loss is recognized equal to the difference. We evaluate enterprise goodwill, at a minimum, on an annual basis in the fourth quarter of each year or whenever events or changes in circumstances suggest that the carrying amount of goodwill may be impaired. During 2015 and 2014 we recognized $22.0 million and $7.3, respectively, in goodwill related to the acquisitions of AutoUSA, Dealix/Autotegrity and AutoWeb. As of December 31, 2015, there were no changes in the recognized amount of goodwill and no goodwill impairment was recorded during the year.

*Impairment of Long-Lived Assets and Intangible Assets.* We periodically review long-lived assets to determine if there is any impairment of these assets. We assess the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our long-lived assets and other intangibles. Future events could cause us to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. We assess the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, we will write-down these assets to their determined fair value, if necessary. Any write-downs could have a material adverse effect on our financial condition and results of operations. We did not record any impairment in 2015, 2014 and 2013.

**Recent Accounting Pronouncements**

*Accounting Standards Codification 225-20 "Income Statement – Extraordinary and Unusual Items."* In January 2015, Accounting Standards Update (" **ASU** ") No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" was issued. This ASU eliminates from GAAP the concept of extraordinary items. Preparers will not have to assess whether a particular event is extraordinary. However, presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual and infrequently occurring. The amendments in this ASU are effective for fiscal years, and interim periods with those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided the guidance is applied from the beginning of the fiscal year of adoption. The Company has not yet selected a transition method nor has it determined the effect of the standard on the ongoing financial reporting.

*Accounting Standards Codification 810 "Consolidation."* In February 2015, ASU No. 2015-02, "Amendments to the Consolidation Analysis" was issued. This ASU was issued to respond to stakeholders' concerns about current accounting for consolidation of certain legal entities. The amendments in the ASU (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this ASU are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company has yet to determine if this ASU will be material to the consolidated financial statements.

*Accounting Standards Codification 606 "Revenue from Contracts with Customers."* In May 2014, ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" was issued. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB voted to defer the effective date and it is now effective for public entities for annual periods ending after December 15, 2017. Early adoptions of the standard is permitted, but not before the original effective date of December 15, 2016. This update permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect this guidance will have on the consolidated financial statements and related disclosures.

*Accounting Standards Codification 805 "Business Combinations."* In September 2015, ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" was issued. This ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this ASU are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this ASU should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this ASU with earlier application permitted for financial statements that have not been issued. The Company has yet to determine if this ASU will be material to the consolidated financial statements.

*Accounting Standards Codification 740 "Income Taxes."* In November 2015, ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes" was issued. This ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company believes this ASU will be immaterial to the consolidated financial statements.

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

**Item 7A.** ***Quantitative and Qualitative Disclosures about Market Risk***

The Company does not use financial instruments for trading. Our primary exposure to market risk is interest rate sensitivity to our Credit Facility Agreement. The effect of a hypothetical 10% change in interest rates would have increased our interest expense by $65,000 in the year ended December 31, 2015.

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

Our Consolidated Balance Sheets as of December 31, 2015 and 2014 and our Consolidated Statements of Income and Comprehensive Income, Stockholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 2015, together with the report of our independent registered public accounting firm, begin on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

**Item 9A.** ***Controls and Procedures***

**Disclosure Controls and Procedures**

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

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2015. Based on this evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2015.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Company's chief executive officer and chief financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or fraud. In making this assessment, management used the criteria set forth in the framework issued by the COSO entitled *Internal Control—Integrated Framework (2013)* . Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2015. Management reviewed the results of its assessment with the audit committee of the board of directors.

As discussed in Note 3 of the "Notes to Consolidated Financial Statements" of this Annual Report on Form 10-K, we acquired Dealix/Autotegrity in May 2015 and AutoWeb in October 2015.

We have excluded Dealix/Autotegrity and AutoWeb from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015. The combined Dealix/Autotegrity and AutoWeb financial statements in aggregate constitute approximately 8.2% of total assets (excluding approximately $40.3 million of goodwill and intangible assets, which were integrated into the Company's systems and control environment) and approximately 19.3% of total revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2015.

**Changes in Internal Control Over Financial Reporting**

Except for the acquisitions of Dealix/Autotegrity and AutoWeb discussed above, there have been no changes in internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 of the Exchange Act that have occurred during the fourth quarter of fiscal year 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by Moss Adams LLP, the Company's independent registered public accounting firm, as stated in their report, which is included below.

**Item 9B.** ***Other Information***

Not applicable.

## PART III

Information called for by the Items included under this Part III is incorporated by reference to the sections listed below of our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders that will be filed not later than 120 days after December 31, 2015 (" **2016 Proxy Statement** ").

### Item 10 *Directors, Executive Officers and Corporate Governance*

The information called for by this Item 10 is incorporated by reference to the following sections of the 2016 Proxy Statement: "Proposal 1-Nomination and Election of Directors;" "Board of Directors;" "Executive Officers;" "Section 16(a) Beneficial Ownership Reporting Compliance;" and the following paragraphs under the section "Corporate Governance Matters" "--Committees of the Board of Directors—Audit Committee," and "--Code of Conduct and Ethics."

### Item 11 *Executive Compensation*

The information called for in this Item 11 is incorporated by reference to the following sections of the 2016 Proxy Statement: "Executive Compensation," "Corporate Governance Matters--Compensation Committee Interlocks and Insider Participation," and "Executive Compensation--Compensation Committee Report."

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

The information called for in this Item 12 is incorporated by reference to the following sections of the 2016 Proxy Statement: "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation-- Equity Compensation Plans."

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

The information called for in this Item 13 is incorporated by reference to the following sections of the 2016 Proxy Statement: "Corporate Governance Matters--Certain Relationships and Related Party Transactions" and "--Director Independence."

### Item 14 *Principal Accountant Fees and Services*

The information called for in this Item 14 is incorporated by reference to the following sections of the 2015 Proxy Statement: "Independent Registered Public Accounting Firm and Audit Committee Report--Principal Accountant Fees and Services," "--Audit Fees," "--Audit Related Fees," "--Tax Fees," "--All Other Fees," and "--Pre-Approval Policy for Services."

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## PART IV

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

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

(1) *Financial Statements:*



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

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## 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 10th day of March, 2016.

AUTOBYTEL INC.

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

## POWER OF ATTORNEY

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

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

| Signature | Title | Date |
|---|---|---|
| /s/ MICHAEL J. FUCHS<br>**Michael J. Fuchs** | Chairman of the Board and Director | March 10, 2016 |
| /s/ JEFFREY H. COATS<br>**Jeffrey H. Coats** | President, Chief Executive Officer and Director (Principal Executive Officer) | March 10, 2016 |
| /s/ KIMBERLY BOREN<br>**Kimberly Boren** | Senior Vice President and Chief Financial Officer (Principal Financial Officer) | March 10, 2016 |
| /s/ WESLEY OZIMA<br>**Wesley Ozima** | Vice President and Controller (Principal Accounting Officer) | March 10, 2016 |
| /s/ MICHAEL A. CARPENTER<br>**Michael A. Carpenter** | Director | March 10, 2016 |
| /s/ MARK N. KAPLAN<br>**Mark N. Kaplan** | Director | March 10, 2016 |
| /s/ ROBERT J. MYLOD, JR.<br>**Robert J. Mylod, Jr.** | Director | March 10, 2016 |
| /s/ JEFFREY M. STIBEL<br>**Jeffrey M. Stibel** | Director | March 10, 2016 |
| /s/ MATIAS DE TEZANOS<br>**Matias de Tezanos** | Director | March 10, 2016 |
| /s/ JANET M. THOMPSON<br>**Janet M. Thompson** | Director | March 10, 2016 |
| /s/ JOSE VARGAS<br>**Jose Vargas** | Director | March 10, 2016 |

**AUTOBYTEL INC.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of Autobytel Inc.

We have audited the accompanying consolidated balance sheets of Autobytel Inc. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. We also have audited the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As discussed in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment a portion of the internal control over financial reporting at Dealix Corporation and Autotegrity, Inc., ("Dealix/Autotegrity") acquired in May, 2015 and AutoWeb Inc. ("AutoWeb") acquired in October, 2015, and whose combined financial statements constitute approximately 8.2% of the Company's consolidated total assets (excluding $40.3 million of goodwill and intangible assets, which were integrated into the Company's control environment), and approximately 19.3% of consolidated net revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2015. Accordingly, our audit did not include the internal control over financial reporting at Dealix/Autotegrity and AutoWeb. The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autobytel Inc. as of December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Autobytel Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ MOSS ADAMS LLP

Los Angeles, CA
March 10, 2016

**AUTOBYTEL INC.**

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 23,993 | $ 20,747 |
| Accounts receivable, net of allowances for bad debts and customer credits of $1,045 and $770 at December 31, 2015 and 2014, respectively | 28,091 | 18,311 |
| Deferred tax asset | 3,642 | 5,498 |
| Prepaid expenses and other current assets | 1,276 | 811 |
| Total current assets | 57,002 | 45,367 |
| Property and equipment, net | 4,296 | 1,904 |
| Investments | 680 | 3,880 |
| Intangible assets, net | 29,515 | 4,173 |
| Goodwill | 42,903 | 20,948 |
| Long-term deferred tax asset | 17,820 | 27,396 |
| Other assets | 1,372 | 1,081 |
| Total assets | $ 153,588 | $ 104,749 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 7,643 | $ 7,685 |
| Accrued expenses and other current liabilities | 10,744 | 9,495 |
| Convertible note payable | — | 5,000 |
| Current portion of term loan payable | 5,250 | 2,250 |
| Total current liabilities | 23,637 | 24,430 |
| Convertible note payable | 1,000 | 1,000 |
| Long-term portion of term loan payable | 12,750 | 4,500 |
| Borrowings under revolving credit facility | 8,000 | 5,250 |
| Other non-current liabilities | — | 311 |
| Total liabilities | 45,387 | 35,491 |
| Commitments and contingencies (Note 7) | | |
| Stockholders' equity: | | |
| Series A Preferred stock, $0.001 par value; 11,445,187 shares authorized; none outstanding | — | — |
| Series B Preferred stock, $0.001 par value; 500,000 shares authorized; 168,007 and no shares issued and outstanding at December 31, 2015 and 2014, respectively | — | — |
| Common stock, $0.001 par value; 55,000,000 shares authorized; 10,626,624 and 8,880,377 shares issued and outstanding at December 31, 2015 and 2014, respectively | 11 | 9 |
| Additional paid-in capital | 342,485 | 308,190 |
| Accumulated deficit | (234,295) | (238,941) |
| Total stockholders' equity | 108,201 | 69,258 |
| Total liabilities and stockholders' equity | $ 153,588 | $ 104,749 |

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

AUTOBYTEL INC.

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**(in thousands, except per-share data)**

| | Years Ended December 31, 2015 | 2014 | 2013 |
|---|---|---|---|
| Revenues: | | | |
| Lead fees | $ 120,678 | $ 100,744 | $ 74,732 |
| Advertising | 10,534 | 4,171 | 3,289 |
| Other revenues | 2,014 | 1,363 | 340 |
| Total revenues | 133,226 | 106,278 | 78,361 |
| Cost of revenues | 81,586 | 64,465 | 47,915 |
| Gross profit | 51,640 | 41,813 | 30,446 |
| Operating expenses: | | | |
| Sales and marketing | 15,956 | 14,404 | 9,612 |
| Technology support | 11,740 | 8,014 | 7,303 |
| General and administrative | 13,189 | 11,538 | 9,554 |
| Depreciation and amortization | 3,106 | 1,858 | 1,450 |
| Litigation settlements | (108 ) | (143) | (316) |
| Total operating expenses | 43,883 | 35,671 | 27,603 |
| Operating income | 7,757 | 6,142 | 2,843 |
| Interest and other income (expense), net | 322 | (694) | 237 |
| Income tax provision (benefit) | 3,433 | 2,037 | (35,064) |
| Net income and comprehensive income | $ 4,646 | $ 3,411 | $ 38,144 |
| Basic earnings per common share | $ 0.47 | $ 0.38 | $ 4.29 |
| Diluted earnings per common share | $ 0.37 | $ 0.32 | $ 3.61 |

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

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**AUTOBYTEL INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(in thousands, except share data)**

| | Common Stock | | Preferred Stock | | | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Number of Shares | Amount | Additional Paid-In-Capital | Accumulated Deficit | Total |
| Balance at December 31, 2012 | 8,855,400 | $ 9 | - | $ - | $ 306,252 | $ (280,496) | $ 25,765 |
| Share-based compensation | - | - | - | - | 705 | - | 705 |
| Issuance of common stock upon exercise of stock options | 54,337 | - | - | - | 214 | - | 214 |
| Net income | - | - | - | - | - | 38,144 | 38,144 |
| Balance at December 31, 2013 | 8,909,737 | 9 | - | - | 307,171 | (242,352) | 64,828 |
| Share-based compensation | - | - | - | - | 1,426 | - | 1,426 |
| Issuance of common stock upon exercise of stock options | 134,668 | - | - | - | 562 | - | 562 |
| Issuance of warrants | - | - | - | - | 510 | - | 510 |
| Premium on convertible note | - | - | - | - | 300 | - | 300 |
| Repurchase of common stock | (164,028) | - | - | - | (1,779) | - | (1,779) |
| Net income | - | - | - | - | - | 3,411 | 3,411 |
| Balance at December 31, 2014 | 8,880,377 | 9 | - | - | 308,190 | (238,941) | 69,258 |
| Share-based compensation | - | - | - | - | 2,563 | - | 2,563 |
| Issuance of common stock upon exercise of stock options | 145,979 | - | - | - | 1,197 | - | 1,197 |
| Issuance of AutoWeb warrants | - | - | - | - | 2,542 | - | 2,542 |
| Issuance of AutoWeb preferred shares | - | - | 168,007 | - | 21,133 | - | 21,133 |
| Issuance of restricted stock | 125,000 | - | - | - | - | - | - |
| Exercise of warrants | 400,000 | 1 | - | - | 1,860 | - | 1,861 |
| Conversion of note payable | 1,075,268 | 1 | - | - | 5,000 | - | 5,001 |
| Net income | - | - | - | - | - | 4,646 | 4,646 |
| Balance at December 31, 2015 | 10,626,624 | 11 | 168,007 | - | 342,485 | (234,295) | 108,201 |

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

AUTOBYTEL INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**

| | Years Ended December 31, 2015 | 2014 | 2013 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 4,646 | $ 3,411 | $ 38,144 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 4,021 | 2,227 | 1,875 |
| Provision for bad debt | 379 | 354 | 92 |
| Provision for customer credits | 803 | 1,037 | 511 |
| Share-based compensation | 2,557 | 1,421 | 704 |
| Gain on long-term strategic investment | (636) | — | (108) |
| Change in deferred tax assets | 2,996 | 1,758 | (35,495) |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (381) | (2,590) | (4,610) |
| Prepaid expenses and other current assets | (121) | (261) | 6 |
| Other non-current assets | 147 | (625) | (246) |
| Accounts payable | (586) | 137 | 1,416 |
| Accrued expenses and other current liabilities | (1,352) | 1,847 | 1,445 |
| Non-current liabilities | (273) | (826) | 598 |
| Net cash provided by operating activities | 12,200 | 7,890 | 4,332 |
| Cash flows from investing activities: | | | |
| Purchase of AutoUSA | — | (10,044) | — |
| Purchase of Advanced Mobile | — | — | (1,824) |
| Purchase of Dealix/Autotegrity | (25,011) | — | — |
| Investment in AutoWeb | — | (880) | (2,500) |
| Investment in SaleMove | — | (400) | (150) |
| Purchase of intangible assets | — | — | (16) |
| Investment in GoMoto | (375) | (100) | — |
| Change in long-term strategic investment | — | — | 108 |
| Purchases of property and equipment | (2,719) | (1,124) | (670) |
| Net cash used in investing activities | (28,105) | (12,548) | (5,052) |
| Cash flows from financing activities: | | | |
| Repurchase of common stock | — | (1,779) | — |
| Borrowings under credit facility | 2,750 | 1,000 | 4,250 |
| Borrowings under term loan | 15,000 | 9,000 | — |
| Payments on term loan borrowings | (3,750) | (2,250) | — |
| Net proceeds from stock option exercises | 1,197 | 567 | 215 |
| Proceeds from exercise of warrants | 1,860 | — | — |
| Proceeds from issuance of preferred shares | 2,132 | — | — |
| Payment of contingent fee arrangement | (38) | (63) | (111) |
| Net cash provided by financing activities | 19,151 | 6,475 | 4,354 |
| Net increase in cash and cash equivalents | 3,246 | 1,817 | 3,634 |
| Cash and cash equivalents, beginning of period | 20,747 | 18,930 | 15,296 |
| Cash and cash equivalents, end of period | $ 23,993 | $ 20,747 | $ 18,930 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for income taxes | $ 552 | $ 355 | $ 135 |
| Cash paid for interest | $ 884 | $ 697 | $ 324 |
| Supplemental schedule of non-cash investing and financing activities: | | | |
| Purchase of AutoWeb | $ 21,543 | $ — | $ — |
| Conversion of Cyber Note | $ 5,000 | $ — | $ — |

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

**AUTOBYTEL INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 1. Organization and Operations of Autobytel

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

The Company's consumer-facing automotive websites (" **Company Websites** "), including its flagship website Autobytel.com ® , provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles (" **Vehicle Leads** "). For consumers who may not be able to secure loans through conventional lending sources, the Company Websites provide these consumers the ability to submit inquiries requesting Dealers or other lenders that may offer vehicle financing to these consumers to contact the consumers regarding vehicle financing (" **Finance Leads** "). The Company's mission for consumers is to be "Your Lifetime Automotive Advisor ® " by engaging consumers throughout the entire lifecycle of their automotive needs.

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

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

In connection with the AutoWeb acquisition, Autobytel obtained AutoWeb's Guatemalan website, software development and operations, which were provided as a contract service provider organization through Endine Enterprises Corp., a British Virgin Islands company and an entity effectively controlled by AutoWeb (" **Endine** "). Endine was not consolidated by AutoWeb as required under the VIE rules historically. The Company has not consolidated Endine under the VIE rules as the effects of such consolidation would not be material and the Company currently plans to terminate this contract service provider arrangement. The Company is in the process of establishing a wholly-owned, indirect Guatemalan subsidiary of Autobytel that will maintain the forgoing services and operations directly. Eventually, the Company anticipates it will employ approximately seventy website, software development and operational personnel in Guatemala.

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

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

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

## 2. Summary of Significant Accounting Policies

*Basis of Presentation* . The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

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

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

*Investments.* In September 2013 the Company entered into a Contribution Agreement with AutoWeb pursuant to which Autobytel contributed to AutoWeb $2.5 million and assigned to AutoWeb all the ownership interests in the autoweb.com domain name and two registered trademarks related to the AutoWeb name and related goodwill in exchange for 8,000 shares of AutoWeb Series A Preferred Stock, $0.01 par value per share. The 8,000 shares of AutoWeb Series A Preferred Stock represented 16% of all issued and outstanding common stock of AutoWeb as of September 18, 2013, assuming conversion of the Series A Preferred Stock into AutoWeb common stock as of September 18, 2013. The Company also obtained an option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock at a per share exercise price of $500.00. In connection with this investment, the Company also entered into arrangements with AutoWeb to use the AutoWeb pay-per-click, auction-driven automotive marketplace technology platform as both a publisher and as an advertiser. In November 2014 the Company entered into a Series B Preferred Stock Purchase Agreement with AutoWeb pursuant to which the Company paid $880,394 in exchange for 1,076 shares of AutoWeb Series B Preferred Stock, $0.01 par value per share. The investments in AutoWeb were recorded at cost because prior to the AutoWeb Merger Date, the Company did not have significant influence over AutoWeb. On the AutoWeb Merger Date, the shares of AutoWeb Series A Preferred Stock, AutoWeb Series B Preferred Stock, and the option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock were cancelled. See Note 3.

In September 2013 the Company entered into a Convertible Note Purchase Agreement in which Autobytel invested $150,000 in SaleMove in the form of a convertible promissory note (" **SaleMove Note 1** "). The convertible promissory note accrues interest at an annual rate of 6.0% and is due and payable in full on September 1, 2015 unless converted prior to such maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note.

In October 2013 the Company entered into an agreement with SaleMove to become the exclusive reseller to the automotive industry of SaleMove's technology for enhancing communications with consumers. SaleMove's patent-pending technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. The Company agreed to advance costs and expenses up to a total of $1.0 million (" **SaleMove Advances** "), all of which was advanced as of December 31, 2014. SaleMove Advances are repaid to the Company from SaleMove's share of net revenues from this reseller agreement. As of December 31, 2015, the net advances due from SaleMove totaled $0.7 million.

In November 2014 the Company invested an additional $400,000 in SaleMove in the form of a convertible promissory note (" **SaleMove Note 2** "). The convertible promissory note accrues interest at an annual rate of 6.0% and is due and payable in full on November 18, 2016 unless converted prior to the maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note. SaleMove Note 1 and SaleMove Note 2 were converted into 190,997 Series A Preferred Stock in July 2015 upon a preferred stock financing by SaleMove and is classified as a long-term investment on the consolidated balance sheet as of December 31, 2015.

In December 2014 the Company entered into a Series Seed Preferred Stock Purchase Agreement with GoMoto, Inc. (" **GoMoto** ") in which we paid $100,000 for 317,460 shares of Series Seed Preferred Stock, $0.001 par value per share. The $100,000 investment in GoMoto was recorded at cost because the Company does not have significant influence over GoMoto. In October 2015 we invested an additional $375,000 in GoMoto in the form of a convertible promissory note (" **GoMoto Note** "). The convertible promissory note accrues interest at an annual rate of 4.0% and is due and payable in full on or after October 28, 2017 upon demand or at GoMoto's option ten days' written notice unless converted prior to the maturity date. The convertible note will be converted into preferred stock of GoMoto in the event of a preferred stock financing by GoMoto of at least $1.0 million prior to the maturity date of the convertible note. The GoMoto Note is classified as an other long-term asset on the consolidated balance sheet as of December 31, 2015.

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

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

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

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

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

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

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

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

Level 3 – Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

Cash equivalents, accounts receivable, net of allowance, accounts payable and accrued liabilities, are carried at cost, which management believes approximates fair value because of the short-term maturity of these instruments.

The Company's investments at December 31, 2015 and 2014 consist primarily of investments in SaleMove, AutoWeb and GoMoto and are accounted for under the cost method. Although there is no established market for these investments, we evaluated the investments for impairment by comparing them to an estimated fair value and determined that there is no impairment. To determine the estimated fair value for our investment in SaleMove, we analyzed the discounted future cash flows of our sales of SaleMove products. These fair value measurements are based on significant inputs not observable in the market and represent a Level 3 measurement. On the AutoWeb Merger Date, Merger Sub merged with and into AutoWeb, with AutoWeb continuing as the surviving corporation and as a wholly-owned subsidiary of Autobytel. Prior to the acquisition, we owned 15% of the outstanding shares of AutoWeb, on a fully converted and diluted basis.

*Variable Interest Entities.* The Company has investments in certain entities that are considered variable interest entities ("VIEs") under GAAP. The Company has concluded that their investment in SaleMove qualifies as a variable interest and SaleMove is a VIE. In addition, in relation to the Company's acquisition of AutoWeb in October 2015 and AutoWeb's relationship with Endine, the Company has concluded that AutoWeb's relationship with Endine qualifies as a variable interest and Endine is a VIE. VIEs are legal entities in which the equity investors do not have sufficient equity at risk for the entity to independently finance its activities or the collective holders do not have the power through voting or similar rights to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the expected losses of the entity, or the right to receive expected residual returns of the entity. Consolidation of a VIE is considered appropriate if a reporting entity is the primary beneficiary, the party that has both significant influence and control over the VIE. Management periodically performs a qualitative analysis to determine if the Company is the primary beneficiary of a VIE. This analysis includes review of the VIEs' capital structures, contractual terms, and primary activities, including the Company's ability to direct the activities of the VIEs and obligations to absorb losses, or the right to receive benefits, significant to the VIEs. Additionally, changes in our various equity investments have in the past resulted in a reconsideration event.

Based on Autobytel's analysis for the periods presented in this report, it is not the primary beneficiary of SaleMove. Accordingly, SaleMove does not meet the criteria for consolidation. The SaleMove Advances are classified as an other long-term asset on the consolidated balance sheet as of December 31, 2015 and December 31, 2014. The carrying value and maximum potential loss exposure from SaleMove totaled \$0.7 million as of December 31, 2015, and \$1.6 million as of December 31, 2014.

The Company performed an analysis of the VIE rules as it related to the acquisition of AutoWeb and its relationships. AutoWeb has a contract with Endine wherein Endine provides the technical expertise for AutoWeb that will continue into 2016. Based on Autobytel's analysis of the contract that AutoWeb has with Endine under the VIE guidelines, the Company has concluded that AutoWeb is the primary beneficiary of Endine and that Endine meets the criteria for consolidation. The Company performed an analysis of Endine's financial position and operations and determined that consolidation of Endine into Autobytel is immaterial to Autobytel's consolidated financial statements. The Company's consolidated financial statements for the year ended December 31, 2015 do not include the consolidation of Endine.

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

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, particularly with Urban Science Applications (which represents several Manufacturer programs), General Motors and Ford Direct. During 2015, approximately 28% of the Company's total revenues were derived from these three customers, and approximately 37% or \$10.7 million of gross accounts receivable related to these three customers at December 31, 2015. In 2015, Urban Science Applications accounted for 16% of total revenues and total accounts receivable as of December 31, 2015.

During 2014, approximately 27% of the Company's total revenues were derived from Urban Science Applications, General Motors and Jumpstart, and approximately 41% or \$7.8 million of gross accounts receivable related to these three customers at December 31, 2014. In 2014, Urban Science Applications accounted for 19% of total revenues and 23% of the total accounts receivable as of December 31, 2014.

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

*Operating Leases.* The Company leases office space and certain office equipment under operating lease agreements which expire on various dates through 2023, with options to renew on expiration of the original lease terms.

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

*Capitalized Internal Use Software and Website Development Costs.* The Company capitalizes costs to develop internal use software in accordance with the Internal-Use Software and the Website Development Costs Topics, which require the capitalization of external and internal computer software costs and website development costs, respectively, incurred during the application development stage. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training and maintenance costs are expensed as incurred while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized internal use software development costs are amortized using the straight-line method over an estimated useful life of three to five years. Capitalized website development costs, once placed in service, are amortized using the straight-line method over the estimated useful life of the related websites. The Company capitalized $1.5 million, $0.6 million and $82,000 of such costs for the years ended December 31, 2015, 2014 and 2013, respectively.

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

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

*Revenue Recognition.* Lead fees consist of fees from the sale of Leads for new and used vehicles and Leads for vehicle financing. Fees paid by customers participating in the Company's Lead programs are comprised of monthly transaction and/or subscription fees. Advertising revenues represent fees for display advertising on Company's Websites.

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

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

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

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

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

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Basic Shares: | | | |
| Weighted average common shares outstanding | 9,907,066 | 8,998,035 | 8,883,357 |
| Weighted average common shares repurchased | — | (18,138) | — |
| Basic Shares | 9,907,066 | 8,979,897 | 8,883,357 |
| Diluted Shares: | | | |
| Basic Shares | 9,907,066 | 8,979,897 | 8,883,357 |
| Weighted average dilutive securities | 2,755,258 | 2,232,011 | 1,732,596 |
| Dilutive Shares | 12,662,324 | 11,211,908 | 10,615,953 |

For the year ended December 31, 2015, weighted average dilutive securities included dilutive options, warrants and convertible preferred shares. For the years ended December 31, 2014 and 2013, weighted average dilutive securities included dilutive options, warrants and convertible debt.

Potentially dilutive securities representing approximately 1.4 million, 1.1 million and 1.1 million shares of common stock for the years ended December 31, 2015, 2014 and 2013, respectively, were excluded from the computation of diluted income per share for these periods because their effect would have been anti-dilutive.

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

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

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

*Advertising Expense.* Advertising costs are expensed in the period incurred and the majority of advertising expense is recorded in sales and marketing expense. Advertising expense in the years ended December 31, 2015, 2014 and 2013 was $2.0 million, $1.6 million and $1.8 million, respectively.

**Recent Accounting Pronouncements**

*Accounting Standards Codification 225-20 "Income Statement – Extraordinary and Unusual Items."* In January 2015, Accounting Standards Update (" **ASU** ") No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" was issued. This ASU eliminates from GAAP the concept of extraordinary items. Preparers will not have to assess whether a particular event is extraordinary. However, presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual and infrequently occurring. The amendments in this ASU are effective for fiscal years, and interim periods with those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided the guidance is applied from the beginning of the fiscal year of adoption. The Company has not yet selected a transition method nor has it determined the effect of the standard on the ongoing financial reporting.

*Accounting Standards Codification 810 "Consolidation."* In February 2015, ASU No. 2015-02, "Amendments to the Consolidation Analysis" was issued. This ASU was issued to respond to stakeholders' concerns about current accounting for consolidation of certain legal entities. The amendments in the ASU (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this ASU are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company has yet to determine if this ASU will be material to the consolidated financial statements.

*Accounting Standards Codification 606 "Revenue from Contracts with Customers."* In May 2014, ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" was issued. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB voted to defer the effective date and it is now effective for public entities for annual periods ending after December 15, 2017. Early adoptions of the standard is permitted, but not before the original effective date of December 15, 2016. This update permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect this guidance will have on the consolidated financial statements and related disclosures.

*Accounting Standards Codification 805 "Business Combinations."* In September 2015, ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" was issued. This ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this ASU are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this ASU should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this ASU with earlier application permitted for financial statements that have not been issued. The Company has yet to determine if this ASU will be material to the consolidated financial statements.

*Accounting Standards Codification 740 "Income Taxes."* In November 2015, ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes" was issued. This ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company believes this ASU will be immaterial to the consolidated financial statements.

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

## 3. Acquisitions

*Acquisition of AutoWeb*

On the AutoWeb Merger Date, Merger Sub merged with and into AutoWeb, with AutoWeb continuing as the surviving corporation and as a wholly-owned subsidiary of Autobytel. AutoWeb provides an automotive search engine that enables Manufacturers and Dealers to optimize their advertising campaigns and reach highly targeted car buyers through an auction-based click marketplace.

The AutoWeb Merger Date fair value of the consideration transferred totaled $23.8 million consisting of (i) 168,007 newly issued shares of Series B Junior Participating Convertible Preferred Stock, par value $0.001 per share, of Autobytel (" **Series B Preferred Stock** "); (ii) warrants to purchase up to 148,240 shares of Series B Preferred Stock " **AutoWeb Warrant** "); and (iii) $0.3 million in cash to cancel vested, in-the-money options to acquire shares of AutoWeb common stock. As a result of accounting for the transaction as a business combination achieved in stages, the Company also recorded $0.6 million as a gain to the pre-merger investment in AutoWeb. The results of operations of AutoWeb have been included in the Company's results of operations since the AutoWeb Merger Date.

| | ***(in thousands)*** |
|---|---|
| Series B Preferred Stock | $ 20,989 |
| Series B Preferred warrants to purchase 148,240 shares of Series B Preferred Stock | 2,542 |
| Cash | 279 |
| Fair value of prior ownership in AutoWeb | 4,016 |
| | $ 27,826 |

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

The AutoWeb Warrant becomes exercisable three years after the closing date, subject to the following vesting conditions: (i) with respect to the first one-third of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date of the AutoWeb Warrant the weighted average closing price of the Common Stock for the preceding 30 trading days (adjusted for any stock splits, stock dividends, reverse stock splits or combinations of the Common Stock occurring after the issuance date) (" **Weighted Average Closing Price** ") is at or above $30.00; (ii) with respect to the second one-third of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date the Weighted Average Closing Price is at or above $37.50; and (iii) with respect to the last one-third of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date the Weighted Average Closing Price is at or above $45.00. The AutoWeb Warrant expires on the seventh anniversary of their issuance date.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as of the AutoWeb Merger Date. Because the transaction was completed during the fourth quarter of 2015, the Company has not yet finalized the fair values of the assets and liabilities assumed in connection with the acquisition.

| | *(in thousands)* |
|---|---|
| Net identifiable assets acquired: | |
| Total tangible assets acquired | $ 4,456 |
| Total liabilities assumed | 543 |
| Net identifiable assets acquired | 3,913 |
| | |
| Definite-lived intangible assets acquired | 17,690 |
| Goodwill | 5,954 |
| | $ 27,557 |

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

| | **Valuation Method** | **Estimated Fair Value** *(in thousands)* | **Estimated Useful Life (1)** *(years)* |
|---|---|---|---|
| Customer relationships | Excess of earnings ( 2 ) | $ 7,470 | 4 |
| Trademark/trade names | Relief from Royalty ( 3 ) | 2,600 | 6 |
| Developed technology | Excess of earnings ( 4 ) | 7,620 | 7 |
| Total purchased intangible assets | | $ 17,690 | |

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

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

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

(4) The excess of earnings method estimates a purchased intangible asset's value based on the present value of the prospective net cash flows (or excess earnings) attributable to it. The method takes into account technological and economic obsolescence of the technology.

Additionally, in connection with the acquisition of AutoWeb, the Company entered into non-compete agreements with key executives of Auto Web. The fair value of the AutoWeb non-compete agreements was $270,000 and was derived by calculating the difference between the present value of the Company's forecasted cash flows with the agreements in place and without the agreements in place. The Company will amortize the value of the AutoWeb non-compete agreement over two years.

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

The goodwill recognized of $6.0 million was attributable primarily to expected synergies and the assembled workforce of AutoWeb. The Company incurred approximately $0.9 million of acquisition-related costs related to the AutoWeb acquisition in 2015, all of which were expensed.

*Acquisition of Dealix/Autotegrity*

On the Dealix/Autotegrity Acquisition Date, Autobytel acquired all of the issued and outstanding shares of common stock of Dealix and Autotegrity. Dealix provides new and used car leads to automotive dealerships, Dealer groups and Manufacturers, and Autotegrity is a consumer leads acquisition and analytics business. The Company acquired Dealix/Autotegrity to further expand its reach and influence in the industry by increasing its Dealer network.

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

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as of the Dealix/Autotegrity Acquisition Date. Because the transaction was completed during the second quarter of 2015, the Company has not yet finalized the fair values of the assets and liabilities assumed in connection with the acquisition.

| | ***(in thousands)*** |
|---|---|
| Net identifiable assets acquired: | |
| Total tangible assets acquired | $ 9,664 |
| Total liabilities assumed | 2,488 |
| Net identifiable assets acquired | 7,176 |
| | |
| Definite-lived intangible assets acquired | 7,655 |
| Indefinite-lived intangible assets acquired | 2,200 |
| Goodwill | 7,440 |
| | $ 24,471 |

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

| | Valuation Method | Estimated Fair Value (in thousands) | Estimated Useful Life (1) (years) |
|---|---|---|---|
| Customer relationships | Excess of earnings ( 2 ) | $ 7,020 | 10 |
| Trademark/trade names – Autotegrity | Relief from Royalty ( 3 ) | 120 | 3 |
| Trademark/trade names – UsedCars.com | Relief from Royalty ( 3 ) | 2,200 | Indefinite |
| Developed technology | Cost Approach ( 4 ) | 515 | 3 |
| Total purchased intangible assets | | $ 9,855 | |

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

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

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

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

Additionally, in connection with the acquisition of Dealix/Autotegrity, the Company entered into non-compete agreements with CDK and a key executive of Dealix/Autotegrity. The fair value of the non-compete agreements with CDK and the key executive from Dealix/Autotegrity was $0.5 million and $40,000, respectively, and was derived by calculating the difference between the present value of the Company's forecasted cash flows with the agreements in place and without the agreements in place. The Company will amortize the value of the non-compete agreement with CDK and the key executive from Dealix/Autotegrity over two and one year(s), respectively.

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

The goodwill recognized of $7.4 million was attributable primarily to expected synergies and the assembled workforce of Dealix/Autotegrity. The Company incurred approximately $1.3 million of acquisition-related costs related to the Dealix/Autotegrity acquisition in 2015, all of which were expensed.

*Proforma information for Dealix/Autotegrity and AutoWeb*

The following unaudited pro forma information presents the consolidated results of the Company, Dealix/Autotegrity and AutoWeb for the twelve months ended December 31, 2015 and 2014, with adjustments to give effect to pro forma events that are directly attributable to the acquisition and have a continuing impact, but excludes the impact of pro forma events that are directly attributable to the acquisition and are one-time occurrences. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods, the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results of operations that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur as a result of the acquisition and combining the operations of the companies.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2014, are as follows:

| | Twelve Months Ended December 31, 2015 | Twelve Months Ended December 31, 2014 |
|---|---|---|
| | *(in thousands)* | |
| Unaudited pro forma consolidated results: | | |
| Revenues | $ 146,649 | $ 158,564 |
| Net income | $ 4,839 | $ 7,557 |

*Acquisition of AutoUSA*

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

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

| | *(in thousands)* |
|---|---|
| Cash (including a working capital adjustment of $44) | $ 10,044 |
| Convertible subordinated promissory note | 1,300 |
| Warrant to purchase $1.0 million of Company common stock | 510 |
| | $ 11,854 |

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

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

The following table summarizes the fair values of the assets acquired and liabilities assumed as of December 31, 2015.

| | (in thousands) |
|---|---|
| Net identifiable assets acquired | $ 758 |
| Long-lived intangible assets acquired | 3,660 |
| Goodwill | 7,346 |
| | $ 11,764 |

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

| | **Valuation Method** | **Estimated Fair Value** *(in thousands)* | **Estimated Useful Life (1)** *(years)* |
|---|---|---|---|
| Customer relationships | Excess of earnings ( 2 ) | $ 2,660 | 5 |
| Trademark/trade names | Relief from Royalty ( 3 ) | 1,000 | 5 |
| Total purchased intangible assets | | $ 3,660 | |

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

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

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

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

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

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

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

Proforma results for the year ended December 31, 2014 are immaterial since the acquisition was on January 14, 2014.

*Acquisition of Advanced Mobile*

As of the Advanced Mobile Acquisition Date, the Company acquired substantially all of the assets of Advanced Mobile. Advanced Mobile provides mobile marketing solutions (e.g., mobile applications, mobile portals, mobile websites, TextShield®, mobile text marketing, quick response codes, text messaging, short message service and multimedia service) for the automotive industry. The acquired assets consisted primarily of customer contracts, technology license rights and rights in domain names and short codes used for SMS texting. Advanced Mobile was acquired to enable the Company to offer the automotive industry the mobile technology and resources required to exploit the expanding growth in smart phone and tablet use.

The Advanced Mobile Acquisition Date fair value of the consideration transferred totaled $3.4 million, which consisted of the following:

| | | ***(in thousands)*** |
|---|---|---|
| Cash (including working capital adjustment of $70) | $ | 2,570 |
| Contingent consideration | | 825 |
| | $ | 3,395 |

The contingent consideration arrangement (“ **Contingent Consideration** ”) requires the Company to pay up to $1.5 million of additional consideration to Advanced Mobile if certain revenue and gross profit targets are met. The fair value of the Contingent Consideration as of the Advanced Mobile Acquisition Date was $825,000. The fair value of the Contingent Consideration was estimated using a Monte Carlo Simulation. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820, Fair Value Measurements and Disclosures. The key assumptions used by the Company's outside valuation consultants in applying the Monte Carlo Simulation consisted of volatility inputs for both revenue and gross profit, forecasted gross margin and a weighted-average cost of capital assumption used to adjust forecasted revenue and gross margin for risk.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the Advanced Mobile Acquisition Date.

| | | ***(in thousands)*** |
|---|---|---|
| Net identifiable assets acquired | $ | 90 |
| Definite-lived intangible assets acquired | | 1,270 |
| Goodwill | | 1,925 |
| Net assets acquired | $ | 3,285 |

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

| | Valuation Method | Estimated Fair Value (in thousands) | Estimated Useful Life (1) (years) |
|---|---|---|---|
| Customer relationships | Excess of earnings (2) | $ 450 | 2 |
| Developed technology | Excess of earnings (2) | 820 | 5 |
| Total purchased intangible assets | | $ 1,270 | |

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

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

Additionally, in connection with the acquisition of Advanced Mobile, the Company entered into a non-compete agreement with a key executive of Advanced Mobile. The fair value of the Advanced Mobile non-compete agreement was $110,000 and was derived by calculating the difference between the present value of the Company's forecasted cash flows with the agreement in place and without the agreement in place. The Company will amortize the value of the Advanced Mobile non-compete agreement over five years.

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

The goodwill recognized of $1.9 million is attributable primarily to expected synergies and the assembled workforce of Advanced Mobile. The full amount is amortizable for income tax purposes.

The Company incurred $0.3 million of acquisition-related costs related to Advanced Mobile, all of which were expensed in 2013.

## 4. Investments

*Investments.* The Company's investments at December 31, 2015 and 2014 consist primarily of investments in SaleMove, AutoWeb and GoMoto and are recorded at cost. Although there is no established market for these investments, the Company evaluated the investments for impairment by comparing them to an estimated fair value and determined that no impairment existed. To determine the estimated fair value for the investment in SaleMove, the Company analyzed the discounted future cash flows of Autobytel's sales of SaleMove products. To determine the estimated fair value for the investment in AutoWeb, the Company analyzed participants in the Series B round of financing in November 2014. These fair value measurements are based on significant inputs not observable in the market and represent a Level 3 measurement.

The following table presents the Company's activity for 2015:

| Description | Note receivable-long-term | Note receivable-current | Investments |
|---|---|---|---|
| | *(in thousands)* | | |
| Balance at December 31, 2014 | $ — | $ 150 | $ 3,880 |
| Total gains or (losses) (realized or unrealized) | — | — | 636 |
| Purchases | 375 | — | — |
| Sales | — | — | — |
| Transfers | — | (150 ) | (3,836) |
| Balance at December 31, 2015 | $ 375 | $ — | $ 680 |

In September 2013 the Company entered into a Contribution Agreement with AutoWeb pursuant to which Autobytel contributed to AutoWeb $2.5 million and assigned to AutoWeb all the ownership interests in the autoweb.com domain name and two registered trademarks related to the AutoWeb name and related goodwill in exchange for 8,000 shares of AutoWeb Series A Preferred Stock, $0.01 par value per share. The 8,000 shares of AutoWeb Series A Preferred Stock represented 16% of all issued and outstanding common stock of AutoWeb as of September 18, 2013, assuming conversion of the Series A Preferred Stock into AutoWeb common stock as of September 18, 2013. The Company also obtained an option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock at a per share exercise price of $500.00. In connection with this investment, the Company also entered into arrangements with AutoWeb to use the AutoWeb pay-per-click, auction-driven automotive marketplace technology platform as both a publisher and as an advertiser. In November 2014 we entered into a Series B Preferred Stock Purchase Agreement with AutoWeb pursuant to which the Company paid $880,394 in exchange for 1,076 shares of AutoWeb Series B Preferred Stock, $0.01 par value per share. The investments in AutoWeb were recorded at cost because prior to the AutoWeb Merger Date, the Company did not have significant influence over AutoWeb. On the AutoWeb Merger Date, the shares of AutoWeb Series A Preferred Stock, AutoWeb Series B Preferred Stock, and the option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock were cancelled. See Note 3.

In September 2013 the Company entered into a Convertible Note Purchase Agreement in which Autobytel invested $150,000 in SaleMove in the form of a convertible promissory note (" **SaleMove Note 1** "). The convertible promissory note accrues interest at an annual rate of 6.0% and is due and payable in full on September 1, 2015 unless converted prior to such maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note.

In November 2014 the Company invested an additional $400,000 in SaleMove in the form of a convertible promissory note (“ **SaleMove Note 2** ”). The convertible promissory note accrues interest at an annual rate of 6.0% and is due and payable in full on November 18, 2016 unless converted prior to the maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note. SaleMove Note 1 and SaleMove Note 2 were converted into 190,997 Series A Preferred Stock in July 2015 upon a preferred stock financing by SaleMove and is classified as a long-term investment on the consolidated balance sheet as of December 31, 2015.

In December 2014 the Company entered into a Series Seed Preferred Stock Purchase Agreement with GoMoto in which the Company paid $100,000 for 317,460 shares of Series Seed Preferred Stock, $0.001 par value per share. The $100,000 investment in GoMoto was recorded at cost because the Company does not have significant influence over GoMoto. In October 2015 the Company invested an additional $375,000 in GoMoto in the form of a convertible promissory note (“ **GoMoto Note** ”). The convertible promissory note accrues interest at an annual rate of 4.0% and is due and payable in full on or after October 28, 2017 upon demand or at GoMoto’s option ten days’ written notice unless converted prior to the maturity date. The convertible note will be converted into preferred stock of GoMoto in the event of a preferred stock financing by GoMoto of at least $1.0 million prior to the maturity date of the convertible note. The GoMoto Note is classified as an other long-term asset on the consolidated balance sheet as of December 31, 2015.

## 5. Selected Balance Sheet Accounts

*Property and Equipment*

Property and equipment consists of the following:

| | As of December 31, | |
|---|---|---|
| | 2015 | 2014 |
| | *(in thousands)* | |
| Computer software and hardware and capitalized internal use software | $ 15,741 | $ 12,990 |
| Furniture and equipment | 1,419 | 1,271 |
| Leasehold improvements | 1,424 | 957 |
| | 18,584 | 15,218 |
| Less—Accumulated depreciation and amortization | (14,288) | (13,314) |
| Property and Equipment, net | $ 4,296 | $ 1,904 |

As of December 31, 2015 and 2014, capitalized internal use software, net of amortization, was $2.1 million and $0.9 million, respectively. Depreciation and amortization expense related to property and equipment was $1.0 million for the year ended December 31, 2015. Of this amount, $0.4 million was recorded in cost of revenues and $0.6 million was recorded in operating expenses for the year ended December 31, 2015. Depreciation and amortization expense related to property and equipment was $0.7 million for the year ended December 31, 2014. Of this amount, $0.2 million was recorded in cost of revenues and $0.5 million was recorded in operating expenses for the year ended December 31, 2014.

*Intangible Assets.* The Company amortizes specifically identified intangible assets using the straight-line method over the estimated useful lives of the assets. The Company's intangible assets will be amortized over the following estimated useful lives (in thousands):

| | | December 31, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|---|
| Intangible Asset | Estimated Useful Life | Gross | Accumulated Amortization | Net | Gross | Accumulated Amortization | Net |
| Trademarks/trade names/licenses/domains | 3-6 years | $ 11,494 | $ (6,071) | $ 5,423 | $ 6,574 | $ (5,594) | $ 980 |
| Software and publications | 3 years | 1,300 | (1,300) | — | 1,300 | (1,300) | — |
| Customer relationships | 2 - 10 years | 19,563 | (4,341) | 15,222 | 5,074 | (2,696) | 2,378 |
| Employment/non-compete agreements | 1-5 years | 1,510 | (849) | 661 | 700 | (500) | 200 |
| Developed technology | 5-7 years | 8,955 | (746) | 8,209 | 820 | (205) | 615 |
| | | $ 42,822 | $ (13,307) | $ 29,515 | $ 14,468 | $ (10,295) | $ 4,173 |

Amortization expense is included in "Depreciation and amortization" in the Statements of Income. Amortization expense for intangible assets for the next five years is as follows:

| Year | Amortization Expense |
|---|---|
| | ***(in thousands)*** |
| 2016 | $ 5,647 |
| 2017 | 5,427 |
| 2018 | 5,052 |
| 2019 | 3,655 |
| 2020 | 2,224 |
| | $ 22,005 |

*Goodwill.* Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or whenever events or circumstances indicate that the carrying value of such assets may not be recoverable. The Company did not record any impairment related to goodwill as of December 31, 2015 and 2014. As of December 31, 2015 and 2014, goodwill consisted of the following:

| | ***(in thousands)*** |
|---|---|
| Goodwill as of December 31, 2014 | $ 20,948 |
| Acquisition of Dealix/Autotegrity | 11,215 |
| Acquisition of AutoWeb | 10,740 |
| Goodwill as December 31, 2015 | $ 42,903 |

In connection with the Dealix/Autotegrity stock acquisition in Note 3 above, the Company recorded net deferred tax liabilities of $3.8 million and adjusted goodwill by $3.8 million in 2015. In connection with the AutoWeb acquisition in Note 3 above, the Company recorded net deferred tax liabilities of $4.7 million and adjusted goodwill by $4.7 million in 2015.

*Accrued Expenses and Other Current Liabilities*

As of December 31, 2015 and 2014, accrued expenses and other current liabilities consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2015 | 2014 |
| | *(in thousands)* | |
| Compensation and related costs and professional fees | $ 3,981 | $ 5,149 |
| Other accrued expenses | 5,715 | 3,383 |
| Amounts due to customers | 486 | 267 |
| Other current liabilities | 562 | 696 |
| Total accrued expenses and other current liabilities | $ 10,744 | $ 9,495 |

*Convertible Notes Payable* . In connection with the acquisition of Cyber, the Company issued the Cyber Note to the sellers. The fair value of the Cyber Note as of the Cyber Acquisition Date was $5.9 million. This valuation was estimated using a binomial option pricing method. Key assumptions used by the Company's outside valuation consultants in valuing the Cyber Note included a market yield of 15.0% and stock price volatility of 77.5%. As the Cyber Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The Cyber Note was acquired by Auto Holdings and was converted into 1,075,268 shares of Company common stock on April 27, 2015, as discussed in Note 1. Upon conversion of the Cyber Note, the Company removed the liability from the Consolidated Balance Sheet.

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

**6. Credit Facility**

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

Term Loan 1 is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under Term Loan 1 bear interest at either (i) the bank's Reference Rate (prime rate) minus 0.50% or (ii) the LIBOR plus 2.50%, at the option of the Company. Interest under Term Loan 1 adjusts (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. Borrowings under Term Loan 1 are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 1 matures on December 31, 2017. Borrowing under Term Loan 1 was limited to use for the acquisition of AutoUSA, and the Company drew down the entire $9.0 million of Term Loan 1, together with $1.0 million under the Revolving Loan, in financing this acquisition. The outstanding balance of Term Loan 1 as of December 31, 2015 was $4.5 million.

Term Loan 2 is amortized over a period of five years, with fixed quarterly principal payments of $750,000. Borrowings under Term Loan 2 bear interest at either (i) the London Interbank Offering Rate (" **LIBOR** ") plus 3.00% or (ii) the bank's Reference Rate (prime rate), at the option of the Company. Borrowings under the Revolving Loan bear interest at either (i) the LIBOR plus 2.50% or (ii) the bank's Reference Rate (prime rate) minus 0.50%, at the option of the Company. Interest under both Term Loan 2 and the Revolving Loan adjust (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. The Company paid an upfront fee of .10% of the Term Loan 2 principal amount upon drawing upon Term Loan 2 and also pays a commitment fee of 0.10% per year on the unused portion of the Revolving Loan, payable quarterly in arrears. Borrowings under Term Loan 2 and the Revolving Loan are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 2 matures June 30, 2020, and the maturity date of the Revolving Loan was extended from March 31, 2017 to April 30, 2018. Borrowings under the Revolving Loan may be used as a source to finance working capital, capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under Term Loan 2 was limited to use for the acquisition of Dealix/Autotegrity, and the Company drew down the entire $15.0 million of Term Loan 2, together with $2.75 million under the Revolving Loan and $6.76 million from available cash on hand, in financing this acquisition. The outstanding balances of Term Loan 2 and the Revolving Loan as of December 31, 2015 were $13.5 million and $8.0 million, respectively.

The Credit Facility Agreement contains certain customary affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain specified levels of minimum consolidated liquidity and quarterly and annual earnings before interest, taxes and depreciation and amortization, which the Company was in compliance with as of December 31, 2015.

## 7. Commitments and Contingencies

*Operating Leases*

The Company leases its facilities and certain office equipment under operating leases which expire on various dates through 2023. The Company's future minimum lease payments on leases with non-cancelable terms in excess of one year were as follows (in thousands):

| **Years Ending December 31,** | | |
|---|---|---|
| 2016 | $ | 1,810 |
| 2017 | | 1,551 |
| 2018 | | 713 |
| 2019 | | 401 |
| 2020 | | 320 |
| Thereafter | | 728 |
| | $ | 5,523 |

Rent expense included in operating expenses was $1.2 million, $0.7 million and $0.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

*Employment Agreements*

The Company has employment agreements and retention agreements with certain key employees. A number of these agreements require severance payments, continuation of certain insurance benefits and acceleration of vesting of stock options in the event of a termination of employment without cause or for good reason.

*Litigation*

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

## 8. Retirement Savings Plan

The Company has a retirement savings plan which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended (" **IRC** ") (the " **401(k) Plan** "). The 401(k) Plan covers all employees of the Company who are over 21 years of age and is effective on the first day of the month following date of hire. Under the 401(k) Plan, participating employees are allowed to defer up to 100% of their pretax salaries not to exceed the maximum IRC deferral amount. The Company contributions to the 401(k) Plan are discretionary. The Company did not make a contribution in the year ended December 31, 2013. The Company contribution in the years ended December 31, 2015 and 2014 was $0.4 million and $0.2 million, respectively.

## 9. Stockholders' Equity

### Stock-Based Incentive Plans

The Company has established several plans that provide for stock-based awards (" **Awards** ") primarily in the form of stock options and restricted stock awards (" **RSAs** "). Certain of these plans provide for awards to employees, the Company's Board of Directors and independent consultants. The Awards were granted under the 1998 Stock Option Plan, the 1999 Stock Option Plan, the 1999 Employee and Acquisition Related Stock Option Plan, the 2000 Stock Option Plan, the Amended and Restated 2001 Restricted Stock and Option Plan, the 2004 Restricted Stock and Option Plan, the 2006 Inducement Stock Option Plan, 2010 Equity Incentive Plan and the 2014 Equity Incentive Plan. As of June 19, 2014, awards may only be granted under the 2014 Equity Incentive Plan. An aggregate of 0.3 million shares of Company common stock are reserved for future issuance under the 2014 Equity Incentive Plan at December 31, 2015.

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

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | | *(in thousands)* | |
| Share-based compensation expense: | | | |
| Cost of revenues | $ 150 | $ 69 | $ 50 |
| Sales and marketing | 713 | 544 | 153 |
| Technology support | 518 | 251 | 206 |
| General and administrative | 1,185 | 562 | 297 |
| Share-based compensation expense | 2,566 | 1,426 | 706 |
| Amount capitalized to internal use software | 9 | 5 | 2 |
| Total share-based compensation expense | $ 2,557 | $ 1,421 | $ 704 |

As of December 31, 2015, December 31, 2014 and December 31, 2013, there was approximately $2.9 million, $2.3 million and $0.6 million, respectively, of unrecognized compensation expense related to unvested stock options. This expense is expected to be recognized over a weighted average period of approximately 1.8 years.

*Stock Options*

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

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

Awards granted under the Company's stock option plans, the 2013 Advanced Mobile Inducement Options, 2014 AutoUSA Inducement Options and 2015 Inducement Options were estimated to have a weighted average grant date fair value per share of $5.73, $6.86 and $2.57 for the years ended December 31, 2015, 2014 and 2013, respectively, based on the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Expected volatility | 56% | 56% | 65% |
| Expected risk-free interest rate | 1.3% | 1.4% | 0.8% |
| Expected life (years) | 4.4 | 4.3 | 4.3 |

A summary of the Company's outstanding stock options as of December 31, 2015, and changes during the year then ended is presented below:

| | Number of Options | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | | | *(years)* | *(thousands)* |
| Outstanding at December 31, 2014 | 1,971,269 | $ 7.73 | 4.5 | |
| Granted | 606,750 | 12.45 | | |
| Exercised | (145,979) | 8.19 | | |
| Forfeited or expired | (80,099) | 14.43 | | |
| Outstanding at December 31, 2015 | 2,351,941 | $ 8.70 | 4.2 | $ 32,616 |
| Vested and expected to vest at December 31, 2015 | 2,262,633 | $ 8.60 | 4.2 | $ 31,597 |
| Exercisable at December 31, 2015 | 1,539,979 | $ 6.65 | 3.3 | $ 24,510 |

*Service-Based Options.* During the years ended December 31, 2015, 2014 and 2013, the Company granted 606,750, 473,750 and 113,500 service-based stock options, which had weighted average grant date fair values of $5.73, $6.92 and $2.37, respectively.

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

During the year ended December 31, 2013, the Company granted 87,177 performance-based stock options (" **2013 Performance-Based Options** ") to certain employees with a weighted average grant date fair value and exercise price of $2.19 and $4.00, respectively, using a Black-Scholes option pricing model. The 2013 Performance-Based Options are subject to two vesting requirements and conditions: (i) percentage achievement of 2013 revenues and earnings before interest, taxes, depreciation and amortization (" **EBITDA** ") goals and (ii) service vesting. Based on the Company's 2013 revenues and EBITDA performance, 83,398 of the 2013 Performance-Based Options were awarded under the performance vesting condition, with one-third of these awarded options vested on the first anniversary of the grant date and the remainder vesting ratably over twenty four months from that date thereafter.

During the year ended December 31, 2013, the Company also granted the 2013 Advanced Mobile Inducement Options, which had a weighted average grant date fair value of $3.21, using a Black-Scholes option pricing model and weighted average exercise price of $7.17. The 2013 Advanced Mobile Inducement Options are subject to two vesting requirements and conditions: (i) percentage achievement of 2014, 2015 and 2016 revenues and gross profit goals for the Autobytel Mobile business and (ii) time vesting. Of the 29,547 2013 Advanced Mobile Inducement Options originally granted and allocated to the 2014 revenues and gross profit performance of the Autobytel Mobile business, 2,955 of these options were awarded based on the revenues and gross profit achieved by the business for 2014, with one-third of these awarded options vested on January 21, 2015 and the remainder vesting ratably over twenty-four months from that date thereafter. The remaining 26,592 of the 2013 Advanced Mobile Inducement Options allocated to 2014 performance were canceled. Of the 29,547 2013 Advanced Mobile Inducement Options originally granted and allocated to the 2015 revenues and gross profit performance of the Autobytel Mobile business, 2,955 of these options were awarded based on the revenues and gross profit achieved by the business for 2015, with one-third of these awarded options vested on January 22, 2016 and the remainder vesting ratably over twenty-four months from that date thereafter. The remaining 26,592 of the 2013 Advanced Mobile Inducement Options allocated to 2015 performance were canceled.

*Market Condition Options*

In 2009, the Company granted 213,650 stock options to substantially all employees at exercise prices equal to the price of the stock on the grant date of $1.75, with a fair market value per option granted of $0.97, using a Black-Scholes option pricing model. One-third of these options vested on the first anniversary of the grant date and the remaining two-thirds vest ratably over twenty-four months thereafter. In addition, the remaining two-thirds of the awards must meet additional conditions in order to be exercisable. One-third of the remaining options must also satisfy the condition that the closing price of Autobytel's common stock over any 30 consecutive trading days is at least two times the option exercise price to be exercisable (" **Market Condition A** "). The final one-third of the remaining options must also satisfy the condition that the closing price of Autobytel's common stock over any 30 consecutive trading days is at least three times the option exercise price to be exercisable (" **Market Condition B** "). Certain of these options will accelerate vesting upon a change in control of the Company. Market Condition A was achieved during 2009 and Market Condition B was achieved in 2010. During 2015, 8,050 stock options were exercised related to these market condition options.

During 2015, 145,979 options were exercised (inclusive of 8,050 market condition stock options exercised during 2015), with an aggregate weighted average exercise price of $8.19. During 2014, 134,668 options were exercised (inclusive of 17,431 market condition stock options exercised during 2014), with an aggregate weighted average exercise price of $4.18. During 2013, 54,337 options were exercised (inclusive of the 5,879 market condition stock options exercised during 2013), with an aggregate weighted average exercise price of $3.92. The total intrinsic value of options exercised during 2015, 2014 and 2013 was $1.9 million, $1.3 million and $60,000, respectively.

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

**Tax Benefit Preservation Plan**

The Company's Tax Benefit Preservation Plan dated as of May 26, 2010 between Autobytel and Computershare Trust Company, N.A., as rights agent, as amended by Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014 (collectively, the " **Tax Benefit Preservation Plan** ") was adopted by the Company's Board of Directors to protect stockholder value by preserving the Company's net operating loss carryovers and other tax attributes that the Tax Benefit Preservation Plan is intended to preserve (" **Tax Benefits** "). Under the Tax Benefit Preservation Plan, rights to purchase capital stock of the Company (" **Rights** ") have been distributed as a dividend at the rate of five Rights for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $75.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.9% or more of the Company's outstanding common stock or future acquisitions by any existing holder of 4.9% or more of the Company's outstanding common stock. If a person or group acquires 4.9% or more of the Company's common stock, all rights holders, except the acquirer, will be entitled to acquire, at the then exercise price of a Right, that number of shares of the Company common stock which, at the time, has a market value of two times the exercise price of the Right. The Rights will expire upon the earliest of: (i) the close of business on May 26, 2017 unless that date is advanced or extended, (ii) the time at which the Rights are redeemed or exchanged under the Tax Benefit Preservation Plan, (iii) the repeal of Section 382 or any successor statute if the Board determines that the Tax Benefit Preservation Plan is no longer necessary for the preservation of the Company's Tax Benefits, (iv) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, or (v) such time as the Board determines that a limitation on the use of the Tax Benefits under Section 382 would no longer be material to the Company. The Tax Benefit Preservation Plan was reapproved by the Company's stockholders at the Company's 2014 Annual Meeting of Stockholders.

**Series B Preferred Stock**

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

**Warrant**

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

The AutoUSA Warrant issued in connection with the acquisition described in Note 3 was valued at $7.35 per share for a total value of $0.5 million. The Company used an option pricing model to determine the value of the AutoUSA Warrant. Key assumptions used in valuing the AutoUSA Warrant are as follows: risk-free rate of 1.6%, stock price volatility of 65.0% and a term of 5.0 years. The AutoUSA Warrant was valued based on long-term stock price volatilities of the Company. The exercise price of the AutoUSA Warrant is $14.30 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The AutoUSA Warrant becomes exercisable on the third anniversary of the issuance date and expires on the fifth anniversary of the issuance date. The right to exercise the AutoUSA Warrant is accelerated in the event of a change in control of the Company.

The AutoWeb Warrant issued in connection with the acquisition described in Note 3 was valued at $1.72 per share for a total value of $2.5 million. The Company used an option pricing model to determine the value of the AutoWeb Warrant. Key assumptions used in valuing the AutoWeb Warrant are as follows: risk-free rate of 1.9%, stock price volatility of 74.0% and a term of 7.0 years. The AutoWeb Warrant was valued based on long-term stock price volatilities of the Company. The exercise price of the AutoWeb Warrant is $184.47 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The AutoWeb Warrant becomes exercisable on the third anniversary of the issuance date and expires on the seventh anniversary of the issuance date.

**Shares Reserved for Future Issuance**

The Company had the following shares of common stock reserved for future issuance upon the exercise or issuance of equity instruments as of December 31, 2015:

| | Number of Shares |
|---|---|
| Stock options outstanding | 2,351,941 |
| Authorized for future grants under stock-based incentive plans | 315,273 |
| Reserved for conversion of preferred shares issued in relation to AutoWeb | 1,680,070 |
| Reserved for exercise of warrants | 1,552,330 |
| Reserved for conversion of promissory notes | 61,200 |
| Total | 5,960,814 |

## 10. Income Taxes

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

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| | | *(in thousands)* | |
| Current: | | | |
| Federal | $ 212 | $ 129 | $ 95 |
| State | 226 | 150 | 113 |
| | 438 | 279 | 208 |
| Deferred: | | | |
| Federal | 2,997 | 1,714 | 1,353 |
| State | 586 | 385 | 902 |
| | 3,583 | 2,099 | 2,255 |
| Valuation allowance release | (588) | (341) | (37,527) |
| Total income tax expense (benefit) | $ 3,433 | $ 2,037 | $ (35,064) |

The reconciliations of the U.S. federal statutory rate to the effective income tax rate for the years ended December 31, 2015, 2014 and 2013 are as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Tax provision at U.S. federal statutory rates | 34.0% | 34.0% | 34.0% |
| State taxes | 2.3 | 2.6 | 3.5 |
| Federal rate adjustment | — | — | 34.6 |
| State rate adjustment | — | — | 0.5 |
| Deferred tax asset adjustments | 6.8 | 6.4 | 5.9 |
| Non-deductible permanent items | 0.7 | 0.4 | 0.6 |
| Acquisition costs | 7.0 | — | — |
| Stock options | — | — | 0.4 |
| Other | (1.0 ) | 0.3 | 0.5 |
| Change in valuation allowance | (7.3) | (6.3) | (1,219.1) |
| Effective income tax rate | 42.5% | 37.4% | (1,139.1)% |

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes as of December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| | (in thousands) | |
| Deferred tax assets: | | |
| Allowance for doubtful accounts | $ 394 | $ 284 |
| Accrued liabilities | 1,266 | 1,473 |
| Net operating loss carry-forwards | 31,325 | 34,473 |
| Fixed assets | 16 | 83 |
| Intangible assets | — | 744 |
| Share-based compensation expense | 2,422 | 1,566 |
| Other | 613 | 286 |
| Total gross deferred tax assets | 36,036 | 38,909 |
| Valuation allowance | (5,427) | (6,015) |
| | 30,609 | 32,894 |
| | | |
| Deferred tax liabilities: | | |
| Intangible assets | (9,147) | — |
| Total gross deferred tax liabilities | (9,147) | — |
| Net deferred tax assets | $ 21,462 | $ 32,894 |

During 2015, management assessed the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Significant pieces of objective positive evidence evaluated were the cumulative earnings generated over the three-year period ended December 31, 2015 and the Company's strong future earnings projections. Based on this evaluation, as of December 31, 2015, the Company reversed $0.6 million of its valuation allowance. We believe, however, that it is more likely than not that $0.8 million in state net operating loss carryforwards will not be realized. Accordingly, a valuation allowance has been maintained on these state net operating losses. In addition, included in the NOL deferred tax asset above is approximately $13.5 million of federal NOLs attributable to excess stock option deductions. Due to a provision within ASC Topic 718, Compensation – Stock Compensation (" **ASC 718** ") concerning when tax benefits related to excess stock option deductions can be credited to paid-in-capital, the related valuation allowance of $4.6 million cannot be reversed, even if the facts and circumstances indicate that it is more likely than not that the deferred tax asset can be realized. The valuation allowance will only be reversed as the related deferred tax asset is applied to reduce taxes payable. The Company follows ASC 740 ordering to determine when such NOL has been realized.

At December 31, 2015, the Company had federal and state net operating loss carry-forwards (" **NOLs** ") of approximately $88.2 million and $51.4 million, respectively. The federal NOLs expire through 2035 as follows (in millions):

| | | |
|---|---|---|
| 2021 | $ | 4.6 |
| 2022 | | 1.7 |
| 2023 | | — |
| 2024 | | 4.1 |
| 2025 | | 7.7 |
| 2026 | | 25.5 |
| 2027 | | 15.5 |
| 2028 | | 5.2 |
| 2029 | | 7.7 |
| 2030 | | 10.6 |
| 2031 | | 1.3 |
| 2032 | | — |
| 2033 | | 0.1 |
| 2034 | | 2.5 |
| 2035 | | 1.7 |
| | $ | 88.2 |

The state NOLs expire through 2035 as follows (in millions):

| | | |
|---|---|---|
| 2016 | $ | 19.6 |
| 2017 | | 3.1 |
| 2028 | | 2.6 |
| 2029 | | 5.8 |
| 2030 | | 11.0 |
| 2034 | | 2.1 |
| 2035 | | 1.5 |
| California NOLs | | 45.7 |
| Other State NOLs | | 5.7 |
| Total State NOLs | $ | 51.4 |

Utilization of the net operating loss and tax credit carry-forwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the IRC, as well as similar state provisions. These ownership changes may limit the amount of NOLs and research and development credit carry-forwards that can be utilized annually to offset future taxable income and tax, respectively. A Section 382 ownership change occurred in 2006 and any changes have been reflected in the NOLs presented above as of December 31, 2015. As a result of an acquisition in 2001, approximately $9.9 million of the NOLs are subject to an annual limitation of approximately $0.5 million per year.

The federal and state NOLs begin to expire in 2021 and 2016, respectively. Approximately $10.8 million and $5.0 million, respectively, of the federal and state net operating loss carry-forwards were incurred by subsidiaries prior to the date of the Company's acquisition of such subsidiaries. The Company established a valuation allowance of $4.1 million at the date of acquisitions related to these subsidiaries. During 2013, the valuation allowance has been reversed. The tax benefits associated with the realization of such NOLs will be credited to the provision for income taxes. In addition, federal NOLs of approximately $13.5 million relate to stock option deductions. Therefore, once the stock option deductions reduce income taxes payable in the future in accordance with ASC 718, approximately $4.6 million will be credited to stockholders' equity rather than to income tax benefit.

At December 31, 2015, deferred tax assets exclude approximately $1.4 million and $0.3 million of tax-effected federal and state NOLs pertaining to tax deductions from stock-based compensation. Upon future realization of these benefits, the Company expects to increase additional paid-in capital and reduce income taxes payable. The benefit of excess stock option deductions is not recorded until such time that the deductions reduce income taxes payable. The $1.4 million federal amount is a component of the $4.6 million that will be credited to stockholders' equity once the stock option deductions reduce income taxes payable in the future in accordance with ASC 718. For purposes of determining when the stock options reduce income taxes payable, the Company has adopted the "with and without" approach whereby the Company considers NOLs arising from continuing operations prior to NOLs attributable to excess stock option deductions.

At December 31, 2015, the Company has federal and state research and development tax credit carry-forwards of $0.3 million and $0.2 million, respectively. The federal credits begin to expire in 2021. The state credits do not expire.

As of December 31, 2015 and 2014, the Company had unrecognized tax benefits of approximately $0.5 million and $0.6 million, respectively, all of which, if subsequently recognized, would have affected the Company's tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | 2015 | 2014 |
|---|---|---|
| | (in thousands) | |
| Balance at January 1, | $ 636 | $ 636 |
| Reductions based on the lapse of the statutes of limitations | (109 ) | — |
| Balance at December 31, | $ 527 | $ 636 |

The Company files income tax returns in the United States and various state jurisdictions. In general, the Company is no longer subject to U.S. federal and state income tax examinations for years prior to 2010 (except for the use of tax losses generated prior to 2010 that may be used to offset taxable income in subsequent years). The Company has estimated that $42,000 of unrecognized tax benefits related to income tax positions may be affected by expiring statutes of limitation within the next twelve months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company accrued $10,000 and $28,000 of interest, respectively, associated with its unrecognized tax benefits in the years ended December 31, 2015 and 2014.

## 11. Quarterly Financial Data (Unaudited)

Below is a summary table of the Company's quarterly data for the years ended December 31, 2015 and December 31, 2014.

| | Quarter Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Dec 31, 2015 | Sep 30, 2015 | Jun 30, 2015 | Mar 31, 2015 | Dec 31, 2014 | Sep 30, 2014 | Jun 30, 2014 | Mar 31, 2014 |
| | (in thousands, except per-share amounts) | | | | | | | |
| Total net revenues | $ 36,421 | $ 40,175 | $ 30,387 | $ 26,243 | $ 26,041 | $ 27,364 | $ 25,913 | $ 26,959 |
| Gross profit | $ 14,474 | $ 15,297 | $ 11,770 | $ 10,098 | $ 10,404 | $ 11,008 | $ 10,316 | $ 10,085 |
| Net income | $ 1,386 | $ 1,615 | $ 871 | $ 773 | $ 1,117 | $ 1,124 | $ 801 | $ 370 |
| Basic earnings per share | $ 0.13 | $ 0.16 | $ 0.09 | $ 0.09 | $ 0.12 | $ 0.12 | $ 0.09 | $ 0.04 |
| Diluted earnings per share | $ 0.10 | $ 0.14 | $ 0.08 | $ 0.07 | $ 0.11 | $ 0.11 | $ 0.08 | $ 0.04 |

**AUTOBYTEL INC.**

**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | | (in thousands) | |
| Allowance for bad debts: | | | |
| Beginning balance | $ 490 | $ 294 | $ 268 |
| Additions | 379 | 354 | 92 |
| Write-offs | (264) | (158) | (66) |
| Ending balance | $ 605 | $ 490 | $ 294 |
| Allowance for customer credits: | | | |
| Beginning balance | $ 280 | $ 111 | $ 158 |
| Additions | 803 | 1,037 | 511 |
| Write-offs | (644) | (868) | (558) |
| Ending balance | $ 439 | $ 280 | $ 111 |
| Tax valuation allowance: | | | |
| Beginning balance | $ 6,015 | $ 6,356 | $ 43,883 |
| Charged (credited) to tax expense | (588) | (341) | (37,527) |
| Ending balance | $ 5,427 | $ 6,015 | $ 6,356 |

**EXHIBIT INDEX**

| Number | Description |
|---|---|
| 2.1 ‡ | Asset Purchase Agreement dated as of September 30, 2013 by and among Autobytel Inc., a Delaware corporation, Advanced Mobile, LLC, a Delaware limited liability company, and Advanced Mobile Solutions Worldwide, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on October 3, 2013 (SEC File No. 001-34761) |
| 2.2 ‡ | Membership Interest Purchase Agreement dated as of January 13, 2014 by and among Autobytel Inc., a Delaware corporation, AutoNation, Inc., a Delaware corporation, and AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on January 17, 2014 (SEC File No. 001-34761) (" **January 2014 Form 8-K** ") |
| 2.3‡ | Stock Purchase Agreement dated as of May 21, 2015 by and among the Company, CDK Global, LLC, a Delaware limited liability company, Dealix Corporation, a California corporation, and Autotegrity, Inc., a Delaware corporation incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on May 27, 2015 (SEC File No. 001-34761) (" **May 2015 Form 8-K** ") |
| 2.4‡ | Agreement and Plan of Merger dated as of October 1, 2015 by and among Autobytel Inc., a Delaware corporation, New Horizon Acquisition Corp., a Delaware corporation, AutoWeb, Inc., a Delaware corporation, and Jose Vargas, which is incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on October 6, 2015 (SEC File No. 001-34761) (" **October 2015 Form 8-K** ") |
| 3.1 | Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. (formerly Autobytel.com Inc.) certified by the Secretary of State of Delaware (filed December 14, 1998), as amended by Certificate of Amendment dated March 1, 1999, Second Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 22, 1999, Third Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel dated August 14, 2001, Certificate of Designation of Series A Junior Participating Preferred Stock dated July 30, 2004, and Amended Certificate of Designation of Series A Junior Participating Preferred Stock dated April 24, 2009, which are incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 filed with the SEC on April 24, 2009 (SEC File No. 000-22239); Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 10, 2012, which is incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on July 12, 2012; and Fifth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 3, 2013, which is incorporated herein by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed with the SEC on August 1, 2013 (SEC File No. 001-34761); and Certificate of Designations of Series B Junior Participating Convertible Preferred Stock of Autobytel Inc. dated October 1, 2015, which is incorporated herein by reference to Exhibit 3.1 to the October 2015 Form 8-K |
| 3.2 | Fifth Amended and Restated Bylaws of Autobytel Inc. dated October 1, 2015, which is incorporated herein by reference to Exhibit 3.2 to the October 2015 Form 8-K |
| 4.1 | Form of Common Stock Certificate of Autobytel, which is incorporated herein by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 filed with the SEC on November 14, 2001 (SEC File No. 000-22239) |

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|---|---|
| 4.2 | Tax Benefit Preservation Plan dated as of May 26, 2010 between Autobytel and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; and Exhibit B – Summary of Rights to Purchase Shares of Preferred Stock of Autobytel Inc., which is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239), as amended by Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, between Autobytel Inc. and Computershare Trust Company, N.A., as rights agent, which is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 16, 2014 (SEC File No. 001-34761) |
| 4.3 | Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan, which is incorporated herein by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 filed with the SEC on November 8, 2012 (SEC File No. 001-34761) |
| 10.1 ■ | Autobytel.com Inc. 1998 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.8 to Amendment No. 1 to S-1 Registration Statement, as amended by Amendment No. 1 to the Autobytel.com Inc. 1998 Stock Option Plan dated September 22, 1999, which is incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239) and Amendment No. 2 to the Autobytel.com Inc. 1998 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(5) to Schedule TO filed with the SEC on December 14, 2001 (SEC File No. 005-58067) (“ **Schedule TO** ”); and Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1998 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(14) to the Schedule TO |
| 10.2 ■ | Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.30 to Amendment No. 1 to S-1 Registration Statement, as amended by Amendment No. 1 to the Autobytel.com Inc. 1999 Stock Option Plan dated September 22, 1999, which is incorporated herein by reference to Exhibit 10.1 to Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239); and Amendment No. 2 to the Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(8) to the Schedule TO; Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(15) to the Schedule TO; Form of Performance Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(18) to the Schedule TO; and Form of Outside Director Stock Option Agreement pursuant to the Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on November 3, 2004 (SEC File No. 000-22239) (“ **November 2004 Form 8-K** ”) |
| 10.3 ■ | Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the Registration Statement on Form S-8 filed with the SEC on November 1, 1999 (SEC File No. 333-90045), as amended by Amendment No. 1 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(10) to the Schedule TO and Amendment No. 2 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.86 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239) (“ **Second Quarter 2009 Form 10-Q** ”); and Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(16) to the Schedule TO |
| 10.4 ■ | Form of Employee Stock Option Agreement pursuant to the Autobytel.com Inc. 1998 Stock Option Plan, the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan and the Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239) (“ **October 2008 Form 8-K** ”) |

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| 10.5 ■ | Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed with the SEC on June 15, 2000 (SEC File No. 333-39396), as amended by Amendment No. 1 to the Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(12) to the Schedule TO, Amendment No. 2 to the Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.46 to the Annual Report on Form 10-K for the Year Ended December 31, 2001 filed with the SEC on March 22, 2002 (SEC File No. 000-22239) and Amendment No. 3 to the Autobytel.com Inc. 2000 Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.87 to the Second Quarter 2009 Form 10-Q; and Form of Stock Option Agreement pursuant to Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(17) to the Schedule TO |
| 10.6 ■ | Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.7 to the Post-Effective Amendment to Registration Statement on Form S-8 filed with the SEC on July 31, 2003 (SEC File No. 333-67692), as amended by Amendment No. 1 to the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.88 to the Second Quarter 2009 Form 10-Q; and Form of Restricted Stock Award Agreement under the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the October 2008 Form 8-K (SEC File No. 000-22239) |
| 10.7 ■ | Form of Employee Stock Option Agreement under the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.8 to the Annual Report on Form 10-K for the Year Ended December 31, 2014, filed with the SEC on February 26, 2015 (SEC File No. 001-34761) |
| 10.8 ■ | Autobytel Inc. 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.8 to the Registration Statement on Form S-8 filed with the SEC on June 28, 2004 (SEC File No. 333-116930) (“ **2004 Form S-8** ”), as amended by Amendment No. 1 to the Autobytel Inc. 2004 Restricted Stock and Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.89 to the Second Quarter 2009 Form 10-Q; Form of Employee Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.9 to the 2004 Form S-8; Form of Outside Director Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.2 to the November 2004 Form 8-K; Form of Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.65 to the Annual Report on Form 10-K for the Year Ended December 31, 2004 filed with the SEC on May 31, 2005 (SEC File No. 000-22239); Form of Outside Director Stock Option Agreement pursuant to the 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 14, 2005 (SEC File No. 000-22239) (“ **September 2005 Form 8-K** ”); and Form of Letter Agreement (amending certain stock option agreements with Outside Directors), which is incorporated herein by reference to Exhibit 10.2 to the September 2005 Form 8-K |
| 10.9 ■ | Autobytel Inc. 2006 Inducement Stock Option Plan, which is incorporated herein by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the SEC on June 16, 2006 (SEC File No. 333-135076) (“ **2006 Form S-8** ”), as amended by Amendment No. 1 to the Autobytel Inc. 2006 Inducement Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.90 to the Second Quarter 2009 Form 10-Q; and Form of Employee Inducement Stock Option Agreement, which is incorporated herein by reference to Exhibit 4.10 to the 2006 Form S-8 |

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| 10.10 ■ | Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on June 25, 2010 (SEC File No. 001-34761); Form of Employee Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.58 to the Annual Report on Form 10-K for the Year Ended December 31, 2011 filed with the SEC on March 1, 2012 (SEC File No. 001-34761) (" **2011 Form 10-K** "); Form of 2013 Performance-Based Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.79 to the Annual Report on Form 10-K for the Year Ended December 31, 2012 filed with the SEC on February 28, 2013 (SEC File No. 001-34761) (" **2012 Form 10-K** "); Form of 2012 Performance-Based Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.59 to the 2011 Form 10-K; Form of Non-Employee Director Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.60 to the 2011 Form 10-K; and Form of (Management) Employee Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.61 to the 2011 Form 10-K |
| 10.11 ■ | Autobytel Inc. 2014 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 23, 2014 (SEC File No. 001-34761); and Form of Stock Option Award Agreement pursuant to the Autobytel Inc. 2014 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 filed with the SEC on July 31, 2014 (SEC File No. 001-34761) |
| 10.12 ■ | Letter Agreement dated October 10, 2006 between the Company and Glenn E. Fuller, as amended by Memorandum dated April 18, 2008, Memorandum dated as of December 8, 2008, and Memorandum dated as of March 1, 2009, which are incorporated herein by reference to Exhibit 10.77 to the Annual Report on Form 10-K for the Year Ended December 31, 2008 filed with the SEC on March 13, 2009 (SEC File No. 000-22239) (" **2008 Form 10-K** ") |
| 10.13 ■ | Amended and Restated Severance Agreement dated as of September 29, 2008 between the Company and Glenn E. Fuller, which is incorporated herein by reference to Exhibit 10.4 to the October 2008 Form 8-K, as amended by Amendment No. 1 to Amended and Restated Severance Agreement dated December 14, 2012 between Autobytel and Glenn E. Fuller, which is incorporated herein by reference to Exhibit 10.73 to the 2012 Form 10-K |
| 10.14 ■ | Letter Agreement dated October 4, 2007 between the Company and Curtis E. DeWalt, as amended by Memorandum dated as of December 8, 2008 and Memorandum dated March 1, 2009, which are incorporated herein by reference to Exhibit 10.79 to the 2008 Form 10-K |
| 10.15 ■ | Amended and Restated Severance Agreement dated as of September 29, 2008 between the Company and Curtis E. DeWalt, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 9, 2009 (SEC File No. 000-22239), as amended by Amendment No. 1 to Amended and Restated Severance Agreement dated October 19, 2012 between Autobytel and Curtis E. DeWalt, which is incorporated herein by reference to Exhibit 10.72 to the 2012 Form 10-K |
| 10.16 ■ | Letter Agreement dated August 6, 2004 between the Company and Wesley Ozima, as amended by Memorandum dated March 1, 2009, which are incorporated herein by reference to Exhibit 10.81 to the 2008 Form 10-K |
| 10.17 ■ | Amended and Restated Severance Agreement dated as of November 15, 2008 between the Company and Wesley Ozima, which is incorporated herein by reference to Exhibit 10.82 to the 2008 Form 10-K, as amended by Amendment No. 1 to Amended and Restated Severance Agreement dated October 16, 2012 between Autobytel and Wesley Ozima, which is incorporated herein by reference to Exhibit 10.74 to the 2012 Form 10-K |
| 10.18 ■ | Autobytel Inc. 2000 Stock Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.92 to the Second Quarter 2009 Form 10-Q |

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|---|---|
| 10.19 ■ | Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.93 to the Second Quarter 2009 Form 10-Q |
| 10.20 ■ | Autobytel Inc. 2004 Restricted Stock and Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.94 to the Second Quarter 2009 Form 10-Q |
| 10.21■ | Employee Stock Option Award Agreement dated as of January 21, 2016 between Autobytel Inc. and Jeffrey H. Coats pursuant to the Autobytel Inc. 2014 Equity Incentive Plan incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC January 27, 2016 (SEC File No. 001-34761) (" **January 2016 Form 8-K** ") |
| 10.22■ | Employee Stock Option Award Agreement dated as of January 21, 2016 between Autobytel Inc. and Jeffrey H. Coats pursuant to the Autobytel Inc. 2014 Equity Incentive Plan incorporated by reference to Exhibits 10.3 to the January 2016 Form 8-K |
| 10.23■ | Form of Amended and Restated Indemnification Agreement between Autobytel and its directors and officers, which is incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on July 22, 2010 (SEC File No. 001-34761) |
| 10.24 ■* | Form of Indemnification Agreement between Autobytel and its directors and officers |
| 10.25 ■ | Letter Agreement dated March 9, 2010 between Autobytel and Kimberly Boren, as amended by Memorandum dated December 21, 2010 and Memorandum dated as of December 1, 2011, which are incorporated herein by reference to Exhibit 10.73 to the 2011 Form 10-K |
| 10.26 ■ | Amended and Restated Severance Benefits Agreement dated as of February 25, 2011 between Autobytel and Kimberly Boren, which is incorporated herein by reference to Exhibit 10.74 to the 2011 Form 10-K, as amended by Amendment No. 1 to Amended and Restated Severance Benefits Agreement dated November 14, 2012 between Autobytel and Kimberly Boren, which is incorporated herein by reference to Exhibit 10.70 to the 2012 Form 10-K |
| 10.27 ■ | Severance Benefits Agreement dated as of September 17, 2010 between Autobytel and William Ferriolo, which is incorporated herein by reference to Exhibit 10.76 to the 2011 Form 10-K, as amended by Amendment No. 1 to Severance Benefits Agreement dated November 30, 2012 between Autobytel and William Ferriolo, which is incorporated herein by reference to Exhibit 10.77 to the 2012 Form 10-K |
| 10.28 ■ | Letter Agreement dated May 21, 2007 between Autobytel and John Steerman, as amended by Memorandum dated March 20, 2009, Memorandum dated September 30, 2009 and Memorandum dated as of December 1, 2011, which are incorporated herein by reference to Exhibit 10.77 to the 2011 Form 10-K |
| 10.29 ■ | Severance Agreement dated as of October 1, 2009 between Autobytel and John Steerman, which is incorporated herein by reference to Exhibit 10.78 to the 2011 Form 10-K, as amended by Amendment No. 1 to Severance Agreement dated September 19, 2012 between Autobytel and John D. Steerman, which is incorporated herein by reference to Exhibit 10.75 to the 2012 Form 10-K and Amendment No. 2 to Severance Agreement dated November 7, 2012 between Autobytel and John D. Steerman, which is incorporated herein by reference to Exhibit 10.76 to the 2012 Form 10-K |
| 10.30 | Consulting Services Agreement entered into as of April 1, 2015 by and between Autobytel Inc. and Curtis E. DeWalt which is incorporated herein by reference to the form agreement filed as Exhibit 10.9 to the Quarterly Report on Form 10-Q for the period ended June 30, 2015 filed with the SEC on August 6, 2015 (" **Second Quarter 2015 Form 10-Q** ") |

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| 10.31 | Lease Agreement dated April 6, 1997 between The Provider Fund, The Colton Company and Autobytel (" **Irvine Lease** "), as amended by Amendment No. 12 to Irvine Lease dated February 6, 2009, Amendment No. 13 to Irvine Lease dated March 5, 2009, and Amendment No. 14 to Irvine Lease dated November 29, 2010, which are incorporated herein by reference to Exhibit 10.79 to the 2011 Form 10-K, Amendment No. 15 to Irvine Lease dated October 31, 2012, which is incorporated herein by reference to Exhibit 10.69 to the 2012 Form 10-K. |
| 10.32* | Irvine Lease, as amended by Amendment No. 16 between GFE MacArthur Investments, LLC as successor-in-interest to The Provider Fund Partners and Autobytel Inc. dated August 7, 2015. |
| 10.33 | Loan Agreement dated as of February 26, 2013 by and between Autobytel Inc., a Delaware corporation, and Union Bank, N.A., a national banking association, as amended by First Amendment to Loan Agreement dated as of September 10, 2013, Second Amendment to Loan Agreement dated as of January 13, 2014, Security Agreement dated January 13, 2014, Commercial Promissory Note dated January 13, 2014 ($9,000,000 Term Loan), and Commercial Promissory Note dated January 13, 2014 ($8,000,000 Revolving Loan), which are incorporated herein by reference to Exhibit 10.4 to the January 2014 Form 8-K and amended by Third Amendment to Loan Agreement dated as of May 20, 2015, incorporated by reference to Exhibit 10.1 to the May 2015 Form 8-K, Commercial Promissory Note dated May 20, 2015 ($15,000,000 Term Loan), and Commercial Promissory Note dated May 20, 2015 ($8,000,000 Revolving Loan) which are incorporated herein by reference to Exhibit 10.2, 10.3 and 10.4 to the May 2015 Form 8-K |
| 10.34 | Convertible Subordinated Promissory Note dated as of January 13, 2014 (Principal Amount $1,000,000.00) issued by Autobytel Inc., a Delaware corporation, to AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.1 to the January 2014 Form 8-K |
| 10.35 | Warrant to Purchase 69,930 Shares of Autobytel Inc. Common Stock dated as of January 13, 2014 issued by Autobytel Inc., a Delaware corporation, to AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.2 to the January 2014 Form 8-K |
| 10.36 | Shareholder Registration Rights Agreement dated as of January 13, 2014 by and between Autobytel Inc., a Delaware corporation, and AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.3 to the January 2014 Form 8-K |
| 10.37 ■ | Severance Benefits Agreement dated October 1, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the period ended September 30, 2013 filed with the SEC on November 7, 2013 (" **Third Quarter 2013 Form 10-Q** ") |
| 10.38 ■ | Inducement Stock Option Award Agreement dated September 30, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.3 to the Third Quarter 2013 Form 10-Q |
| 10.39 ■ | Inducement Stock Option Award Agreement dated September 30, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.4 to the Third Quarter 2013 Form 10-Q |
| 10.40 ■ | Inducement Stock Option Award Agreement dated September 30, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.5 to the Third Quarter 2013 Form 10-Q |
| 10.41 ■ | Inducement Stock Option Award Agreement dated January 13, 2014 between Autobytel Inc. and Phillip W. DuPree, which is incorporated by reference to Exhibit 10.87 to the Annual Report on Form 10-K for the Year Ended December 31, 2013 filed with the SEC on February 20, 2014 (SEC File No. 001-34761) (" **2013 Form 10-K** ") |
| 10.42 ■ | Severance Benefits Agreement dated January 13, 2014 between Autobytel Inc. and Phillip DuPree, which is incorporated herein by reference to Exhibit 10.89 to the 2013 Form 10-K |

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| 10.43 ■ | Second Amended and Restated Employment Agreement dated as of April 3, 2014 between Autobytel Inc. and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on April 8, 2014 (SEC File No. 001-34761) as amended by Amendment No. 1 to the Amended and Restated Employment Agreement dated January 21, 2016 by and between Autobytel Inc. and Jeffrey H. Coats which is incorporated herein by reference to Exhibit 10.1 to the January 2016 Form 8-K |
| 10.44 | Amended and Restated Stockholder Agreement dated as of October 1, 2015 by and among Autobytel Inc., a Delaware corporation, Auto Holdings Ltd., a British Virgin Islands business company, Manatee Ventures Inc., a British Virgin Islands business company, Galeb3 Inc., a Florida corporation, Matias de Tezanos, and Jose Vargas, and the other parties set forth on the signature pages thereto, which is incorporated by reference to Exhibit 10.2 to the October 2015 Form 8-K |
| 10.45 | Form of Warrant to Purchase Series B Junior Participating Convertible Preferred Stock dated as of October 1, 2015 issued by Autobytel Inc., a Delaware corporation, to the persons listed on Schedule A thereto, which is incorporated herein by reference to Exhibit 10.1 to the October 2015 Form 8-K |
| 10.46■ | Restricted Stock Award Agreement dated as of April 23, 2015 between Autobytel Inc. and William Ferriolo pursuant to the Autobytel Inc. 2014 Equity Incentive Plan incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on April 29, 2015 disclosing an April 23, 2015 event (SEC File No. 001-34761) (“ **April 2015 Form 8-K** ”) |
| 10.47 ■ | Restricted Stock Award Agreement dated as of April 23, 2015 between Autobytel Inc. and William Ferriolo pursuant to the Autobytel Inc. 2014 Equity Incentive Plan incorporated by reference to Exhibit 10.4 to the April 2015 Form 8-K |
| 10.48 ■ | Amended and Restated Letter Agreement dated as of April 23, 2015 between Autobytel Inc. and William Ferriolo incorporated by reference to Exhibit 10.5 to the April 2015 Form 8-K and as amended by Amendment No. 1 to Amended and Restated Letter Agreement dated January 22, 2016 by and between Autobytel Inc. and William Ferriolo incorporated by reference to Exhibit 10.4 to the January 2016 Form 8-K |
| 10.49■* | Severance Benefits Agreement dated May 1, 2013 between Autobytel Inc. and John Skocilic. |
| 10.50■ | Severance Benefits Agreement dated May 21, 2015 between Autobytel Inc. and John Vicidomino incorporated by reference to Exhibit 10.11 to the Second Quarter 2015 Form 10-Q |
| 10.51■ | Employment Offer Letter dated June 18, 2015 between Autobytel Inc. and H. Donald Perkins, Jr. incorporated by reference to Exhibit 10.12 to the Second Quarter 2015 Form 10-Q |
| 10.52■ | Severance Benefits Agreement dated June 18, 2015 between Autobytel Inc. and H. Donald Perkins, Jr. incorporated by reference to Exhibit 10.13 to the Second Quarter 2015 Form 10-Q |
| 10.53■ | Inducement Stock Option Award Agreement dated June 18, 2015 between Autobytel Inc. and H. Donald Perkins, Jr. incorporated by reference to Exhibit 10.14 to the Second Quarter 2015 Form 10-Q |

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| 10.54■* | Employment Offer Letter dated February 23, 2016 between Autobytel Inc. and Jose Vargas |
| 21.1* | Subsidiaries of Autobytel Inc. |
| 23.1* | Consent of Independent Registered Public Accounting Firm, Moss Adams LLP |
| 24.1* | Power of Attorney (included in the signature page hereto) |
| 31.1* | Chief Executive Officer Section 302 Certification of Periodic Report dated March 10, 2016 |
| 31.2* | Chief Financial Officer Section 302 Certification of Periodic Report dated March 10 , 2016 |
| 32.1* | Chief Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated March 10, 2016 |
| 101.INS†† | XBRL Instance Document |
| 101.SCH†† | XBRL Taxonomy Extension Schema Document |
| 101.CAL†† | XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF†† | XBRL Taxonomy Extension Definition Document |
| 101.LAB†† | XBRL Taxonomy Label Linkbase Document |
| 101.PRE†† | XBRL Taxonomy Presentation Linkbase Document |

* Filed herewith.

■ Management Contract or Compensatory Plan or Arrangement.

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

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

# AUTOBYTEL INC

# INDEMNIFICATION AGREEMENT

This Indemnification Agreement (" ***Agreement*** ") is made and entered into as of _______, 20___, by and between Autobytel Inc., a Delaware corporation (" ***Company*** "), and ___________ (" ***Indemnitee*** ").

## Background

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

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

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

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

In consideration of Indemnitee's agreement to serve and the mutual agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

## Agreement

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

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

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

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

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

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

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

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

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

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

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

5. **Continuation of Indemnity.** All agreements and obligations of the Company contained herein continue during the period Indemnitee is a director, officer, employee or other agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or other agent (including trustee, partner or manager) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise) and will continue thereafter so long as Indemnitee is subject to any Proceeding by reason of the fact that Indemnitee was serving in the capacity referred to herein.

6. **Partial Indemnification.** The Company will indemnify Indemnitee for a portion of the Expenses that Indemnitee becomes legally obligated to pay in connection with any Proceeding even if not entitled hereunder to indemnification for the total amount thereof, and the Company must indemnify Indemnitee for the portion thereof to which Indemnitee is entitled and the acceptance of such partial payment will not be an admission by Indemnitee that he or she is not entitled to all of his or her Expenses or a bar against Indemnitee seeking recovery of the full amount of Expenses.

7. **Notice and Other Indemnification Procedures.**

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

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

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

(c) **Notice to Insurers.** If, at the time of the receipt by the Company of a notice pursuant to Section 7(a) hereof, the Company has liability insurance in effect which may cover that Proceeding, the Company must give prompt notice of the commencement of that Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company must thereafter take all necessary or desirable action to cause those insurers to pay, on behalf of Indemnitee, all Expenses payable to Indemnitee in respect of such Proceeding in accordance with the terms of their policies, but any such action by the Company will not relieve it of its obligations hereunder.

(d) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement may be required to be made prior to the final disposition of the Proceeding as to Indemnitee.

8. **Assumption of Defense.**

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

(b) For purposes of this Agreement, a " ***Change in Control*** " is deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company's then outstanding Voting Securities (as defined below), increases his, her or its beneficial ownership of such securities by five percent (5%) or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than twenty percent (20%) of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two (2) consecutive years, individuals who at the beginning of that period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the Company merges or consolidates with any other corporation other than a merger or consolidation that would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity, or its ultimate parent) at least sixty percent (60%) of the total voting power represented by the Voting Securities, as defined below, of the Company or such surviving entity, or its ultimate parent, outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one (1) transaction or a series of transactions) all or substantially all of the Company's assets, (iv) the Company commences any case, action or proceeding before any court or governmental body (or a third party commences any such proceeding that remains undismissed by or consented to within sixty (60) days) relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (v) the Company commences any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors.

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

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

9. **Advances of Expenses.**

(a) The Company will advance to Indemnitee, prior to the final adjudication of any Proceeding of this Agreement, any and all Expenses relating to, arising out of or resulting from any Proceeding (other than a Proceeding for which indemnification is excluded pursuant to Section 4(g)) paid or incurred by Indemnitee or which Indemnitee determines are reasonably likely to be paid or incurred by Indemnitee. The right to advances under this Section 9 in all events continues until final disposition of any Proceeding, including all possible appeals therefrom. Advances must be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances must be unsecured and interest free. Advances include any and all reasonable Expenses incurred in pursuing an action to enforce this right of advancement, including Expenses incurred in preparing and forwarding statements to the Company or its insurance carrier(s) to support the advances claimed.

(b) Indemnitee's right to such advancement is not subject to the satisfaction of any standard of conduct. Without limiting the generality or effect of the foregoing, within fifteen (15) business days after any request by Indemnitee, the Company must, in accordance with such request (but without duplication), (i) pay such Expenses on behalf of Indemnitee, (ii) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (iii) reimburse Indemnitee for such Expenses.

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

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

10. **Enforcement; Presumption of Entitlement.**

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

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

(c) In any such Proceeding instituted by Indemnitee pursuant to this Section 10, the Company must be precluded, to the fullest extent permitted by law, from asserting that the procedures and presumptions of this Agreement are not valid, binding and enforceable and must stipulate in any such court that the Company is bound by all the provisions of this Agreement and is precluded from making any assertion to the contrary.

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

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

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

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

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

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

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

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

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

16. **Survival of Rights; Change in Control.**

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

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

17. **Contribution.**

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

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

18. **Liability Insurance.**

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

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

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

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

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

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

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

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

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

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

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

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

27. **Construction of Certain Phrases.**

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

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

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

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

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

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

[ *Signature page follows* ]

**IN WITNESS WHEREOF,** the parties hereto have executed this Agreement on and as of the day and year first above written.

**AUTOBYTEL INC.**

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

**INDEMNITEE**

________________________________________
Signature

Print Name: ______________________________

Address: Autobytel Inc. ________________________
18872 MacArthur Blvd., Suite 200 ________________
Irvine, CA 92612 ______________________________

**Exhibit 10.32**

# AMENDMENT NO. 16 TO LEASE

This Amendment No. 16 to Lease ("Amendment No. 16") is entered into as of the 7th day of August 2015 between GFE MacArthur Investments, LLC, a Delaware limited liability company, as successor-in-interest to TPF Partners, a California general partnership ("Landlord") and Autobytel, Inc., a Delaware corporation ("Tenant").

## RECITALS

A. Tenant is the current Tenant under that certain Lease dated April 3, 1997 as amended in Amendment No. 1 to Lease dated July 9, 1998, Amendment No. 2 to Lease dated May 16, 2001, Amendment No. 3 to Lease dated May 16, 2001, Amendment No. 4 to Lease dated August 8, 2002, Amendment No. 5 to Lease dated September 12, 2003, Amendment No. 6 to Lease dated January 6, 2005, Amendment No. 7 to Lease dated March 14, 2005, Amendment No. 8 to Lease dated July 7, 2005, Amendment No. 9 to Lease dated July 26, 2005, Amendment No. 10 to Lease dated December 1, 2005, Notice of Lease Term Dates dated January 11, 2006, Amendment No. 11 to Lease dated January 19, 2006, Lease Surrender and Termination Agreement dated March 31, 2008, Amendment No. 12 to Lease dated February 6, 2009, Amendment No. 13 to Lease dated March 5, 2009, Amendment No. 14 to Lease dated November 29, 2010, and Amendment No. 15 dated October 31, 2012 (collectively the "Lease") covering certain Premises located at the second (2 nd) and third (3 rd) floors at 18872 MacArthur Blvd., City of Irvine, County of Orange, State of California (collectively the "Current Leased Premises") consisting of approximately 26,156 rentable square feet, all as more particularly set forth in the Lease.

B. By way of notice provided by Tenant on October 15, 2013 and confirmed in writing by Landlord on October 21, 2013, Tenant and Landlord agreed to an extension of the Lease pursuant to a Notice of Exercise of Option for a period of three (3) years commencing August 1, 2014 and ending July 31, 2017 at the following terms:

- August 1, 2014 to July 31, 2015 - $41,849.60 per month
- August 1, 2015 to July 31, 2016 - $43,157.40 per month
- August 1, 2016 to July 31, 2017 - $44,465.20 per month

The terms outlined above for the Current Leased Premises shall remain in full force and effect.

C. Landlord and Tenant mutually agree to further amend the Lease on the terms and conditions set forth here in this Amendment No. 16.

**NOW, THEREFORE** , in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows ( capitalized terms used and not otherwise defined herein shall have the meanings given in the Lease):

1. **Expansion Premises** . Effective October 1, 2015, Tenant shall lease Suite 400 at 18872 MacArthur consisting of approximately 13,205 rentable square feet ("Expansion Premises"). See attached Exhibit "A".

2. **Expansion Premises Lease Term:** Tenant shall lease the Expansion Premises commencing October 1, 2015 and will expire coterminously with the Current Leased Premises on July 31, 2017.

3. **Base Rent:** Base Rent for the Expansion Premises shall be as follows:

| Period | Base Rent PSF | Monthly |
|---|---|---|
| October 1, 2015 - July 31, 2016 | $1.65 | $21,788.25 |
| August 1, 2016 - July 31, 2017 | $1.70 | $22,448.50 |

4. **Base Year:** Tenant's Base Year for the Expansion Premises shall be 2014, consistent with the Current Lease Premises.

5. **Security Deposit:** Landlord recognizes the current security deposit in the amount of $48,912.00 on account and shall not require any additional security deposit at this time.

6. **Condition of Premises:** Tenant acknowledges that Landlord has made no representation and has given no warranty to Tenant regarding the fitness of the Leased Premises for Tenant's continued use. Landlord will agree to replace any broken light panels and will replace the carpet in the elevator cabs. Otherwise, Tenant shall accept the Premises in its "AS-IS" condition and "WITH ALL FAULTS". Notwithstanding the foregoing, (i) Landlord represents and warrants that the supplemental air conditioning unit in the server room in the Expansion Premises is currently in good operating condition and (ii) the parties acknowledge that the foregoing is not intended to amend or modify Landlord's maintenance and repair obligations under the Lease, including Landlord's responsibility for repair and maintenance of all HVAC building units located in the Premises (other than server room HVAC units installed and maintained by Tenant), interior electrical and plumbing in the Premises (notwithstanding inconsistent statements contained in that certain Colton Plaza Information Booklet delivered to Tenant under cover letter dated May 22, 2015).

7. **Existing Furniture:** Tenant shall have the right to use the existing furniture in the Premises ("Existing Furniture") at no cost during the term of the Lease. A mutually acceptable inventory of the Existing Furniture shall be attached to the Amendment No. 16 as Exhibit "B".

8. **Parking:** In common surface parking is provided to Tenant at a ratio of four (4) stalls per 1,000 usable square feet. Employee parking shall be at no monthly charge. Parking lot access cards for employees can be acquired for a one-time $40.00 fee per card.

9. **Tenant's Option to Extend:** Tenant shall have two (2) Options to Extend the Lease for periods of one (1) year each. This Option to Extend shall apply to the entire Premises leased by Tenant (Current Leased Premises and Expansion Premises). Tenant shall provide minimum six (6) month prior notice of their intent to exercise each option. Base Rent for each Option Period shall be a three percent (3%) increase over the base rent in effect prior to the commencement of each Option Period.

10. **Landlord's Right to Terminate:** Landlord's right to terminate the Lease in connection with a redevelopment of the Property, in accordance with the terms of Section 14 of the Amendment No. 12 to Lease shall be modified to only apply in the event Tenant exercises its second (2 nd ) Option to Extend as described above. Landlord may provide notice prior to the commencement of a 2 nd Option to Extend period, but no termination shall be effective until such August 1, 2018.

11. **Tenant's Right to Terminate:** By execution of this Amendment No. 16, Tenant hereby waives the Right to Terminate the Lease that is referenced in Amendment No. 15. Tenant shall have no further rights to terminate this Lease.

12. **Authority**. If Tenant is an entity, each individual executing this Amendment No. 16 on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Amendment No. 16 and that each person signing on behalf of Tenant is authorized to do so. Tenant shall, promptly following Landlord's request therefore, deliver to Landlord evidence of such formation, existence, qualification and authority.

13. **Attorneys' Fees.** If either party commences litigation against the other for the specific performance of this Amendment No. 16, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred, including any and all costs incurred in enforcing, perfecting and executing such judgment.

14. **Confirmations**. Tenant hereby certifies and confirms to Landlord that as of Tenant's execution and delivery hereof, Landlord is not in default under the Lease, as amended and Tenant has no claim, defense or offset with respect to the Lease, as amended.

15. **Brokers**. Tenant represents and warrants to Landlord that Tenant has not dealt with any real estate broker or agent in connection with this Amendment No. 16 or its negotiation except for Landlord, Lee & Associates, Inc. - Irvine, ("Landlord's Agent") and CBRE ("Tenant's Agent"). Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any and all cost, expenses, claims, and liabilities (including costs of suit and reasonable attorneys' fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Amendment or its negotiation by reason of any act of Tenant. Landlord shall be solely responsible for payment of a Broker's commission to the Broker identified above, under the terms of a separate agreement.

16. **Confidentiality**. Tenant shall keep confidential and shall not disclose the terms and conditions set forth in this Lease, including, without limitation, the basic rent and additional rent, the term of the Lease and any extensions, and all other financial terms, without the prior written consent of the Landlord except: (1) to Tenant's directors, officers, partners, legal counsel, accountants, financial advisors and similar professionals and consultants to the extent that Tenant deems it necessary or appropriate in connection with the Lease transaction contemplated hereunder (and Tenant shall inform each of the foregoing parties of Tenant's obligations under this Section and shall secure the agreement of such parties to be bound by the confidentiality terms hereof) or (2) as otherwise required by law or regulation. Any violation of this shall be considered a material default under the Lease.

17. **Entire Agreement**. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting the Lease, as amended and the Lease, as amended, supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe the Lease, as amended. The Lease and any amendments or side letters or separate agreements executed by Landlord and Tenant in connection with the Lease, as amended and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, none of the terms, covenants, conditions or provisions of the Lease, as amended, can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. Any deletion of language from the Lease, as amended prior to its execution by Landlord and Tenant shall not be construed to raise any presumption, canon of construction or implication, including, without limitation, any implication that the parties intended thereby to state the converse of the deleted language.

18. **Further Assurances** . Tenant shall, upon request by Landlord, execute and deliver such documentation and information and take such other action as may be reasonably necessary to effectuate the intent of this Amendment or to implement the provisions hereof.

Except as modified by Amendment No. 16, all terms set forth in the Lease, as amended, continue to be in full force and effect.

**IN WITNESS WHEREOF** , the parties have entered into this Amendment No. 16 as of the day and year first written above.

**LANDLORD:**

GFE MacArthur Investments, LLC,
a Delaware limited liability company

By: /s/ Ping Chau Cao

Print Name: Ping Chau Cao

Title: Manager

Date: 9-1-2015

**TENANT:**

Autobytel, Inc.,
a Delaware corporation

By: /s/ Glenn E. Fuller

Print Name: Glenn E. Fuller

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

Date: 8-18-2015

By: / s/ Kimberly S. Boren

Print Name: Kimberly S. Boren

Title: Senior Vice President, Chief Financial Officer

Date: 8-24-2015

**Exhibit 10.49**

**AUTOBYTEL INC.**

**AMENDED AND RESTATED**

**SEVERANCE BENEFITS AGREEMENT**

This Amended and Restated Severance Benefits Agreement (“ **Agreement** ”) entered into effective as of May 1, 2013 (“ **Effective Date** ”) between Autobytel Inc., a Delaware corporation (“ **Autobytel** ” or **“Company”** ) and John Skocilic (“ **Employee** ”).

**Background**

The Company and Employee have previously entered into an Amended and Restated Severance Agreement dated as of July 30, 2010, as amended October 16, 2012, (collectively the “ **Prior Severance Agreement** ”). In connection with Employee’s promotion as a Senior Vice President of the Company, Autobytel has determined that it is in its best interests to provide Employee with certain severance benefits to encourage Employee’s continued employment with, and dedication to the business of, the Company.

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

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

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

(b) “ Arbitration Agreement ” means that certain Mutual Agreement to Arbitrate dated as of July 30, 2010 entered into by and between the Company and Employee.

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

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

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

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

(iv) a material failure to consistently discharge Employee’s employment duties to the Company which failure continues for thirty (30) days following written notice from the Company detailing the area or areas of such failure, other than such failure resulting from Employee’s Disability.

For purposes of this definition of Cause, no act or failure to act, on the part of the Employee, shall be considered “willful” if it is done, or omitted to be done, by the Employee in good faith or with reasonable belief that Employee’s action or omission was in the best interest of the Company. Employee shall have the opportunity to cure any such acts or omissions (other than clauses (i) and (iii) above) within thirty (30) days of the Employee’s receipt of a written notice from the Company notifying Employee that, in the opinion of the Company, “Cause” exists to terminate Employee’s employment.

(d) " Change of Control " shall mean any of the following events:

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

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

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

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

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

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

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

(f) " Code " shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

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

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

(i) " Employee's Position " means Employee's position as the Senior Vice President, Technology of the Company.

(j) " Employee's Primary Location " means Autobytel's headquarters located at 18872 MacArthur Boulevard, Suite 200, Irvine, California, 92612-1400.

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

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

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

(n) " Severance Period " shall equal twelve (12) months.

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

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

2. **Severance Benefits and Conditions** .

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

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

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

(c) The payments and benefits set forth in Sections 2(a) and 2(b) are conditioned upon and shall be provided to Employee only if (i) Employee has executed and delivered to the Company a Separation and Release Agreement in favor of the Company and Releasees, which agreement shall be substantially in the form attached hereto as Exhibit A (" **Release** ") no later than the expiration of the applicable period of time allowed for Employee to consider the Release as set forth in Section 17 of the Release (" **Release Consideration Period** "); (ii) Employee has not revoked the Release prior to the expiration of the applicable revocation period set forth in Section 17 of the Release (" **Release Revocation Period** "); and (iii) the Release has become effective and non-revocable no later than the cumulative period of time represented by the sum of the maximum Release Consideration Period and the maximum Release Revocation Period. No payments or benefits set forth in Sections 2(a) or 2(b) shall be due or payable to, or provided to, Employee if the Release has not become effective and non-revocable in accordance with the requirements of this Section 2(c).

(d) Upon satisfaction of the conditions set forth in Section 2(c), but subject to the last sentence of this Section 2(d), all payments under Section 2(a)(A) shall be made to Employee within five (5) business days after the Release becomes effective and non-revocable in accordance with its terms. In any case, the payment under Section 2(a)(A) shall be made no later than two and one-half months after the end of the calendar year in which Employee's Separation from Service occurs, provided that the Release shall have become effective and non-revocable in compliance with Section 2(c) prior to expiration of such two and one-half month period. If the period of time covered by the entire allowed Release Consideration Period, the entire Revocation Period and the entire five business day period described above in this Section 2(d) (considering such periods consecutively) begins in one calendar year and ends in the following calendar year, all payments under Section 2(a)(A) shall be made to Employee on the first business day of such following calendar year which is five (5) or more business days after the date on which the Release became effective and non-revocable in accordance with its terms.

(e) In addition to the payments and benefits under Sections 2(a) and 2(b), to the extent required by applicable law or the Company's incentive or other compensation plans appli cable to Employee, if any, upon any termination of Employee's employment Employee shall receive (i) any amounts earned and due and owing to Employee as of the termination date with respect to any base salary, incentive compensation or commissions; and (ii) any other payments required by applicable law (including payments with respect to accrued and unused vacation time). Payments required under this Section 2(e) are not conditioned upon Employee's signing the Release and shall be made within the time period(s) required by applicable law.

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

(g) To receive career transition services, Employee must contact the service provider no later than 30 days after the Release becomes effective.

(h) Other than the payments and benefits provided for in this Section 2, Employee shall not be entitled to any additional payments or benefits from the Company resulting from a termination of Employee's employment with the Company.

3. **Taxes**. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes. Notwithstanding the foregoing, and except as otherwise specifically provided elsewhere in this Agreement, Employee is solely responsible and liable for the satisfaction of any federal, state, province or local taxes that may arise with respect to this Agreement (including any taxes and interest arising under Section 409A of the Code). Neither the Company nor any of its employees, directors, or service providers shall have any obligation whatsoever to pay such taxes or interest, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax or interest liabilities. Notwithstanding anything in this Agreement to the contrary, if any amounts that become due under this Agreement on account of Employee's termination of employment constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, payment of such amounts shall not commence until Employee incurs a Separation from Service. If, at the time of Employee's Separation from Service under this Agreement, Employee is a "specified employee" (within the meaning of Section 409A of the Code), any amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that become payable to Employee on account of Employee's Separation from Service (including any amounts payable pursuant to the preceding sentence) will not be paid until after the end of the sixth calendar month beginning after Employee's Separation from Service (" **409A Suspension Period** "). Within 14 calendar days after the end of the 409A Suspension Period, Employee shall be paid a lump sum payment, without interest, in cash equal to any payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining benefits as if there had not been an earlier delay. With respect to the reimbursement of expenses to which Employee is entitled under this Agreement, if any, or the provision of in-kind benefits to Employee as specified under this Agreement, if any, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, solely to the extent that the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period in which the reimbursement arrangement remains in effect; (ii) the reimbursement of an eligible expense shall be made no later than the end of the calendar year after the calendar year in which such expense was incurred; (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; and (iv) the right to reimbursement or provision of in-kind benefits shall not apply to any expenses incurred or benefits to be provided beyond the last day of the second taxable year following the year in which Employee's Separation from Service occurred.

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

5. **Entire Agreement**. All oral or written agreements or representations express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement. This Agreement contains the entire integrated understanding between the parties hereto and supersedes any prior employment, severance, or change-in-control protective agreement or other agreement, plan or arrangement between the Company or any predecessor and Employee. No provision of this Agreement shall be interpreted to mean that Employee is subject to receiving fewer benefits than those available to Employee without reference to this Agreement. The Parties acknowledge and agree that the Prior Severance Agreement is hereby terminated and shall have no further force or effect.

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

If to the Company:

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

If to the Employee:

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

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

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

9. **Non-Disclosure**. Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of this Agreement or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee's immediate family who have a need to know such matters or to Employee's tax or legal advisors who have a need to know such matters. If Employee does disclose this Agreement or any of its terms to any of Employee's immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Agreement and its terms confidential. The Company may disclose the existence or terms of the Agreement and its terms and may file this Agreement as an exhibit to its public filings if it is required to due so under applicable law, rule, regulation or order.

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

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

12. **No Third Party Beneficiaries**. Except as otherwise set forth in this Agreement, nothing contained in this Agreement is intended or shall be construed to create rights running to the benefit of any third party.

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

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

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

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

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

18. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument. The parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

**IN WITNESS WHEREOF** , the Company and Employee have executed and entered into this Agreement effective as of the date first shown above.

**AUTOBYTEL INC.**

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

**EMPLOYEE**

/s/ John Skocilic
John Skocilic

**EXHIBIT A**

**SEPARATION AND RELEASE AGREEMENT**

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

1. **Separation of Employment** . You acknowledge that your employment with the Company ended effective [_______], 201[__] (" **Employment Termination Date** "), and that You will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date. You have resigned or hereby resign from all officer and director positions You held with the Company or any of its subsidiaries effective as of the Employment Termination Date. This Separation and Release Agreement (" **Release** ") is entered into in connection with that certain Amended and Restated Severance Benefits Agreement dated effective as of May 1, 2013 by and between the Company and Employee (" **Severance Benefits Agreement** ").

2. **Release Consideration** . In exchange for your promises and obligations in this Release and the Severance Benefits Agreement, including the release of claims set forth below, if You sign and do not revoke this Release and this Release becomes effective, the Company will pay You the amounts, and will provide the benefits, due to You under the Severance Benefits Agreement, minus legally required federal, state and local payroll deductions and withholdings. Payment of any monetary amount provided for in this Section 2 will be made within the time periods required by the Severance Benefits Agreement (except for payments or benefits that will be paid or provided over time as provided therein) and, if no time is specified, within 5 business days after this Release becomes effective.

3. **Acknowledgement of Receipt of Amounts Due** . You acknowledge and agree that You have received all, and that the Company does not owe You any additional, payments, benefits or other compensation as a result of your employment with the Company or your separation from employment with the Company, including, but not limited to, wages, commissions, bonuses, vacation pay, severance pay, expenses, fees, or other compensation or payments of any kind or nature, other than those amounts or benefits, if any, payable or to be provided to You after the date hereof pursuant to the Severance Benefits Agreement after this Release becomes effective.

4. **Return of Company Property** . You represent and warrant that You have returned to the Company any and all documents, software, equipment (including, but not limited to, computers and computer-related items), and all other materials or other things in your possession, custody, or control which are the property of the Company, including, but not limited to, Company identification, keys, computers, cell phones, and the like, wherever such items may have been located; as well as all copies (in whatever form thereof) of all materials relating to your employment, or obtained or created in the course of your employment with the Company. You hereby represent that, other than those materials You have returned to the Company pursuant to this Section 4, You have not copied or caused to be copied, and have not transferred or printed-out or caused to be transferred or printed-out, any software, computer disks, e-mails or other documents other than those documents generally available to the public, or retained any other materials originating with or belonging to the Company. You further represent that You have not retained in your possession, custody or control, any software, documents or other materials in machine or other readable form, which are the property of the Company, originated with the Company, or were obtained or created in the course of or relate to your employment with the Company.

5. **Confidentiality and Non-Solicitation/Interference** .

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

(b) Unless required by applicable law, rule, regulation or order or to enforce this Agreement, Employee shall not disclose the existence of the Severance Benefits Agreement or this Release or the underlying terms to any third party, including without limitation, any former, present or future employee of the Company, other than to Employee's immediate family who have a need to know such matters or to Employee's tax or legal advisors who have a need to know such matters. If Employee does disclose this Release, the Severance Benefits Agreement or any of their respective terms to any of Employee's immediate family or tax or legal advisors, then Employee will inform them that they also must keep the existence of this Release, the Severance Benefits Agreement and their respective terms confidential. The Company may disclose the existence or terms of this Release, the Severance Benefits Agreement and their respective terms and may file this Release and the Severance Benefits Agreement as exhibits to its public filings if it is required to due so under applicable law, rule, regulation or order.

(c) For a period of one (1) year immediately following this Release becoming effective, You agree that You will not interfere with Company's business by soliciting an employee to leave Company's employ, or by inducing a consultant or vendor to sever its relationship with Company. You may not, at any time, use the Company's trade secrets to solicit business from any source, including the Company's customers or clients. This Section 5(c) is not intended to, and shall not, prevent You from lawful competition with the Company. You represent and warrant that You have not engaged in any of the foregoing activities prior to the effective date of this Release.

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

7. **Unconditional General Release of Claims .**

(a) In consideration for the payment and benefits provided for in Section 2, and notwithstanding the provisions of Section 1542 of the Civil Code of California, You unconditionally release and forever discharge the Company, and the Company's current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, officers, employees, agents, attorneys, successors, and assigns (and the current, former, and future controlling shareholders, directors, trustees, officers, employees, agents, and attorneys of any such subsidiaries, affiliates, related companies, predecessor companies, and divisions) (all of the foregoing released persons or entities being referred to herein as " **Releasees** "), from any and all claims, complaints, demands, actions, suits, causes of action, obligations, damages and liabilities of whatever kind or nature, whether known or unknown, based on any act, omission, event, occurrence, or nonoccurrence from the beginning of time to the date of execution of this Release, including, but not limited to, claims that arise out of or in any way relate to your employment or your separation from employment with the Company.

(b) You acknowledge and agree that the foregoing unconditional and general release includes, but is not limited to, (i) any claims for salary, bonuses, commissions, equity, compensation (except as specified in this Agreement), wages, penalties, premiums, severance pay, vacation pay or any benefits under the Employee Retirement Income Security Act of 1974, as amended; (ii) any claims of harassment, retaliation or discrimination; (iii) any claims based on any federal, state or governmental constitution, statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans With Disabilities Act, Section 1981 of the Civil Rights Act of 1866, the California Fair Employment and Housing Act, the California Family Rights Act, the Family and Medical Leave Act, the California Constitution, the California Labor Code, the California Industrial Welfare Commission Wage Orders, the California Government Code, the Worker Adjustment and Retraining Notification Act; (iv) whistleblower claims, claims of breach of implied or express contract, breach of promise, misrepresentation, negligence, fraud, estoppel, defamation, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any other employment-related tort, and any claims for costs, fees, or other expenses, including attorneys' fees; and (v) any other aspect of your employment or the termination of your employment.

(c) For the purpose of implementing a full and complete release, You expressly acknowledge and agree that this Release resolves all claims You may have against the Company and the Releasees as of the date of this Release, including but limited to claims that You did not know or suspect to exist in your favor at the time of the execution of this Release. You expressly waive any and all rights which You may have under the provisions of Section 1542 of the California Civil Code or any similar state or federal statute. Section 1542 provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

(d) This Release will not waive the Employee's rights to indemnification under the Company's certificate of incorporation or by-laws or, if applicable, any written agreement between the Company and the Employee, or under applicable law.

(e) You hereby certify that You have not experienced a job-related illness or injury for which You have not already filed a claim.

(f) This general release does not waive or release rights or claims arising after You sign this Release.

8. **Covenant Not to Sue.** A "covenant not to sue" is a promise not to sue in court. This covenant differs from a general release of claims in that, besides waiving and releasing the claims covered by this Release, You represent and warrant that You have not filed, and agree that You will not file, or cause to be filed or maintained, any judicial complaint, lawsuit or demand for arbitration involving any claims You have released in this Release, and You agree to withdraw any judicial complaints, lawsuits or demands for arbitration You have filed, or were filed on your behalf, prior to the effective date of this Release. Still, You may sue to enforce this Release. You agree if You breach this covenant, then You must pay the legal expenses incurred by incurred by any Releasee in defending against your suit, including reasonable attorneys' fees, or, at the Company's option, return everything paid to You under this Agreement. In that event, the Company shall be excused from making any further payments or continuing any other benefits otherwise owed to You under paragraph 2 of this Agreement. Furthermore, You give up all rights to individual damages in connection with any administrative or court proceeding with respect to your employment with or termination of employment from, the Company. You also agree that if You are awarded money damages, You will assign your right and interest to such money damages (i) in connection with an administrative charge, to the relevant administrative agency; and (ii) in connection with a lawsuit or demand for arbitration, to the Company.

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

10. **No Reemployment.** You acknowledge and agree that the Company has no obligation to employ You or offer You employment in the future and You shall have no recourse against the Company if it refuses to employ You or offer You employment. If You do seek re-employment, then this Release shall constitute sufficient cause for the Company to refuse to re-employ You. Notwithstanding the foregoing, the Company has the right to offer to re-employ You in the future if, in its sole discretion, it chooses to do so.

11. **No Admission of Liability**. This Release does not constitute an admission that the Company or any other Releasee has violated any law, rule, regulation, contractual right or any other duty or obligation.

12. **Severability**. Should any provision of this Release be declared or be determined by any court or arbitrator to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected, and said illegal or invalid part, term, or provision shall be deemed not to be part of this Release.

13. **Governing Law**. This Release is made and entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the law of that state, without reference to conflict of law provisions thereof.

14. **Interpretation**. The language of all parts in this Release shall be construed as a whole, according to fair meaning, and not strictly for or against any party. The captions and headings contained in this Agreement are for convenience only and shall not control the meaning, effect, or construction of this Agreement.

15. **Knowing and Voluntary Agreement**. You have carefully reviewed this Release and understand the terms and conditions it contains. By entering into this Release, You are giving up potentially valuable legal rights. You specifically acknowledge that You are waiving and releasing any rights You may have under the ADEA. You acknowledge that the consideration given for this waiver and release is in addition to anything of value to which You were already entitled. You acknowledge that You are signing this Release knowingly and voluntarily and intend to be bound legally by its terms.

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

17. **Period for Review and Consideration/Revocation Rights**.

[ **Alternative 1 for Section 17 if Employee is NOT age 40 or over at time of separation from employment** ]

You understand that You have seven (7) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the seven (7) day period. If You do sign it, You also understand that You will have an additional three (3) days after the date You deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company's Chief Legal Officer, Autobytel Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the third ($3^{rd}$) day after your delivery of this signed Release to the Company (or on the next business day if the third calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that three (3) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

[ **Alternative 2 for Section 17 if Employee is age 40 or over at time of separation from employment, separation from employment is NOT in connection with a group separation, and ADEA Claims are being released** ]

You understand that You have twenty-one (21) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the twenty-one (21) day period. If You do sign it, You also understand that You will have an additional seven (7) days after the date You deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company's Chief Legal Officer, Autobytel Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your delivery of this signed Release to the Company (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

[ **Alternative 3 for Section 17 if Employee is age 40 or over at time of separation from employment, separation from employment IS in connection with a group termination, and ADEA Claims are being released** ]

(a) You understand that You have forty-five (45) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the forty-five (45) day period. If You do sign it, You also understand that You will have an additional seven (7) days after You sign to change your mind and revoke the Agreement, in which case a written notice of revocation must be delivered to the Company's Chief Legal Officer, Autobytel Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the seventh (7th) day after your delivery of this signed Release to the Company (or on the next business day if the seventh calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

(b) You acknowledge that You have received the group information of employees included in the Company's ____________ group termination program, the eligibility factors for participation in the program, and the time limits for participation in the program. You also acknowledge that You have received lists of the ages and job titles of employees eligible or selected for the program and employees not eligible or selected for the group termination program. This information is set forth on Appendix A attached hereto and incorporated herein by reference.

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

**PLEASE READ CAREFULLY. THIS RELEASE INCLUDES A GENERAL RELEASE OF ALL CLAIMS, KNOWN AND UNKNOWN. YOU MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS RELEASE THAT ARE NOT AGREED UPON BY THE COMPANY IN WRITING. ANY CHANGES SHALL CONSTITUTE A REJECTION OF THIS RELEASE BY EMPLOYEE.**

Dated:_____________, 201_ /s/ John Skocilic
John Skocilic

Dated:_____________, 201_ **Autobytel Inc.**

By: ___________________________________
[Officer's Name]
[Title]

**Glenn E. Fuller**
**Executive Vice President, Chief Legal and Administrative Officer and Secretary**
*DIRECT LINE: 949.862.1392*
*FACSIMILE: 949.797.0484*
*glennf@autobytel.com*

autobytel®
Your Lifetime Automotive Advisor

**18872 MacArthur Blvd., Suite 200**
**Irvine, CA 92612-1400**
**Phone: (949) 225-4500**
**www.autobytel.com**

February 23, 2016

Jose Vargas
[Personal Residence Address Redacted]

Re: Changes in Terms of Employment

Dear Jose:

As you are aware, effective as of October 1, 2015, Autobytel Inc., a Delaware corporation (" **Company** ") acquired AutoWeb Inc., a Delaware corporation (" **AutoWeb** "). You were previously employed by AutoWeb and in connection with the acquisition your employment transferred to Company.

Company has decided to offer to you various changes to your compensation as set forth on the Exhibit A attached hereto (" **Offer Letter Schedule** "). This letter confirms the terms and conditions upon which Company is offering you the foregoing changes to your compensation. Note that this offer and the foregoing changes to your compensation are contingent upon your acceptance of this letter and satisfaction of the various conditions and requirements that must be completed prior to these changes becoming effective, which conditions and requirements are set forth below.

**1.** **Employment .**

(a) Upon this offer letter and the changes to your compensation becoming effective, (" **Offer Effective Date** "), the Company will employ you in the capacity set forth in the Offer Letter Schedule. In such capacity, you will report to such person or persons as may be designated by the Company from time to time.

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

**2.** **Compensation, Benefits and Expenses .** As compensation for the services to be rendered by you pursuant to this agreement, you will receive the payments and be entitled to participate in the benefits set forth below, subject to the terms and conditions set forth below or in such payment or benefit plans or arrangements. If at any time a conflict between anything in this letter and the applicable benefit plan arises, the terms of the benefit plan controls. Your compensation and benefits shall be paid or made available in accordance with the Company's normal payroll and other practices and policies of the Company.

(a) The Company hereby agrees to pay you a base salary as set forth on the Offer Letter Schedule. Your base salary is subject to adjustment from time to time by the Company in the Company's sole discretion.

(b) You shall be eligible to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your employment level and position, geographic location and applicable department or operations within the Company (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive compensation plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company in its sole discretion for each annual period, which may be up to a percentage set forth on the Offer Letter Schedule of your annualized rate (i.e., 24 X Semi-monthly Rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives; divisional, department or operations performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine) and subject to adjustment by the Company based on the Company's evaluation and review of your overall individual job performance in the sole discretion of the Company. Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated by the Company in its discretion for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid time off. You understand that the Company's annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company. Awards, if any, under any annual incentive compensation plan shall only be earned by you, and payable to you, if you remain actively employed by the Company through the date on which award payouts are made by the Company under the applicable annual incentive compensation plan. You will not earn any such award if your employment ends for any reason prior to that date.

(c) You shall be entitled to participate in such ordinary and customary benefits plans afforded generally to persons employed by the Company at your employment position and level and geographic location (subject to the terms and conditions of such benefit plans, your enrollment in the plans and making of any required employee contributions required for your participation in such benefits, your ability to qualify for and satisfy the requirements of such benefits plans). You will accrue vacation under the Company's vacation accrual policy at the rate set forth on the Offer Letter Schedule. Accrual of vacation is subject to a limitation on accrual as set forth in the Company's vacation accrual policy.

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

(e) Upon termination of your employment by either party, whether with or without cause, you will be entitled to receive only that portion of your compensation, benefits, reimbursable expenses and other payments and benefits required by applicable law or by the Company's compensation or benefit plans, policies or agreements in which you participate and pursuant to which you are entitled to receive the compensation or benefits thereunder under the circumstances of and at the time of such termination (subject to and payable in accordance with the terms and conditions of such plans, policies or agreements).

**3.** **Conditions and Requirements To Effectiveness of Offer .** This offer and the changes in your employment status and compensation is contingent upon various conditions and requirements that must be completed prior to the changes in your employment status and compensation becoming effective. These conditions and requirements include, among other things, the following:

(i) Your acceptance, execution and delivery of this offer letter together with the Company's Employee Confidentiality Agreement and Mutual Agreement to Arbitrate, the forms of which accompany this offer letter and which are hereby incorporated herein by reference. Please sign this offer letter and these other documents and return the signed original documents to Joselyn Chamochumbi in the Company's Human Resources Department.

(ii) Your execution and delivery of your acknowledgment and agreement to the Company's Employee Handbook and the various policies included therein, Securities Trading Policy, Code of Conduct and Ethics. Upon your acceptance of this offer letter, you will be provided instructions how to access online, sign and return these documents.

The documents referenced in Sections 3(i) and (ii) above are referred to herein as the " **Standard Employee Documents** ."

**4.** **Amendments and Waivers** . This agreement may be amended, modified, superseded, or cancelled, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties hereto or, in the case of a waiver, by the party waiving compliance. In the case of Company, any of the foregoing shall not be effective unless executed by the Company's Chief Legal Officer. No delay on the part of any party in exercising any right, power, or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of any party of any right hereunder, nor any single or partial exercise of any rights hereunder, preclude any other or further exercise thereof or the exercise of any other right hereunder.

**5.** **Notices** . Any notice required or permitted under this agreement will be considered to be effective in the case of (i) certified mail, when sent postage prepaid and addressed to the party for whom it is intended at its address of record, three (3) days after deposit in the mail; (ii) by courier or messenger service, upon receipt by recipient as indicated on the courier's receipt; or (iii) upon receipt of an Electronic Transmission by the party that is the intended recipient of the Electronic Transmission. The record addresses, facsimile numbers of record, and electronic mail addresses of record for you are set forth on the signature page to this agreement and for the Company as set forth in the letterhead above and may be changed from time to time by notice from the changing party to the other party pursuant to the provisions of this Section 5. For purposes of this Section 5, " **Electronic Transmission** " means a communication (i) delivered by facsimile, telecommunication or electronic mail when directed to the facsimile number of record or electronic mail address of record, respectively, which the intended recipient has provided to the other party for sending notices pursuant to this Agreement and (ii) that creates a record of delivery and receipt that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

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

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

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

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

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

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

**AUTOBYTEL INC.**

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

Accepted and Agreed
as of the date
first written above:

/s/ Jose Vargas
Jose Vargas
[Personal Residence Address Redacted]

**Exhibit A**

**Offer Letter Schedule**

**Employment Capacity/Title:** Chief Revenue Officer

**Offer Effective Date:** January 1, 2016

**Base Salary:** Semi-monthly Rate of Nine Hundred Eighty Three Dollars and Thirty Four Cents ($983.34), which equates to an annualized rate of approximately Twenty Three Thousand Six Hundred Dollars ($23,600)

**Vacation Accrual Rate** : V acation accrues at a rate equal to two weeks (80 hours for full-time employees) per year (3.34 hours per pay period).

| | |
|---|---|
| \s\ JV | \s\ GEF |
| Employee Initials | Company Initials |

## Employee Confidentiality Agreement

This Employee Confidentiality Agreement (" **Agreement** ") is entered into effective as of January 1, 2016 (" **Effective Date** "), between **Autobytel Inc.** and its affiliated companies, ("Company"), and Jose Vargas (" **Employee** ").

In consideration of Employee's employment and the compensation paid to Employee, Employee hereby acknowledges and agrees with Company as follows:

1. ***Definitions.*** As used in this Agreement, the following terms have the following definitions:

   a. "Clients" means any person or entity for whom Company performs services, to whom Company sells or licenses products, or from whom Company, Employee, or both obtain information.

   b. "Confidential Information" means proprietary techniques and confidential information that Company has or will maintain, develop, compile, or own, or that Company receives under conditions of confidentiality. Confidential Information includes not only information disclosed by Company (including its employees, agents, and independent contractors) or its Clients to Employee in the course of employment, but also information (including Inventions) developed or learned by Employee during the course of employment with Company. Confidential Information is to be broadly defined and includes (i) all information that has or could have commercial value or other utility in the business in which Company or Clients are engaged or in which they contemplate engaging, and (ii) all information that, if disclosed without authorization, could be detrimental to the interest of Company or Clients, whether or not such information is identified as Confidential Information by Company or Clients or any other information protected by the California Uniform Trade Secrets Act, Cal. Civ. Code § 3426 et seq or by the equivalent laws of the state in which Employee's primary work location is located (" **Employee's Primary Work Location State** "). By way of example and without limitation, Confidential Information includes all information on teaching techniques, processes, formulas, trade secrets, Inventions, discoveries, improvements, research or development test results, specifications, data, know-how, formats, marketing plans, business plans, strategies, forecasts, unpublished financial information, budgets, projections, pricing, and customer and/or supplier identities, characteristics, preferences and agreements.

   c. "Inventions" means discoveries, developments, designs, ideas, improvements, inventions, formulas, processes, techniques, graphics, computer software, know-how, and data (whether or not patentable or registerable under copyright or similar statutes) made, conceived, reduced to practice, or learned by Employee (either alone or jointly with others) during the period of employment, that (i) are related to or useful in the business of Company, (ii) result from any work performed by Employee for Company, or (iii) result from the use of premises owned, leased, or otherwise used or acquired by Company.

2. ***Protection of Company's Confidential Information.***

   a. At all times during and after Employee's employment, Employee will hold in trust, keep confidential, not make use of, and not disclose or reveal to any third party any Confidential Information, except in the course of Employee's employment with Company and for the benefit of Company. Employee will not cause the transmission, removal, or transport of Confidential Information or Inventions from Company's principal place of business at 18872 MacArthur Boulevard, Second Floor, Irvine, California, Employee's Primary Work Location, or such other place of business specified by Company, without the prior written approval of Company's Chief Legal Officer (" **CLO** ").

b. Employee acknowledges that the unauthorized use or disclosure of Confidential Information may be highly prejudicial to the interests of Company or its Clients, an invasion of privacy, or an improper disclosure of trade secrets.

c. If Employee desires to publish the results of Employee's work for Company through literature or speeches, Employee must submit such literature or speeches to the CLO at least sixty (60) days before dissemination of such information. Employee will not publish, disclose, or otherwise disseminate such information without the prior written approval of the CLO. Whenever the approval, designation, specification, or other act of the CLO is required under this Agreement, the CLO may, by written designation, authorize an agent of Company to perform such act.

3. ***Non-Solicitation.***

a. Employee acknowledges and agrees that: (i) the Company is engaged in business throughout the United States (" **Restricted Area** ") and online and, therefore, the Company competes with businesses that could be located anywhere within the Restricted Area; (ii) Company has required Employee to make the covenants set forth herein as a condition to Employee's initial employment or continuing employment of Employee with Company; and (iii) the provisions of this Agreement are reasonable and necessary to protect and preserve Company's legitimate business interests in, without limitation, its Confidential Information, customer relationships, trade name and the goodwill associated therewith.

b. Employee agrees that during Employee's employment Employee shall not directly or indirectly engage in or prepare to engage in, or be employed by, any business that is engaging in or preparing to engage in any aspect of Company's business anywhere in the Restricted Area. The prohibitions contained in this Section shall extend to (i) activities undertaken by Employee directly on Employee's own behalf, and to (ii) activities undertaken by Employee indirectly through any individual, corporation or entity which undertakes such prohibited activities with Employee's assistance and in or with respect to which Employee is an owner, officer, director, trustee, shareholder, creditor, employee, agent, partner or consultant or participates in some other capacity.

c. Except with the prior written consent of the CLO, Employee will not, directly or indirectly, during the period of employment with Company and for a period of one (1) year thereafter, contact, solicit, contract with, or accept business from, for or on behalf of a same, similar or competitive business as the Company, any entity or individual which (i) was or has been a customer of the Company within two (2) years prior to the cessation of Employee's employment with the Company, or (ii) was or is a prospective customer of the Company with which Employee had business-related communications within two years prior to the cessation of Employee's employment with the Company.

d. For a period of one (1) year immediately after termination of Employee's employment with Company, Employee will not solicit any employee of the Company to leave Company's employ or induce a consultant to sever the consultant's relationship with Company

4. ***Prior Knowledge and Prior Relationships.***

a. Except as disclosed in Exhibit A, Employee has no knowledge of any of the Confidential Information other than information Employee has learned from Company.

b. Employee has disclosed in Exhibit A a complete list of all Inventions that are proprietary to Employee and that Employee wants to exclude from the application of this Agreement. Company will receive and hold all such disclosures in confidence.

c. Employee has no agreements, relationships, or commitments to any other person or entity that conflict with or would prevent Employee from performing any of Employee's obligations to Company under this Agreement.

d. Employee will not disclose to Company, use, or induce Company to use any proprietary information or trade secrets of others. Employee represents and warrants that, prior to commencing employment with Company, Employee has returned all property and confidential information belonging to all others, including former employers.

5. ***Assignment of Employee Inventions.***

a. Employee will promptly disclose in writing to Company all Inventions.

b. All Inventions belong to and are the sole property of Company and will be Inventions of Company subject to this Agreement. Employee assigns and agrees to assign to Company all right, title, and interest in the United States and all other countries of the world that Employee may have or may acquire in and to all Inventions. Employee shall sign and deliver to Company (during and after employment) any other documents that Company considers desirable to provide evidence of (i) the assignment of all rights of Employee, if any, in any Inventions and (ii) Company's ownership of such Inventions.

c. To the extent that any of the Inventions is capable of protection by copyright:

i. if the Invention falls within the scope of subsection (ii) of the definition of "work made for hire" in Section 101 of the U.S. Copyright Act, Employee acknowledges that it is work made for hire, or

ii. to the extent that the Invention may not be a work made for hire, Employee hereby assigns and agrees to assign to Company all rights in the Invention in the United States and all other countries of the world.

d. Any provision in this Agreement requiring Employee to assign rights to an invention does not apply to any Invention that qualifies under California Labor Code § 2870, which is reprinted in its entirety in Exhibit B unless the laws of the Employee's Primary Work Location State allow for such assignment of rights, in which case the applicable law of the Employee's Primary Work Location State shall govern. Execution of this Agreement constitutes Employee's acknowledgement of receipt of notification of this paragraph, including Exhibit B, and the limitations on Employee's assignment of Inventions.

e. Employee agrees to execute any documents and provide such other assistance at any time as reasonably required by Company in connection with the registration, assignment, application, prosecution, obtaining, securing, or prosecuting of copyright, trademark, patent or other protection for any Invention, or other perfection of Company=s ownership of the Inventions and proceedings related thereto, all at Company's expense but without consideration to Employee in excess of Employee's salary or wages. If Company requires any assistance after termination of Employee's employment, Employee will be compensated for time actually spent in providing that assistance at an hourly rate equivalent to Employee's salary or wages during the last period of employment with Company.

f. If Company is unable to secure Employee's signature on any document necessary to apply for, prosecute, obtain, or enforce any patent, copyright, or other right or protection relating to any Invention, whether due to Employee's mental or physical incapacity or any other cause, Employee hereby irrevocably designates and appoints Company and each of its duly authorized officers and agents as Employee's agent and attorney-in-fact, to act for and in Employee's behalf to execute and file any such document and to do all other lawfully permitted acts to further the prosecution, issuance, and enforcement of patents, copyrights, or other rights or protections, with the same force and effect as if executed and delivered by Employee.

6. ***Termination of Employment.***

a. If Employee's employment with Company is terminated for any reason, Employee shall promptly and without request (i) inform Company of and deliver to Company all documents and data pertaining to Employee's employment and the Confidential Information and Inventions, whether prepared by Employee or otherwise coming into Employee's possession or control; and (ii) sign the Termination Certificate in Exhibit C. Employee shall not retain any written or other tangible material containing any information concerning or disclosing any Confidential Information or Inventions.

b. If Employee's employment with Company is terminated for any reason, Employee will protect the value of the Confidential Information and Inventions and will prevent their misappropriation or disclosure. Employee will not disclose or use any Confidential Information or Inventions for Employee's benefit or the benefit of any third party, or to the detriment of Company or its Clients.

c. Employee recognizes that the unauthorized taking of Company's trade secrets may be a crime under California Penal Code § 499c, punishable by imprisonment for a time not exceeding one (1) year, by a fine not exceeding Five Thousand Dollars ($5,000.00), or both. Employee further recognizes that such unauthorized taking of Company's trade secrets could also result in civil liability under the California Uniform Trade Secrets Act (Civil Code §§ 3426-3426.11), and that willful misappropriation may result in an award against Employee for triple the amount of Company's damages and Company's attorney fees in collecting such damages. The laws of the Employee's Primary Work Location State may provide for similar penalties.

7. ***Specific Performance.***

a. Because Employee's breach or threatened breach of this Agreement will or is likely to cause Company irreparable harm for which money damages would be inadequate to compensate Company, the Company will be entitled to file a lawsuit seeking injunction relief and other equitable remedies to enforce this Agreement without the necessity of posting a bond, in addition to damages and other available remedies.

b. Employee acknowledges and agrees that the protections set forth in this Agreement are a material condition to employment with and compensation by Company.

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

9. ***Notices.*** Any notice, report, or statement required or permitted under this Agreement will be considered to be given or transmitted when sent by certified mail, postage prepaid, addressed to the party for whom it is intended at its address of record; by facsimile, which notice will be effective on computer confirmation of receipt; or by courier or messenger service, which notice will be effective on receipt by recipient as indicated on the courier's receipt. The record addresses of the parties are as follows:

Company: **Autobytel Inc.**
18872 MacArthur Boulevard, Suite 200
Irvine, California 92612-1400
Telephone: (949) 225-4500
Facsimile: (949) 862-1323
Attention: Chief Legal Officer

Employee: Jose Vargas
[Personal Residence Address Redacted]

10. ***At-Will Employment.*** Employee acknowledges that this Agreement is not to be construed as a contract of continued employment between Employee and Company. Unless Employee has an express written individual employment agreement with Company signed by the CLO that explicitly states that the employment relationship is other than at will, Employee's employment is "at-will," and either Company or Employee may terminate the employment relationship at any time for any or no reason without cause or notice.

11. ***Amendment.*** This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement will be binding unless it is in writing and signed by both parties. In the case of Company, any of the foregoing shall not be effective unless executed by the Company's Chief Legal Officer.

12. ***Exhibits.*** The following agreements and exhibits constitute a part of this Agreement and are incorporated into this Agreement by this reference.

Exhibit A - Prior Knowledge and Inventions

Exhibit B - Company's Written Notification to Employee of Labor Code § 2870

Exhibit C - Termination Certificate

If any inconsistency exists or arises between a provision of this Agreement and a provision of any exhibit, the provisions of this Agreement will prevail.

13. ***No Waiver.*** No waiver of a breach, failure of any condition, or any rights or remedy contained in or granted by this Agreement will be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy will be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor will any waiver constitute a continuing waiver unless the writing so specifies.

14. ***Attorneys Fees.*** In any litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Agreement (whether in contract, tort, or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party reasonable attorney fees, together with any costs and expenses, to resolve the dispute and to enforce the final judgment. For purposes of this provision "prevailing party" refers to the one party who is successful in enforcing its rights under this Agreement or who is granted a declaratory judgment in its favor. If more than one party is successful in enforcing rights under this provision in the same action, each party shall bear its own fees.

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

16. ***Severability.*** Any provision of this Agreement that in any way contravenes the law of any state or country in which this Agreement is effective will, in that state or country, to the extent the law is contravened, be considered separable and inapplicable and will not affect any other provision or provisions of this Agreement.

17. ***Arbitration.*** Any controversy or claim arising out of, or related to, this Agreement, or the breach thereof, shall be governed by the terms of that certain Mutual Agreement to Arbitrate dated as of the Effective Date between Company and Employee, which is incorporated herein by reference.

18. ***Binding Effect.*** This Agreement will inure to the benefit of and be binding on the successors and assigns of Company and Employee.

19. ***Integration.*** This Agreement, and all other agreements and exhibits referred to in this Agreement constitutes the final, complete, and exclusive statement of the terms of this Agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior and contemporaneous oral and written understandings or agreements of the parties. No party has been induced to enter into this Agreement by, nor is any party relying on, any representation or warranty outside those expressly set forth in this Agreement.

**CAUTION: THIS AGREEMENT AFFECTS YOUR RIGHTS TO INVENTIONS YOU MAKE DURING YOUR EMPLOYMENT AND RESTRICTS YOUR RIGHT TO DISCLOSE OR USE COMPANY'S CONFIDENTIAL INFORMATION DURING OR AFTER YOUR EMPLOYMENT.**

**EMPLOYEE HAS READ THIS AGREEMENT CAREFULLY AND UNDERSTANDS ITS TERMS. EMPLOYEE HAS COMPLETELY FILLED OUT EXHIBIT A AND HAS RECEIVED A COPY OF EXHIBIT B, WHICH IS THE WRITTEN NOTIFICATION TO EMPLOYEE CONTAINING CALIFORNIA LABOR CODE § 2870.**

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first written above.

**Company:**

**AUTOBYTEL INC.**

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

Employee: /s/ Jose Vargas
Jose Vargas

## Exhibit A

**Prior Knowledge and Inventions**

1. I acknowledge that I know nothing about the Confidential Information and Inventions other than the following information that has been disclosed to me by Company or its Clients (if none, so state): [Specify]:

2. I acknowledge that I have not conceived, made, or reduced to practice (alone or jointly with others) any Inventions other than the following, which are excluded from application of this Agreement (if none, so state): [Specify generally to avoid disclosure of another's confidential information]:

3. I acknowledge that I have no other current or prior agreements, relationships, or commitments that conflict with this Agreement or with my relationship with Company other than the following (if none, so state): [Specify]:

Dated: 2/23/2016 Name : /s/ Jose Vargas
(Signature)

**<u>EXHIBIT B</u>**

**COMPANY'S WRITTEN NOTIFICATION TO EMPLOYEE OF LABOR CODE § 2870**

In accordance with California Labor Code, § 2870, you are hereby notified that your Employee Confidentiality Agreement does not require you to assign to Company any Invention for which no equipment, supplies, facility, or trade secret information of Company was used and that was developed entirely on your own time, and does not relate to the business of Company or to Company's actual or demonstrably anticipated research or development, or does not result from any work performed by you for Company.

The following is the text of California Labor Code, § 2870:

"(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, or trade secret information except for inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

I hereby acknowledge receipt of this written notification.

Dated: 2/23/16 Name: <u>/s/ Jose Vargas</u>
(Signature)

## Exhibit C

### Termination Certificate

I hereby certify that I have complied with and will continue to comply with all the terms of the Employee Confidentiality Agreement of January 1, 2016, (“Agreement”), which I signed, including the prompt reporting of all Inventions conceived or made by me that are covered by the Agreement. All capitalized terms used but not defined in this certificate will have the meanings ascribed to them in the Agreement.

I further certify that I do not have in my possession, nor have I failed to return, any Confidential Information or copies of such information, or other documents or materials, equipment, or other property belonging to Company or its Clients.

I agree that, in compliance with the Agreement, I will preserve as confidential and not use any Confidential Information, Inventions, or other information that has or could have commercial value or other utility in the business in which Company or its Clients are engaged or in which they contemplate engaging. I will not participate in the unauthorized disclosure of information that could be detrimental to the interests of Company or its Clients, whether or not such information is identified as Confidential Information by Company or its Clients.

On termination of my employment with Company, I will be employed by ____________________________ [name of new employer] in its ________________________ [specify] Division and will be working in connection with the following projects: [Generally describe projects]:

Dated: ______________________ Name: _______________________________

(Signature)

**MUTUAL AGREEMENT TO ARBITRATE**

1. Parties : The parties to this Mutual Agreement to Arbitrate ("Agreement") are Autobytel Inc. and the individual whose name appears below ("you" or "your").

2. Agreement to Arbitrate : In an effort to resolve any legal disputes in an efficient and fair way, each party, in consideration of the promises made by the other, agrees that any dispute between them that is within the scope of this Agreement shall be submitted for resolution through final and binding arbitration instead of through trial by court or jury. The arbitration shall be conducted before a single, neutral arbitrator in Orange County, California, and in accordance with the JAMS Employment Arbitration Rules (the "Rules") then in effect, except that if those Rules conflict with this Agreement, then this Agreement controls. (A copy of such Rules may be obtained from Autobytel's Human Resources Department or on-line at www.jamsadr.com/rules-employment-arbitration.) You acknowledge that you have read and reviewed the Rules to the extent you so desired before signing this Agreement. The arbitration shall be administered by JAMS.

3. Scope Of Agreement : To the fullest extent allowed by law, this Agreement covers any dispute involving you and Autobytel that could otherwise be brought in court, including, without limitation, any claim related to your employment by Autobytel or the termination of that employment, whether that claim is based on contract, tort, statute, ordinance, regulation, common law or otherwise. Examples of disputes covered by this Agreement are claims for breach of contract, breach of the covenant of good faith and fair dealing, wrongful termination in violation of public policy, retaliation, discrimination (because of race, color, sex, national origin, ancestry, religion, age, disability, medical condition, marital status, sexual orientation, or any other protected status as set forth in federal and state anti-discrimination laws, unlawful harassment, denial of leave, intentional and/or negligent infliction of emotional distress, fraud and deceit, negligent misrepresentation, libel, slander, invasion of privacy, assault, battery, false imprisonment, conversion, interference with contract or prospective economic advantage, malicious prosecution, abuse of process, and breach of fiduciary duty. Additional non-exhaustive examples include claims to enforce rights to employee retirement or welfare benefits and claims for unpaid wages. This Agreement also applies to any claim that Autobytel has against you that could otherwise be brought in court, including claims for misappropriation of Autobytel property, disclosure of trade secrets, interference with contract, trade libel, gross negligence, willful misconduct, or any other claim for alleged wrongful conduct or breach of the duty of loyalty.

4. Disputes With Parties Related to Autobytel : Without limiting the breadth of the foregoing, this Agreement covers any claim between you and any other person, employee or entity affiliated with Autobytel, including benefit plans and the entities that administer them that could otherwise be brought in court.

5. Claims Not Covered : This Agreement does not cover (a) any claim for worker's compensation benefits, (b) a judicial action by either party for a temporary restraining order or a preliminary injunction to preserve the status quo pending arbitration, (c) a charge or complaint with an administrative agency that alleges employment discrimination or failure to pay wages or other violations of employment laws or that seeks unemployment compensation, (d) claims arising under the National Labor Relations Act, (e) any report to a law enforcement agency, (f) or any other claim where mandatory arbitration is prohibited by law.

6. Initiation of Arbitration : The aggrieved party must file a written demand for arbitration with JAMS within the applicable statute of limitations.

7. Selection Of Arbitrator : The single arbitrator shall be selected by the parties in accordance with the Rules. By this Agreement neither party waives the right to seek disqualification of the arbitrator. If a party seeks disqualification due to a potential conflict of interest, then JAMS shall make the decision as to whether the arbitrator is disqualified, subject to any statutory judicial review authorized by law.

8. Expenses and Fees of Arbitration : If Autobytel initiates the arbitration, then it shall pay the full administrative fees charged by JAMS. If you initiate the arbitration, then you shall pay JAMS an amount equal to the filing fee for initiating a lawsuit in court, and Autobytel shall pay the remainder of the administrative fees charged by JAMS. The fees and expenses of the arbitrator shall be paid completely by Autobytel.

9. Authority Of The Arbitrator: The court, not the arbitrator, shall have the power to rule on the arbitrator's jurisdiction, including any objections with respect to the existence, scope or validity of this Agreement. Claims shall be brought in the parties' individual capacities, and not as a plaintiff or class member in any purported class or representative proceeding. The arbitrator may not consolidate more than one party's claims, and may not otherwise preside over any form of representative or class proceeding. The arbitrator shall follow the substantive law applicable and may award any remedy authorized by law, including costs and attorney's fees that are authorized by statute.

10. Procedures For Arbitration: The procedures to be followed are those set forth in the Rules, except to the extent that those rules contradict this Agreement. The arbitrator's award shall contain written findings of fact and conclusions of law sufficient to explain the arbitrator's decision with respect to the matters at issue. A court of competent jurisdiction may enter judgment upon the award, either by (i) confirming the award, or (ii) vacating, modifying, or correcting the award (a) on any ground referred to in the Federal Arbitration Act, (b) where the findings of fact are not supported by substantial evidence, or (c) where the conclusions of law are erroneous. If this provision of the Agreement providing for review of the arbitration award is adjudged to be void or otherwise unenforceable, in whole or in part, then the void or otherwise unenforceable provision shall be deemed to be stricken from this Agreement and that adjudication shall not affect the validity of the remainder of the Agreement.

11. Discovery: In any arbitration, the parties may conduct discovery to the same extent as would be permitted in court.

12. Enforcement Of Agreement: Your job duties constitute an activity that affects commerce among the states, making your employment by Autobytel a transaction involving commerce among the states. This agreement may be enforced in accordance with the provisions of the Federal Arbitration Act, 9 U.S.C. Sec. 1, et seq., or the provisions of any applicable state arbitration statute. If any provision of this Agreement is adjudged to be void or otherwise unenforceable, in whole or in part, then that adjudication shall not affect the validity of the remainder of the Agreement.

13. Not A Contract of Continued Employment: This Agreement does not guarantee employment for any definite period, and does not prevent Autobytel from ending or otherwise modifying your employment with or without cause or notice at any time.

14. Modifications: This Agreement survives the termination of your employment, and may be amended, modified or terminated only by a writing signed by you and Autobytel's Chief Legal Officer. This Agreement may not be modified by oral or implied agreements, understandings or arrangements. No employee or agent of Autobytel is authorized to make any agreement, understanding or arrangement to the contrary.

15. Voluntary Agreement: You acknowledge that you have read this Agreement and the Rules and that you understand their terms, that you have had enough time to consult an attorney before signing this Agreement, that you have taken that opportunity to the extent you wish to do so, and that you are not relying on any promises or representations not set forth in this Agreement. You acknowledge that this Agreement is the complete agreement between you and Autobytel concerning the resolution of legal disputes, and that this Agreement supersedes any prior understandings or agreements on the same subject matter. You understand that by this Agreement the parties agree to substitute arbitration for court or jury trial as a means of resolving their legal disputes.

Effective Date of Agreement: January 1, 2016

**AUTOBYTEL INC.**

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

Employee: /s/ Jose Vargas
Jose Vargas

Exhibit 21.1

**SUBSIDIARIES OF AUTOBYTEL INC.**

| Subsidiary Name | Jurisdiction of Incorporation |
|---|---|
| Auto-By-Tel Acceptance Corporation | Delaware |
| Auto-By-Tel Insurance Services, Inc. | Delaware |
| Autobytel Dealer Services, Inc. | Delaware |
| Autotegrity, Inc. | Delaware |
| AutoWeb, Inc. | Delaware |
| AW GUA USA, Inc. | Delaware |
| Car.com, Inc. | Delaware |
| Dealix Corporation | California |

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements Form S-3 No . 333-194187 and Form S-8 No's. 333-197325, 333-168834, 333-135076, 333-116930, 333-90045, 333-77943, 333-39396, and 333-67692 of our report dated March 10, 2016 relating to the consolidated financial statements and schedule and the effectiveness of internal control over financial reporting of Autobytel Inc., appearing in this Annual Report (Form 10-K) for the year ended December 31, 2015.

/s/ Moss Adams LLP

Los Angeles, CA
March 10, 2016

**Exhibit 31.1**

**CERTIFICATION**

I, Jeffrey H. Coats, certify that:

1. I have reviewed this annual report on Form 10-K of Autobytel Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2016

/s/ Jeffrey H. Coats

Jeffrey H. Coats
*President and Chief Executive Officer*

**Exhibit 31.2**

**CERTIFICATION**

I, Kimberly Boren, certify that:

1. I have reviewed this annual report on Form 10-K of Autobytel Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2016

/s/ Kimberly Boren

Kimberly Boren,
*Senior Vice President and*
*Chief Financial Officer*

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Autobytel Inc. (the " *Company* ") on Form 10-K for the period ended December 31, 2015 (the " *Report* "), we, Jeffrey H. Coats, President and Chief Executive Officer of the Company, and Kimberly Boren, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Jeffrey H. Coats
Jeffrey H. Coats
*President and Chief Executive Officer*
March 10, 2016

/s/ Kimberly Boren
Kimberly Boren
*Senior Vice President and*
*Chief Financial Officer*
March 10, 2016

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to Autobytel Inc. and will be retained by Autobytel Inc. and furnished to the Securities and Exchange Commission or its staff upon request.