

AUTOBYTEL INC

FORM 10-Q (Quarterly Report)

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

Form 10 -Q

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

For the quarterly period ended September 30, 2013

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 or other jurisdiction of incorporation or organization)

(I.R.S. Employer identification number)

18872 MacArthur Boulevard, Suite 200, Irvine, California

92612

(Address of principal executive offices)

(Zip Code)

(949) 225 - 4500

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of November 4, 2013, there were 8,909,686 shares of the Registrant's Common Stock, \$0.001 par value, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AUTOBYTEL INC.
UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS
(Amounts in thousands, except share and per-share data)

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012*</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,373	\$ 15,296
Accounts receivable, net of allowances for bad debts and customer credits of \$463 and \$426 at September 30, 2013 and December 31, 2012, respectively	14,297	10,081
Prepaid expenses and other current assets	558	504
Total current assets	<u>32,228</u>	<u>25,881</u>
Property and equipment, net	1,677	1,593
Intangible assets, net	575	1,539
Long-term investment	2,500	-
Goodwill	11,677	11,677
Other assets	2,084	77
Total assets	<u>\$ 50,741</u>	<u>\$ 40,767</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,110	\$ 3,837
Accrued expenses and other current liabilities	6,067	5,377
Deferred revenues	-	168
Total current liabilities	<u>12,177</u>	<u>9,382</u>
Convertible note payable	5,000	5,000
Borrowings under credit facility	4,250	-
Other non-current liabilities	794	620
Total liabilities	<u>22,221</u>	<u>15,002</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 11,445,187 shares authorized; none outstanding	-	-
Common stock, \$0.001 par value; 55,000,000 shares authorized and 8,907,331 and 8,855,400 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	9	9
Additional paid-in capital	307,013	306,252
Accumulated deficit	(278,502)	(280,496)
Total stockholders' equity	<u>28,520</u>	<u>25,765</u>
Total liabilities and stockholders' equity	<u>\$ 50,741</u>	<u>\$ 40,767</u>

* Amounts were derived from audited financial statements

See accompanying notes to unaudited consolidated condensed financial statements.

AUTOBYTEL INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Amounts in thousand s, except per-share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenues:				
Lead fees	\$ 20,653	\$ 16,523	\$ 55,013	\$ 47,077
Advertising	956	884	2,567	2,670
Other revenues	26	47	88	144
Total revenues	<u>21,635</u>	<u>17,454</u>	<u>57,668</u>	<u>49,891</u>
Cost of revenues (excludes depreciation of \$18 and \$25 for the three months ended September 30, 2013 and 2012, respectively, and \$70 and \$90 for the nine months ended September 30, 2013 and 2012, respectively)	<u>12,826</u>	<u>10,739</u>	<u>35,311</u>	<u>30,004</u>
Gross profit	8,809	6,715	22,357	19,887
Operating expenses:				
Sales and marketing	2,745	2,035	7,122	6,648
Technology support	1,855	1,651	5,328	5,098
General and administrative	2,526	1,983	6,961	5,772
Depreciation and amortization	362	492	1,196	1,295
Litigation settlements	(66)	(68)	(205)	(205)
Total operating expenses	<u>7,422</u>	<u>6,093</u>	<u>20,402</u>	<u>18,608</u>
Operating income	1,387	622	1,955	1,279
Interest and other income (expense), net	24	16	331	12
Income before income tax provision	<u>1,411</u>	<u>638</u>	<u>2,286</u>	<u>1,291</u>
Income tax provision	138	87	292	256
Net income and comprehensive income	<u>\$ 1,273</u>	<u>\$ 551</u>	<u>\$ 1,994</u>	<u>\$ 1,035</u>
Basic income per common share	<u>\$ 0.14</u>	<u>\$ 0.06</u>	<u>\$ 0.22</u>	<u>\$ 0.11</u>
Diluted income per common share	<u>\$ 0.13</u>	<u>\$ 0.06</u>	<u>\$ 0.21</u>	<u>\$ 0.11</u>

See accompanying notes to unaudited consolidated condensed financial statements.

AUTOBYTEL INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in thousand \$)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 1,994	\$ 1,035
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,528	1,626
Provision for bad debts	75	119
Provision for customer credits	437	233
Share-based compensation	556	708
Gain on long-term strategic investment	(108)	-
Changes in assets and liabilities:		
Accounts receivable	(4,728)	(1,264)
Prepaid expenses and other current assets	(54)	(25)
Other assets	(33)	-
Accounts payable	2,273	2,213
Accrued expenses and other current liabilities	773	(93)
Deferred revenues	(168)	(130)
Non-current liabilities	174	(53)
Net cash provided by operating activities	2,719	4,369
Cash flows from investing activities:		
Purchases of property and equipment	(648)	(624)
Change in short-term investment	-	400
Advances on purchase of Advanced Mobile	(1,824)	-
Investment in AutoWeb	(2,500)	-
Change in long-term strategic investment	108	-
Investment in SaleMove	(150)	-
Net cash used in investing activities	(5,014)	(224)
Cash flows from financing activities:		
Borrowings under credit facility	4,250	-
Proceeds from exercise of stock options	205	22
Payment of contingent fee arrangement	(83)	(217)
Repurchase of common stock	0	(1,453)
Net cash provided by (used in) financing activities	4,372	(1,648)
Net increase in cash and cash equivalents	2,077	2,497
Cash and cash equivalents, beginning of period	15,296	11,209
Cash and cash equivalents, end of period	\$ 17,373	\$ 13,706

See accompanying notes to unaudited consolidated condensed financial statements.

AUTOBYTEL INC.
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. Organization and Operations

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 programs and data 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.

Effective October 1, 2013 ("**Advanced Mobile Acquisition Date**"), the Company acquired substantially all of the assets of privately-held Advanced Mobile, LLC, a Delaware limited liability company, and Advanced Mobile Solutions Worldwide, Inc., a Delaware corporation (collectively referred to in this Quarterly Report on Form 10-Q as "**Advanced Mobile**"). Advanced Mobile provides mobile marketing solutions (e.g., mobile applications, mobile portals, mobile websites, text-chat, mobile text marketing, self-service mobile messaging, quick response codes, text messaging, short message service and multimedia service) for the automotive industry. Text chat provides a web-based portal that allows Dealers to centrally manage text communications. The acquired assets consisted primarily of customer contracts, technology license rights and rights in domain names and short codes used for SMS texting. As a result of the acquisition, the Company will offer Manufacturers and Dealers the ability to connect with consumers using text communication via a secure platform. In addition, Autobytel will offer Dealers a comprehensive suite of mobile products, including mobile apps, mobile websites, Send 2 Phone capabilities and text message marketing.

2. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements presented herein are presented on the same basis as the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("**SEC**") for the year ended December 31, 2012 ("**2012 Form 10-K**"). Autobytel has made its disclosures in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The statements of income and comprehensive income and cash flows for the periods ended September 30, 2013 and 2012 are not necessarily indicative of the results of operations or cash flows expected for the year or any other period. The unaudited consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the 2012 Form 10-K.

On July 11, 2012, the Company implemented a 1-for-5 reverse split of the Company's common stock, \$0.001 par value per share ("**Reverse Stock Split**"). Accordingly, each five shares of common stock were reclassified into one share of common stock. All share and per share amounts and all options and other common stock derivatives, including their exercise/conversion prices, for all periods presented have been adjusted to reflect the Reverse Stock Split as though it had occurred as of the earliest period presented. Such reclassification did not impact prior period net income or total stockholders' equity.

3. Recent Accounting Pronouncements

Accounting Standards Codification 740 "Income Taxes." In July 2013, Accounting Standards Update ("ASU") No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" was issued. The objective of this ASU is to reduce diversity in practice by providing guidance on the presentation of unrecognized tax benefits and will better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. This ASU is effective for fiscal years beginning after December 15, 2013. The Company does not believe that adoption of this ASU will have a material impact on the Company's consolidated financial results.

4. Computation of Basic and Diluted Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income 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 the warrant described below and common shares issuable upon conversion of the convertible note described in Note 6. The following are the share amounts utilized to compute the basic and diluted net income per share for the three and nine months ended September 30, 2013 and 2012 (adjusted for the Reverse Stock Split):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Basic shares:				
Weighted average common shares outstanding	8,900,574	9,232,603	8,874,252	9,228,355
Weighted average common shares repurchased	-	(379,809)	-	(185,039)
Basic shares	<u>8,900,574</u>	<u>8,852,794</u>	<u>8,874,252</u>	<u>9,043,316</u>
Diluted Shares:				
Basic Shares	8,900,574	8,852,794	8,874,252	9,043,316
Weighted average dilutive securities	<u>1,685,638</u>	<u>1,245,146</u>	<u>1,435,481</u>	<u>215,149</u>
Dilutive Shares	<u>10,586,212</u>	<u>10,097,940</u>	<u>10,309,733</u>	<u>9,258,465</u>

For the three and nine months ended September 30, 2013 and September 30, 2012, weighted average dilutive securities included dilutive options, warrants and convertible debt.

For the three and nine months ended September 30, 2013, 1.1 million and 1.3 million of potentially anti-dilutive shares of common stock have been excluded from the calculation of diluted net income per share, respectively. For the three and nine months ended September 30, 2012, 1.5 million and 2.5 million anti-dilutive shares of common stock have been excluded from the calculation of diluted net income per share, respectively.

On February 13, 2012, the Company announced that the Board of Directors had approved a stock repurchase program that authorized the repurchase of up to \$1.5 million of Company common stock. The Board of Directors authorized the Company to repurchase an additional \$2.0 million of Company common stock on June 7, 2012. Under these repurchase programs, the Company may repurchase common stock from time to time on the open market or in private transactions. This authorization does not require the Company to purchase a specific number of shares, and the Board of Directors may suspend, modify or terminate the programs at any time. The Company would fund repurchases through the use of available cash. The Company began repurchasing its common stock on March 7, 2012. During the nine months ended September 30, 2012, the Company repurchased 379,811 shares for an aggregate price of \$1.5 million.

AUTOBYTEL INC.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (continued)

The average price paid for all shares repurchased during the nine months ended September 30, 2012 was \$3.83. No shares were repurchased during 2013. The shares repurchased in the nine months ended September 30, 2012 were cancelled by the Company and returned to authorized and unissued shares.

Warrant. On September 17, 2010 (" **Cyber Acquisition Date** "), the Company acquired substantially all of the assets of privately-held Autotropolis, Inc., a Florida corporation, and Cyber Ventures, Inc., a Florida corporation (collectively referred to in this Quarterly Report on Form 10-Q as " **Cyber** "). In connection with the acquisition of Cyber, the Company issued to the sellers a warrant to purchase 400,000 shares of Company common stock (" **Warrant** "). The 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 Warrant was valued based on historical volatilities of the Company and comparable public companies as of the Cyber Acquisition Date. The exercise price of the Warrant is \$4.65 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The Warrant became exercisable on September 16, 2013 and expires on the eighth anniversary of the issuance date.

5. Share-Based Compensation

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	<i>(in thousand s)</i>		<i>(in thousand s)</i>	
Share-based compensation expense:				
Cost of revenues	\$ 13	\$ 12	\$ 38	\$ 35
Sales and marketing	35	25	111	188
Technology support	57	56	173	225
General and administrative	78	117	236	264
Share-based compensation costs	<u>183</u>	<u>210</u>	<u>558</u>	<u>712</u>
Amount capitalized to internal use software	<u>1</u>	<u>1</u>	<u>2</u>	<u>4</u>
Total share-based compensation costs	<u>\$ 182</u>	<u>\$ 209</u>	<u>\$ 556</u>	<u>\$ 708</u>

Service-Based Options. During the three months ended September 30, 2013, the Company granted 13,000 service-based stock options with weighted average grant date fair values of \$2.73 and weighted average exercise prices of \$5.92. During the three months ended September 30, 2012, the Company granted 38,000 service-based stock options with weighted average grant date fair values of \$2.20 and weighted average exercise prices of \$3.68. During the nine months ended September 30, 2013, the Company granted 109,000 service-based stock options with weighted average grant date fair values of \$2.29 and weighted average exercise prices of \$4.43. During the nine months ended September 30, 2012, the Company granted 79,400 service-based stock options with weighted average grant date fair values of \$2.31 and weighted average exercise prices of \$3.83. These options are valued using a Black-Scholes option pricing model and generally vest one-third on the first anniversary of the grant date and ratably over twenty-four months thereafter. The vesting of these awards is contingent upon the employee's continued employment with the Company during the vesting period.

Performance-based Options. During the nine months ended September 30, 2013, the Company granted 87,177 performance-based stock options (" **2013 Performance Options** ") to certain employees with a weighted average grant date fair value of \$2.19, using a Black-Scholes option pricing model and weighted average exercise price of \$4.00. The 2013 Performance 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) time vesting.

AUTOBYTEL INC.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (continued)

During the nine months ended September 30, 2013, in connection with the acquisition of Advanced Mobile, the Company granted 88,641 performance-based inducement stock options (" **2013 Inducement Options** ") to one employee with 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 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 Advanced Mobile business and (ii) time vesting.

During the nine months ended September 30, 2012, the Company granted 249,199 performance-based stock options (" **2012 Performance Options** ") to certain employees with a weighted average grant date fair value of \$2.39, using a Black-Scholes option pricing model and a weighted average exercise price of \$3.98. The 2012 Performance Options are subject to two vesting requirements and conditions: (i) percentage achievement of 2012 revenues and EBITDA goals and (ii) time vesting. Based on the Company's 2012 revenues and EBITDA performance, 161,394 of the 2012 Performance Options vested under the performance vesting condition, and one-third of these options vested on the first anniversary of the grant date, with the remainder vesting ratably over twenty-four months thereafter.

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 cliff vested on the first anniversary following the grant date and the remaining two-thirds vest ratably over twenty-four months thereafter. In addition, the remaining two-thirds of the awards were subject to satisfaction of market price conditions for the Company's common stock, which conditions have been satisfied. During the three months ended September 30, 2013 and September 30, 2012, 596 and 2,500 of these market condition stock options were exercised, respectively. During the nine months ended September 30, 2013 and September 30, 2012, 5,672 and 7,706 of these market condition stock options were exercised, respectively.

During the three and nine months ended September 30, 2013, 30,193 and 51,931 stock options (inclusive of the 596 and 5,672 market condition stock options exercised during the period, respectively) were exercised, with aggregate weighted average exercise prices of \$4.37 and \$3.91, respectively. There were 2,738 and 9,482 stock options (inclusive of the 2,500 and 7,706 market condition stock options exercised during the period, respectively) exercised during the three and nine months ended September 30, 2012 with aggregate weighted average exercise prices of \$1.87 and \$2.00, respectively.

The grant date fair value of stock options granted during these periods was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Dividend yield	-	-	-	-
Volatility	56%	81%	65%	84%
Risk-free interest rate	1.1%	0.5%	0.8%	0.6%
Expected life (years)	4.3	4.2	4.3	4.2

6. Selected Balance Sheet Accounts

Property and Equipment . Property and equipment consists of the following:

	September 30, 2013	December 31, 2012
	<i>(in thousand \$)</i>	
Computer software and hardware and capitalized internal use software	\$ 11,898	\$ 11,729
Furniture and equipment	1,253	1,252
Leasehold improvements	924	892
	<u>14,075</u>	<u>13,873</u>
Less – Accumulated depreciation and amortization	(12,398)	(12,280)
Property and equipment, net	<u>\$ 1,677</u>	<u>\$ 1,593</u>

AUTOBYTEL INC.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (continued)

The Company periodically reviews long-lived assets to determine if there are any impairment indicators. 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. The Company's judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our long-lived assets. If such indicators exist, the Company evaluates 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. Should the carrying amount of an asset exceed 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 the fair value of these assets using a discounted cash flow model, which includes assumptions and estimates.

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 and accounts receivable. Cash and cash equivalents are primarily maintained with two high credit quality financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. These deposits may be redeemed upon demand.

Accounts receivable are primarily derived from fees billed to Dealers and Manufacturers. The Company generally requires no collateral to support its accounts receivables and maintains an allowance for bad debts for potential credit losses.

The Company has 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 AutoNation. During the first nine months of 2013, approximately 28 % of the Company's total revenues were derived from these three customers, and approximately 37 %, or \$5.5 million, of gross accounts receivable related to these three customers at September 30, 2013.

During the first nine months of 2012, approximately 27 % of the Company's total revenues were derived from General Motors, Urban Science Applications (which represents several Manufacturer programs) and AutoNation, and approximately 35 %, or \$4.0 million of gross accounts receivables related to these three customers at September 30, 2012.

Investments. In August 2010 the Company acquired less than a 5% equity interest in privately-held Driverside, Inc. (" **Driverside** ") for \$1.0 million. Driverside provides consumers with a broad set of content, features, tools, technology, systems, products, services and programs related to the efficient ownership of motor vehicles. The Company received 1,352,082 shares of Series C Preferred Stock in Driverside for the investment. The Company made an additional investment in Driverside in 2011 in the amount of \$16,737. The Company recorded the investments in Driverside at cost because the Company did not have significant influence over Driverside. In 2011, Driverside merged with another entity, and the Company received a cash payment of \$823,000, representing the Company's pro rata share of the initial merger consideration. The \$823,000 received at closing of the transaction was recorded as a reduction to the Driverside investment on the consolidated balance sheet. In 2012, the Company received \$326,000, which represented the pro rata share of contingent payments upon achievement of milestones by Driverside. Of the \$326,000 received in 2012, \$194,000 was recorded as a complete reduction to the investment in Driverside and \$132,000 was recorded as other income. In the three months ended September 30, 2013 the Company received \$108,000 from Driverside, which represented its pro rata share of amounts released from an escrow account established to satisfy post-closing indemnification claims. The Company recorded the \$108,000 as other income.

In September 2013 the Company entered into a Contribution Agreement with privately-held AutoWeb, Inc., a Delaware corporation (" **AutoWeb** "), in which the Company contributed to AutoWeb \$2.5 million and assigned to AutoWeb all of the Company's 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 represents 16% of all issued and outstanding capital stock of AutoWeb as of September 18, 2013. The Company recorded the investment in AutoWeb at cost because the Company does not have significant influence over AutoWeb.

Intangible Assets. The Company amortizes specifically identified intangible assets using the straight-line method over the estimated useful lives of the assets.

In connection with the acquisition of Cyber on the Cyber Acquisition Date, the Company identified \$4.5 million of intangible assets.

AUTOBYTEL INC.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (continued)

The intangible assets will be amortized over the following estimated useful lives:

<u>Intangible Asset</u>	<u>Estimated Useful Life</u>
Trademarks/trade names	5 years
Software and publications	3 years
Customer relationships	3 years
Employment/non-compete agreements	5 years

Amortization expense for the remainder of the year and for the next four years is as follows:

<u>Year</u>	<u>Amortization Expense</u> <i>(in thousands)</i>
2013	\$ 71
2014	284
2015	208
2016	3
2017	-
	<u>\$ 566</u>

Goodwill. The Company recognized \$11.7 million in goodwill related to the acquisition of Cyber in 2010. 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 earlier, when events or circumstances indicate that the carrying value of such assets may not be recoverable.

Accrued Expenses and Other Current Liabilities. Accrued expenses and other current liabilities consisted of the following:

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
	<i>(in thousands)</i>	
Compensation and related costs	\$ 2,603	\$ 2,006
Professional fees and other accrued expenses	3,017	2,847
Amounts due to customers	181	149
Other current liabilities	266	375
Total accrued expenses and other current liabilities	<u>\$ 6,067</u>	<u>\$ 5,377</u>

Long-term debt . In connection with the acquisition of Cyber, the Company issued a convertible subordinated promissory note for \$5.0 million (" **Convertible Note** ") to the sellers. The fair value of the Convertible Note as of the Cyber Acquisition Date was \$5.9 million. This valuation was estimated using a binomial option pricing method. Key assumptions used in valuing the Convertible Note included a market yield of 15.0 % and stock price volatility of 77.5 %. As the Convertible Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6 % in quarterly installments. The entire outstanding balance of the Convertible Note is to be paid in full on September 30, 2015. At any time after September 30, 2013, the holders of the Convertible Note may convert all or any part of, but in 40,000 minimum share increments, the then outstanding and unpaid principal of the Convertible Note into fully paid shares of the Company's common stock at a conversion price of \$4.65 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The right to convert the Convertible 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 Convertible 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.

Credit Facility . We entered into an \$8.0 million revolving credit facility (" **Facility** ") in February 2013 with Union Bank, N.A. The Facility may be used as a source to finance capital expenditures, acquisitions, stockholder buyback, and other general corporate purposes. Borrowings under the Facility will bear interest at either the bank's Reference Rate (prime rate) minus 0.50 % or the London Interbank Offering Rate (LIBOR) plus 1.50 %, at the option of the Company. We will also pay a commitment fee on the unused Facility of 0.10 % payable quarterly in arrears. The outstanding balance as of September 30, 2013 was \$4.25 million. The Facility contains certain customary representations and warranties, affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain a minimum consolidated net liquidity, profitability, EBITDA and tangible net worth, with which the Company was in compliance with as of September 30, 2013. Borrowings under the Facility are secured by a first priority security interest on our accounts receivable and proceeds thereof. The Facility matures in February 2015.

7. Commitments and Contingencies

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 by the Company without cause or by the employee 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. The actions filed against the Company and other litigation, even if not meritorious, could result in substantial costs and diversion of resources and management attention, and an adverse outcome in litigation could materially adversely affect its business, results of operations, financial condition and cash flows.

Other taxes

The Company was audited in June 2011 by the New York State Department of Taxation and Finance for sales tax for the period December 1, 2003 through February 28, 2011. The Company paid \$166,000 related to this sales tax audit in April 2013, and the audit is now closed.

8. Other Income

In March 2013, the Company received a \$0.5 million payment related to termination of a license agreement under which the Company had licensed certain rights in the Company's proprietary software, business procedures and brand. The license agreement, originally entered into in 2002, had an original term of 25 years, with the licensee having the right to terminate the agreement early upon two years notice. The license agreement did not generate any revenue for the Company, other than \$250,000 annually which was recorded as other income since inception of the license agreement. The licensee exercised its right to terminate the license agreement and, in order to terminate the license agreement prior to the end of the notice period, agreed to a pre-payment of the annual license fees that otherwise would have been due during the two-year notice period.

9. Income Taxes

On an interim basis, the Company estimates what its anticipated annual effective tax rate will be and records a quarterly income tax provision in accordance with the estimated annual rate, plus the tax effect of certain discrete items that arise during the quarter. As the fiscal year progresses, the Company refines its estimates based on actual events and financial results during the year. This process can result in significant changes to the Company's estimated effective tax rate. When this occurs, the income tax provision is adjusted during the quarter in which the estimates are refined so that the year-to-date provision reflects the estimated annual effective tax rate. These changes, along with adjustments to the Company's deferred taxes and related valuation allowance, may create fluctuations in the overall effective tax rate from quarter to quarter.

Due to overall cumulative losses incurred in recent years, the Company maintained a valuation allowance against its deferred tax assets as of September 30, 2013 and December 31, 2012. Historically, the Company has been in a position of overall cumulative losses over the trailing twelve quarters. However, beginning with the quarter ended September 30, 2013, the Company has now achieved a position of overall cumulative income in the trailing twelve quarters. While this factor does not in and of itself indicate that the valuation allowance or a portion of the allowance should be removed, it is an indicator that needs to be considered in the evaluation of the valuation allowance. Other factors will also need to be assessed including the future projections of taxable income and the Company's ability to accurately project such taxable income. As such, the Company will be continuously reassessing the appropriateness of releasing the valuation allowance. As the Company prepares to refine their projections of future income during the quarter ended December 31, 2013, and if the Company continues to see a trend of increasing overall cumulative income in the trailing twelve quarters for another quarter, the Company may determine that it is appropriate to release some or all of the valuation allowance in the quarter ended December 31, 2013.

The Company's effective tax rate for the three and nine months ended September 30, 2013 differed from the U.S. federal statutory rate primarily due to the impact of changes in the valuation allowance and to the increase in deferred tax liabilities related to tax deductible indefinite-lived intangible assets.

The total amount of unrecognized tax benefits, excluding associated interest and penalties, was \$0.2 million as of September 30, 2013, of which none would impact the effective tax rate if recognized. The gross liability for income taxes related to unrecognized tax benefits is included in other long-term liabilities in the Company's condensed consolidated balance sheets.

The total balance of accrued interest and penalties related to uncertain tax positions was \$19,000 and \$13,000 as of September 30, 2013 and December 31, 2012, respectively. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company's condensed consolidated balance sheets. There were no material interest or penalties included in income tax expense for each of the three and nine months ended September 30, 2013 and September 30, 2012.

The Company is subject to taxation in the U.S. and in various state jurisdictions. Due to expired statutes of limitation, the Company's federal income tax returns for years prior to calendar year 2010 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state jurisdictions where the Company does business, periods prior to calendar year 2009 are no longer subject to examination. The Company is currently under examination by the State of New York for the years 2009 through 2011, but does not anticipate any material adjustments. The Company has estimated that none of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

10. Subsequent Events

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, text-chat, mobile text marketing, self-service mobile messaging, 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:

	<i>(in thousands)</i>
Cash	\$2,500
Contingent consideration	825
Working capital adjustment	70
	\$3,395

The contingent consideration arrangement (" **Contingent Consideration** ") requires the Company to pay up to \$1.5 million (representing quarterly payments of up to \$125,000 beginning first quarter 2014 and ending fourth quarter 2016) 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 Effective 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 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 preliminary estimated fair values of the assets acquired and liabilities assumed at the Effective Date. Because the transaction was completed subsequent to the end of the third quarter of 2013, we have not yet finalized the fair values of the assets and liabilities assumed in connection with the acquisition.

	<i>(in thousands)</i>
Accounts receivable	\$ 94
Prepaid expenses	9
Net fixed assets and other long-term assets	20
Total tangible assets acquired	123
Accounts payable	27
Other liabilities	6
Total liabilities assumed	33
Net identifiable assets acquired	90
Definite-lived intangible assets acquired	1,380
Goodwill	1,925
Net assets acquired	\$ 3,395

AUTOBYTEL INC.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (continued)

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:

	<u>Valuation Method</u>	<u>Estimated Fair Value</u> <i>(in thousands)</i>	<u>Estimated Useful Life (1)</u> <i>(years)</i>
Non-compete agreement	Discounted cash flow (2)	\$110	5
Customer relationships	Excess of earnings (3)	450	2
Developed technology	Excess of earnings (3)	820	5
Total purchased intangible assets		<u>\$1,380</u>	

- (1) Determination of the estimated useful lives of the individual categories of purchased intangible assets was based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Amortization of intangible assets with definite lives are recognized over the shorter of the respective lives of the agreement or the period of time the assets are expected to contribute to future cash flows.
- (2) The non-compete agreement fair value was derived by calculating the difference between the present value of the Company's forecasted cash flows with the agreements in place and without the agreements in place.
- (3) The 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.

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of the identifiable purchased intangible assets include all assumptions associated with forecasting cash flows and profitability. The primary assumptions used for the determination of the preliminary fair value of the purchased intangible assets were generally based upon the present value of anticipated cash flows discounted at a rate of 26%. 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 advanced \$1.8 million in the quarter ended September 30, 2013 related to the acquisition of Advanced Mobile, which became effective October 1, 2013.

The following unaudited pro forma information presents the consolidated results of the Company and Advanced Mobile for the three and nine months ended September 30, 2013 and 2012, respectively, with adjustments to give effect to pro forma events that are directly attributable to the acquisition and have a continuing impact, but exclude the impact of pro forma events that are directly attributable to the acquisition and are one-time occurrences. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods, the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results of operations that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur as a result of the acquisition and combining the operations of the companies.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2013, are as follows:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	<i>(in thousands)</i>	<i>(in thousands)</i>	<i>(in thousands)</i>	<i>(in thousands)</i>
Unaudited pro forma consolidated results:				
Revenue	\$21,868	\$17,663	\$58,393	\$50,549
Net income	\$1,184	\$521	\$1,891	\$924

SaleMove

On October 30, 2013, the Company entered into an agreement with SaleMove, Inc. (" **SaleMove** ") to become the exclusive provider 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.

Item 2 . Management's Discussion and Analysis of Financial Condition and Results of Operations

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 Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes," "will" and words of similar substance used in connection with any discussion of future operations or financial performance identify forward-looking statements. In particular, statements regarding expectations and opportunities, industry trends, new product expectations and capabilities, and our outlook regarding our performance and growth are forward-looking statements. This Quarterly Report on Form 10-Q 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 this Item 2 and under the heading "Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012 (" **2012 Form 10-K** "). 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.

You should read the following discussion of our results of operations and financial condition in conjunction with our unaudited consolidated condensed financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the notes thereto in the 2012 Form 10-K.

Our corporate website is located at www.autobytel.com . Information on our website is not incorporated by reference in this Quarterly Report. At or through the Investor Relations section of our website we make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports as soon as practicable after the reports are electronically filed with or furnished to the SEC.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements presented herein are presented on the same basis as the 2012 Form 10-K. We have made disclosures in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The statements of income and comprehensive income and cash flows for the periods ended September 30, 2013 and 2012 are not necessarily indicative of the results of operations or cash flows expected for the year or any other period. The unaudited consolidated condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the 2012 Form 10-K.

Effective October 1, 2013, the Company acquired substantially all of the assets of privately-held Advanced Mobile, LLC, a Delaware limited liability company, and Advanced Mobile Solutions Worldwide, Inc., a Delaware corporation (collectively referred to in this Quarterly Report on Form 10-Q as "**Advanced Mobile**"). Advanced Mobile provides mobile marketing solutions (e.g., mobile applications, mobile portals, mobile websites, text-chat, mobile text marketing, self-service mobile messaging, quick response codes, text messaging, short message service and multimedia service) for the automotive industry. Text chat provides a web-based portal that allows dealers to centrally manage text communications. This web-based tool includes role-based permissions, a global opt out feature and the ability to monitor all text communications between dealership employees and consumers. By assisting a dealership with compliance issues surrounding text, this tool opens up a wide array of text-based marketing for dealers and allows consumers to interact with dealers using one of the most preferred methods of mobile communications. The acquired assets consisted primarily of customer contracts, technology license rights and rights in domain names and short codes used for SMS texting.

On July 11, 2012, the Company implemented a 1-for-5 reverse split of the Company's common stock, \$0.001 par value per share ("**Reverse Stock Split**"). Trading of the Company's common stock on a post-Reverse Stock Split adjusted basis on The NASDAQ Capital Market began on July 12, 2012. Accordingly, each five shares of common stock were reclassified into one share of common stock. All share and per share amounts and all options and other common stock derivatives, including their exercise/conversion prices, for all periods presented have been adjusted to reflect the Reverse Stock Split as though it had occurred as of the earliest period presented. Such reclassification did not impact prior period net income or total stockholders' equity.

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 purchase request referrals ("**Leads**"), Dealer marketing products and services, and online advertising programs and data products. Our consumer-facing automotive websites ("**Company Websites**"), including our flagship website Autobytel.com[®], provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles ("**Vehicle Leads**"). 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.

Lead quality is measured by the conversion of Leads to actual vehicle sales. 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 rely on detailed feedback from Manufacturer and wholesale customers to confirm the performance of our Leads. In addition, in 2011 we started using R.L. Polk & Co. to evaluate the performance quality of both our Internally-Generated Leads as well as Non-Internally-Generated Leads. Our Manufacturers and wholesale customers and R.L. Polk & Co. match the Leads we deliver to our customers against vehicle sales data to provide us with closing rates for the Leads we deliver to our customers and information that allows us to compare these closing rates to the closing rates of the Leads we acquire from third party suppliers. Based on the most current Polk data, automotive Leads from consumers shopping on Autobytel.com have a conversion rate of over 25% within 90 days of Lead submission.

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 from acquiring Leads from us. We can now optimize the mix of Leads we deliver to our Dealers based on multiple sources of quality measurements. Also, by reporting the buying behavior of potential customers, 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 considerable intelligence in the hands of our customers and are seeing increased budget allocations for purchasing Leads from us.

For the three and nine months ended September 30, 2013, our business, results of operations and financial condition were affected, and may continue to be affected in the future, by general economic and market factors, conditions in the automotive industry, the market for Leads and the market for advertising services, including, but not limited to, the following:

- The adverse effect of high unemployment on the number of vehicle purchasers;
- Availability of, and interest rates for, financing for vehicle purchases;
- Pricing and purchase incentives for vehicles;
- Disruption in the available inventory of automobiles;
- 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 gasoline prices on demand for vehicles;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale customers in our customer base;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations;
- The effect of changes in search engine algorithms and methodologies on our Lead generation and website advertising activities and margins; and
- The effect of a federal government shutdown on automotive sales.

Results of Operations

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

The following table sets forth certain income statement data for the three-month periods ended September 30, 2013 and 2012 (certain amounts may not calculate due to rounding):

	<u>2013</u>	<u>% of total revenues</u>	<u>2012</u>	<u>% of total revenues</u>	<u>\$ Change</u>	<u>% Change</u>
	<i>(Dollar amounts in thousands)</i>					
Revenues:						
Lead fees	\$ 20,653	96%	\$ 16,523	95%	\$ 4,130	25%
Advertising	956	4	884	5	72	8
Other revenues	26	—	47	—	(21)	(45)
Total revenues	<u>21,635</u>	<u>100</u>	<u>17,454</u>	<u>100</u>	<u>4,181</u>	<u>24</u>
Cost of revenues (excludes depreciation of \$18 and \$25 for the three months ended September 30, 2013 and 2012, respectively)	12,826	59	10,739	62	2,087	19
Gross profit	<u>8,809</u>	<u>41</u>	<u>6,715</u>	<u>38</u>	<u>2,094</u>	<u>31</u>
Operating expenses:						
Sales and marketing	2,745	13	2,035	12	710	35
Technology support	1,855	8	1,651	9	204	12
General and administrative	2,526	12	1,983	11	543	27
Depreciation and amortization	362	2	492	3	(130)	(26)
Litigation settlements	(66)	—	(68)	—	2	(3)
Total operating expenses	<u>7,422</u>	<u>35</u>	<u>6,093</u>	<u>35</u>	<u>1,329</u>	<u>22</u>
Operating income	1,387	6	622	3	765	123
Interest and other income (expense), net	24	—	16	—	8	50
Income before income tax provision	<u>1,411</u>	<u>6</u>	<u>638</u>	<u>3</u>	<u>773</u>	<u>121</u>
Income tax provision	138	—	87	—	51	59
Net income	<u>\$ 1,273</u>	<u>6%</u>	<u>\$ 551</u>	<u>3%</u>	<u>\$ 722</u>	<u>131%</u>

Leads. Purchase request revenues increased \$4.1 million or 25% in the third quarter of 2013 compared to the third quarter of 2012 primarily due to an increase of 10% and 40% in the supply and demand for automotive Leads delivered to new and used retail Dealers and Manufacturers and other wholesale purchasers, respectively.

Advertising. Advertising revenues increased \$72,000 or 8% in the third quarter of 2013 compared to the third quarter of 2012 as a result of an increase in page views resulting in corresponding increased display advertising revenue.

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

Cost of revenues increased \$2.1 million or 19% in the third quarter of 2013 compared to the third quarter of 2012 primarily due to a corresponding increase in lead volume, coupled with increased investment in the lead acquisition team headcount.

Sales and Marketing. Sales and marketing expense includes costs for developing our brand equity, personnel costs and other costs associated with Dealer sales, website advertising, Dealer support and bad debt expense. Sales and marketing expense in the third quarter of 2013 increased by \$0.7 million or 35% compared to the third quarter of 2012 due principally to an increase in brand advertising spend.

Technology Support. Technology support expense 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 in the third quarter of 2013 increased by \$0.2 million or 12% compared to the third quarter of 2012 due to increased headcount-related expense.

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 in the third quarter of 2013 increased by \$0.5 million or 27% compared to the third quarter of 2012 due to an increase in headcount-related compensation costs and professional fees associated with increased merger and acquisition activity.

Depreciation and amortization. Depreciation and amortization expense in the third quarter of 2013 decreased by \$0.1 million compared to the third quarter of 2012 primarily due to a portion of the intangible assets related to the Cyber acquisition being fully amortized in the third quarter of 2013.

Litigation settlements. Payments primarily from settlement of patent infringement claims against third parties relating to the third party's methods of Lead delivery for the third quarter of 2013 were \$66,000 and were essentially flat from the third quarter of 2012.

Interest and other income (expense), net. Interest and other income (expense), net was \$24,000 for the third quarter of 2013 compared to \$16,000 for the third quarter of 2012. Interest and other income (expense), net in the third quarter of 2013 included \$0.1 million received from our investment in Driverside, Inc (" **Driverside** "). The \$0.1 million represented the Company's pro rata share of amounts released from an escrow account established to satisfy post-closing indemnification claims. The total internal rate of return on the Driverside investment was 14%. The third quarter of 2013 also included \$81,000 of interest expense.

Income taxes. Income tax expense was \$138,000 in the third quarter of 2013 compared to income tax expense of \$87,000 in the third quarter of 2012. Both periods included tax expense related to various state taxes and the deferred tax liability related to tax deductible goodwill amortization.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

The following table sets forth certain income statement data for the nine-month periods ended September 30, 2013 and 2012 (certain amounts may not calculate due to rounding):

	<u>2013</u>	<u>% of total revenues</u>	<u>2012</u>	<u>% of total revenues</u>	<u>\$ Change</u>	<u>% Change</u>
	<i>(Dollar amounts in thousands)</i>					
Revenues:						
Lead fees	\$ 55,013	95%	\$ 47,077	94%	\$ 7,936	17%
Advertising	2,567	5	2,670	6	(103)	(4)
Other revenues	88	—	144	—	(56)	(39)
Total revenues	<u>57,668</u>	<u>100</u>	<u>49,891</u>	<u>100</u>	<u>7,777</u>	<u>16</u>
Cost of revenues (excludes depreciation of \$70 and \$90 for the nine months ended September 30, 2013 and 2012, respectively)						
	<u>35,311</u>	<u>61</u>	<u>30,004</u>	<u>60</u>	<u>5,307</u>	<u>18</u>
Gross profit	22,357	39	19,887	40	2,470	12
Operating expenses:						
Sales and marketing	7,122	12	6,648	13	474	7
Technology support	5,328	9	5,098	10	230	5
General and administrative	6,961	12	5,772	11	1,189	21
Depreciation and amortization	1,196	2	1,295	3	(99)	(8)
Litigation settlements	(205)	—	(205)	—	—	—
Total operating expenses	<u>20,402</u>	<u>35</u>	<u>18,608</u>	<u>37</u>	<u>1,794</u>	<u>10</u>
Operating income	1,955	4	1,279	3	676	53
Interest and other income (expense), net	331	—	12	—	319	2,658
Income before income tax provision	2,286	4	1,291	3	995	77
Income tax provision	292	1	256	1	36	14
Net income	<u>\$ 1,994</u>	<u>3%</u>	<u>\$ 1,035</u>	<u>2%</u>	<u>\$ 959</u>	<u>93%</u>

Leads. Purchase request revenues increased \$7.9 million or 17% in the first nine months of 2013 compared to the first nine months of 2012 primarily due to an increase of 13% and 24% in both supply and demand of automotive Leads delivered to new and used retail Dealers and Manufacturers and other wholesale purchasers, respectively.

Advertising. Advertising revenues decreased \$0.1 million or 4% in the first nine months of 2013 compared to the first nine months of 2012 due primarily to lower data licensing revenue.

Cost of Revenues. Cost of revenues increased \$5.3 million or 18% in the first nine months of 2013 compared to the first nine months of 2012 primarily due to a corresponding increase in lead volume coupled with increased investment in the lead acquisition personnel.

Sales and Marketing. Sales and marketing expense in the first nine months of 2013 increased \$0.5 million or 7% compared to the first nine months of 2012 due to an increase in brand advertising spend.

Technology Support. Technology support expense in the first nine months of 2013 increased \$0.2 million compared to the first nine months of 2012 due to increased headcount-related costs. This was offset by decreased computer software and maintenance costs.

General and Administrative. General and administrative expense in the first nine months of 2013 was \$7.0 million, an increase of \$1.2 million from the first nine months of 2012 due to an increase in headcount related costs, professional fees and one-time personnel relocation expenses.

Depreciation and amortization. Depreciation and amortization expense decreased \$99,000 or 8% in the first nine months of 2013 compared to the first nine months of 2012, primarily due to a portion of the intangible assets related to the Cyber acquisition being fully amortized in the third quarter of 2013.

Litigation settlements. Patent infringement settlements for the first nine months of 2013 and 2012 were \$205,000. Payments related primarily from settlement of patent infringement claims against third parties relating to the third party's methods of Lead delivery.

Interest and other income (expense), net. Interest and other income (expense), net was \$0.3 million for the first nine months of 2013 compared to \$12,000 for the first nine months of 2012. Interest and other income (expense), net in the first nine months of 2013 included receipt of a \$0.5 million 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 and \$0.1 million received from our investment in Driverside. The \$0.1 million represented the Company's pro rata share of amounts released from an escrow account established to satisfy post-closing indemnification claims. The total internal rate of return on the Driverside investment was 14%. The first nine months of 2013 also included \$0.2 million of interest expense.

Income taxes. Income tax expense was \$292,000 in the first nine months of 2013 compared to income tax expense of \$256,000 in the first nine months of 2012. Both periods' tax expense relates to other state taxes and the deferred tax liability related to tax deductible goodwill amortization. The prior period included the New York state income tax audit assessment for the period January 1, 2006 through December 31, 2008.

Liquidity and Capital Resources

The table below sets forth a summary of our cash flows for the nine months ended September 30, 2013 and 2012:

	Nine Months Ended September 30,	2012
	2013	2012
	<i>(in thousands)</i>	
Net cash provided by operating activities	\$ 2,719	\$ 4,369
Net cash used in investing activities	(5,014)	(224)
Net cash provided by (used in) financing activities	4,372	(1,648)

Our principal sources of liquidity are our cash and cash equivalents balances and positive operating cash flow. Our cash and cash equivalents totaled \$17.4 million as of September 30, 2013 compared to cash and cash equivalents of \$15.3 million as of December 31, 2012.

On February 13, 2012, we announced that the Board of Directors had approved a stock repurchase program that authorized the repurchase of up to \$1.5 million of Company common stock. The Board of Directors authorized us to repurchase an additional \$2.0 million of Company common stock on June 7, 2012. Under these repurchase programs, we may repurchase common stock from time to time on the open market or in private transactions. This authorization does not require us to purchase a specific number of shares, and the Board of Directors may suspend, modify or terminate the programs at any time. We would fund repurchases through the use of available cash. We began repurchasing Company common stock on March 7, 2012. During the nine months ended September 30, 2012, 379,811 shares were repurchased for an aggregate price of \$1.5 million. The average price paid for all shares repurchased during the nine months ended September 30, 2012 was \$3.83. No shares were repurchased during 2013. The shares repurchased in the nine months ended September 30, 2012 were cancelled by the Company and returned to authorized and unissued shares.

Credit Facility. We entered into an \$8.0 million revolving credit facility (" **Facility** ") in February 2013 with Union Bank, N.A. The Facility may be used as a source to finance capital expenditures, acquisitions, stockholder buyback, and other general corporate purposes. Borrowings under the Facility will bear interest at either the bank's Reference Rate (prime rate) minus 0.50% or the London Interbank Offering Rate (LIBOR) plus 1.50%, at the option of the Company. We will also pay a commitment fee on the unused Facility of 0.10% payable quarterly in arrears. The outstanding balance as of September 30, 2013 was \$4.25 million. The Facility contains certain customary representations and warranties, affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain a minimum consolidated net liquidity, profitability, EBITDA and tangible net worth, with which the Company was in compliance with as of September 30, 2013. Borrowings under the Facility are secured by a first priority security interest on our accounts receivable and proceeds thereof. The Facility matures in February 2015.

Net Cash Provided by Operating Activities . Net cash provided by operating activities in the nine months ended September 30, 2013 of \$2.7 million resulted primarily from net income of \$2.0 million, as adjusted for non-cash charges to earnings. In addition, accounts payable increased \$2.3 million offset by a \$4.7 million increase in our accounts receivable balance related to the timing of payments received from our customers. Net cash provided by operating activities in the nine months ended September 30, 2012 of \$4.4 million resulted primarily from net income of \$1.0 million, as adjusted for non-cash charges to earnings, in addition to a \$2.2 million increase in our accounts payable balance offset by a \$1.3 million decrease in our accounts receivable balance related to the timing of payments received from our customers.

Net Cash Used in Investing Activities . Net cash used in investing activities was \$5.0 million in the nine months ended September 30, 2013 and was primarily related to \$1.8 million in advances on the purchase of Advanced Mobile, a \$2.5 million investment in AutoWeb and a \$0.2 million investment in SaleMove in the form of a note receivable. We also purchased \$0.6 million of property and equipment and received \$0.1 million related to a final escrow payout related to our investment in Driverside. Net cash used in investing activities was \$0.2 million in the nine months ended September 30, 2012 and was primarily related to net changes in a certificate of deposit used to secure the processing of certain SEM activity offset by purchases of property and equipment.

Net Cash Provided by (Used in) Financing Activities . Stock options for 51,931 shares of stock were exercised in the nine months ended September 30, 2013 which resulted in \$0.2 million cash inflow for the nine months ended September 30, 2013. Net cash provided by financing activities in the nine months ended September 30, 2013 also included \$4.25 million in borrowings under our credit facility and was offset by contingent payments of \$83,000 related to the Cyber acquisition. Stock options for 9,482 shares of stock were exercised in the nine months ended September 30, 2012 resulting in \$22,000 cash inflow. Net cash used in financing activities in the nine months ended September 30, 2012 consisted of contingent payments of \$0.2 million related to the Cyber acquisition and \$1.5 million used to repurchase 379, 811 shares of our common stock. Our future cash flows from employee stock options, if any, will depend on the future timing, exercise price, and amount of stock option exercises.

Off-Balance Sheet Arrangements

At September 30, 2013, we had no off-balance sheet arrangements as defined in Regulation S-K, Item 303(a)(4)(D)(ii).

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to various market risk factors, including fluctuations in interest rates and changes in general economic conditions. For the nine months ended September 30, 2013 there were no material changes in the information required to be provided under Item 305 of Regulation S-K from the information disclosed in Item 7A of the 2012 Form 10-K.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended ("Exchange Act "). Based on the evaluation, our Chief Executive Officer and our Chief Financial Officer believe that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this Quarterly Report on Form 10-Q, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1 A . Risk Factors

The following , which supplements or updates the risk factors set forth in Part I, Item 1A, "Risk Factors" of the 2012 Form 10-K may materially and adversely affect our business, prospects, financial condition and results of operations. The risks described below are not the only risks we face. In addition to the risks set forth in the 2012 Form 10-K, as supplemented or superseded by the risk factors set forth below, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business.

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

Our business, results of operations and financial condition were affected, and may continue to be affected in the future, by general economic and market factors, conditions in the automotive industry, the market for Purchase Requests and the market for advertising services, including, but not limited to, the following:

- The adverse effect of high unemployment on the number of vehicle purchasers;
- Availability of, and interest rates for, financing for vehicle purchases;
- Pricing and purchase incentives for vehicles;
- Disruption in the available inventory of automobiles;
- 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 gasoline prices on demand for vehicles;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale customers in our customer base;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations;
- The effect of changes in search engine algorithms and methodologies on our Lead generation and website advertising activities and margins; and
- The effect of a federal government shutdown on automotive sales.

Risks associated with integration of acquisitions

As part of our business strategy we may evaluate potential acquisitions which we believe will complement or enhance our existing business. Acquisitions involve numerous risks, and acquisition i ntegration issues are often complex, time-consuming and expensive and if not successfully integrated could materially and adversely affect our business, operating results and financial condition. The challenges involved with integration of acquisitions include diversion of ma nagement 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.

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 business, operating results and financial condition can 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 recent regulatory changes that may affect our business, operating results and financial condition are the regulations under the Telephone Consumer Protection Act (" **TCPA** "). New regulations adopted by the Federal Communications Commission that became effective October 16, 2013 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 the new regulations may negatively affect conversion rates of leads, and thus,

our revenue or profitability.

Item 6 . Exhibits

- 2.1‡ Asset Purchase Agreement dated as of September 16, 2010, by and among Autotropolis, Inc., a Florida corporation, Cyber Ventures, Inc., a Florida corporation, William Ferriolo, Ian Bentley and the Ian Bentley Revocable Trust created U/A/D 3/1/2005, Autobytel Inc., a Delaware corporation, and Autobytel Acquisition Subsidiary, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 2.1 of the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 filed with the SEC on November 12, 2010 (SEC File No. 1-34761)
- 2.2‡ 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 of the Current Report on Form 8-K filed with the SEC on October 3, 2013 (SEC File No. 1-34761)
- 3.1 Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. (formerly Autobytel.com Inc. (" **Autobytel** " or the " **Company** ")) 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 is incorporated herein by reference to Exhibit 3.1 of the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 filed with the SEC on April 24, 2009 (SEC File No. 000-22239), *as amended by* the Fourth Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel effective as of July 11, 2012, which is incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed with the SEC on July 12, 2012 (SEC File No. 1-34761), *and as amended by* Fifth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. dated July 3, 2013, which is incorporated by reference to Exhibit 3.3 of 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. 1-34761)
- 3.2 Third Amended and Restated Bylaws of Autobytel dated April 27, 2011, which is incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed with the SEC on April 29, 2011 (SEC File No. 1-34761), *as amended by* Amendment to Third Amended and Restated Bylaws of Autobytel dated September 13, 2012, which is incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed with the SEC on September 14, 2012 (SEC File No. 1-34761)
- 4.1 Form of Common Stock Certificate of Autobytel is incorporated herein by reference to Exhibit 4.1 of the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 filed with the SEC on November 14, 2001 (SEC File No. 000-22239)
- 4.2 Tax Benefit Preservation Plan dated as of May 26, 2010, between Autobytel Inc. 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. is incorporated 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)
- 4.3 Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan dated July 12, 2012, is incorporated 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* Letter Agreement dated September 30, 2013 between the Company and Bret Dunlap
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- 31.1* Rule 13a-14(a)/15d-14(a) Certification by Principal Executive Officer
- 31.2* Rule 13a-14(a)/15d-14(a) Certification by Principal Financial Officer
- 32.1* Section 1350 Certification by Principal Executive Officer and Principal Financial Officer
- 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.

†
† Certain schedules in this Exhibit have been omitted in accordance with Item 601(b)(2) of Regulation S-K. Autobytel will furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request; provided, however, that Autobytel 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.

SIGNATURES

Pursuant to the requirements 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.

A UTOBYTEL I NC .

Date: November 7, 2013

By: _____
/s/ Curtis E. DeWalt
Curtis E. DeWalt
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Date: November 7, 2013

By: _____
/s/ Wesley Ozima
Wesley Ozima
Vice President and Controller
(Principal Accounting Officer)

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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

September 30, 2013

Bret Dunlap

Re: Offer of Employment

Dear Bret:

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

1. Employment.

(a) Effective as of the date you commence employment with the Company (" **Employment Commencement Date** "), which date is anticipated to be October 1, 2013, the Company will employ you as Senior Vice President, Mobile. In such capacity, you will report to the Company's President and CEO or such other person as may be designated by the Company from time to time.

(b) This agreement shall govern your employment for the period commencing as of the Employment Commencement Date and continuing until the third anniversary of the Employment Commencement Date. Notwithstanding the foregoing governing period, your employment is at will and not for a specified term and may be terminated by the Company or you at any time, with or without cause or good reason and with or without prior, advance notice. This "at-will" employment status will remain in effect throughout the term of your employment by the Company and cannot be modified except by a written amendment to this offer letter that is executed by both parties (which in the case of the Company, must be executed by the Company's Chief Legal Officer) and that expressly negates the "at-will" employment status.

(c) Upon termination of your employment by either party, whether with or without cause or good reason, you will be entitled to receive only such severance benefits, if any, as are set forth in that certain Severance Benefits Agreement between you and the Company to be dated as of the Employment Commencement Date (" **Severance Benefits Agreement** "), as the

Severance Benefits Agreement may be amended, modified or terminated by agreement of the parties. Receipt of any such severance benefits is subject to your compliance with the terms and conditions of the Severance Benefits Agreement. You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying in a proceeding) in the investigation and handling of any internal investigation, legislative matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by you.

2. Compensation, Benefits and Expenses.

(a) As compensation for the services to be rendered by you pursuant to this agreement, the Company hereby agrees to pay you at a Semi-monthly Rate equal to ten thousand four hundred sixteen dollars and sixty-seven cents (\$10,416.67). The Semi-monthly Rate shall be paid in accordance with the normal payroll practices of the Company.

(b) You shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive compensation plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 50% of your annualized rate (i.e., 24 X Semi-monthly Rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company's annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company's Board of Directors, or a committee thereof. You understand that you will not be eligible to participate in the Company's 2013 Annual Incentive Compensation Plan.

(c) Upon commencement of your employment with the Company you will be granted options to acquire 88,641 shares of the Company's common stock. The exercise price, vesting, exercise, termination and other terms and conditions of these options shall be governed by and subject to the terms and conditions of the stock option award agreement for such options. The granting and exercise of such options are also subject to compliance with applicable federal and state securities laws and with the Company's Securities Trading Policy.

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

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

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

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

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

(iii) Your execution and delivery of your acknowledgment and agreement to the Company's Employee Handbook 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.

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

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

4. Prior Employment Requirements or Obligations. The Company requires that you comply with all terms and conditions of any employment or other agreements or legal obligations or requirements you may have with or owe to your current or former employers. In particular, the Company requires that you comply with the terms and conditions of any confidentiality or non-disclosure agreements, policies or other obligations You may owe your former employers, and Employee shall not disclose to the Company or provide the Company with copies of any confidential or proprietary information or trade secrets of any former employer. The

Company expects that you will comply with any notification requirements relating to the termination of your employment with your current employer and will adjust the anticipated Commencement Date accordingly to accommodate any required notice period.

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

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

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

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

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

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

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

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

Autobytel Inc.

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/ Bret Dunlap
Bret Dunlap

AUTOBYTEL INC.
SEVERANCE BENEFITS AGREEMENT

This Amended and Restated Severance Benefits Agreement (" **Agreement** ") entered into effective as of October 1, 2013 (" **Effective Date** ") between Autobytel Inc., a Delaware corporation (" **Autobytel** " or "**Company**") and Bret Dunlap (" **Employee** ").

Background

Autobytel has determined that it is in its best interests to provide Employee with certain severance benefits to encourage Employee's continued employment with, and dedication to the business of, the Company.

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

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

- (a) "409A Suspension Period" shall have the meaning set forth in Section 3.
- (b) "Arbitration Agreement" means that certain Mutual Agreement to Arbitrate dated as of October 1, 2013 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 contendere 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, Mobile of the Company.

(j) "Employee's Primary Work Location" means the Company's offices located at 996 Old Eagle School Road, Wayne, PA 19087; provided, however that the offices will be relocated to 1150 First Avenue, Suite 105, King of Prussia, PA 19406, at which time this will become the Employee's Primary Work Location, and such relocation shall not constitute Good Reason under this Agreement.

(k) "Good Reason" means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee's base salary as in existence as of the Effective Date or as of the date prior to any such change, whichever is more beneficial for Employee at the time of the act, decision, or omission by the Company; (B) materially modifies, reduces, changes, or restricts the Employee's Health and Welfare Benefits as a whole as in existence as of the Effective Date hereof or as of the date prior to any such change, whichever are more beneficial for Employee at the time of the act, decision, or omission by the Company; (C) materially modifies, reduces, changes, or restricts the Employee's authority, duties, or responsibilities commensurate with the Employee's Position but excluding the effects of any reductions in force other than the Employee's own termination; (D) relocates the Employee's primary place of employment without Employee's consent from Employee's Primary Work Location to any other location in excess of a fifty (50) mile radius from the Employee's Primary Work Location other than on a temporary basis or requires any such relocation as a condition to continued employment by Company; (E) constitutes a failure or refusal by any Company Successor to assume this Agreement; or (F) involves or results in any material failure by the Company to comply with any provision of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Employee. Notwithstanding the foregoing, no event shall constitute "Good Reason" unless (i) the Employee first provides written notice to the Company within ninety (90) days of the event(s) alleged to constitute Good Reason, with such notice specifying the grounds that are alleged to constitute Good Reason, and (ii) the Company fails to cure such a material breach to the reasonable

satisfaction of the Employee within thirty (30) days after Company's receipt of such written notice.

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

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

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

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

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

2. **Severance Benefits and Conditions.**

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

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

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

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

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

following calendar year, all payments under Section 2(a)(A) shall be made to Employee on the first business day of such following calendar year which is five (5) or more business days after the date on which the Release became effective and non-revocable in accordance with its terms.

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

(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:

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

If to the Employee:

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

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

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

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

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

11. **Governing Law**. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to such State's choice of law rules. This Agreement is deemed to be entered into entirely in the

Commonwealth of Pennsylvania. 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/ Bret Dunlap
Bret Dunlap

EXHIBIT A

SEPARATION AND RELEASE AGREEMENT

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

1. Separation of Employment. You acknowledge that your employment with the Company ended effective [____], 201[___] (" **Employment Termination Date** "), and that You will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date. You have resigned or hereby resign from all officer and director positions You held with the Company or any of its subsidiaries effective as of the Employment Termination Date. This Separation and Release Agreement (" **Release** ") is entered into in connection with that certain Severance Benefits Agreement dated effective as of October 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 do so under applicable law, rule, regulation or order.

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

6. Nondisparagement. You agree that neither You nor anyone acting on your behalf or at your direction will disparage, denigrate, defame, criticize, impugn or otherwise damage or

assail the reputation or integrity of the Company to any third party and in particular to any current or former employee, officer, director, contractor, supplier, customer, or client of the Company or prospective or actual purchaser of the equity interests of the Company or its business or assets.

7. Unconditional General Release of Claims.

(a) In consideration for the payment and benefits provided for in Section 2, and notwithstanding the provisions of Section 1542 of the Civil Code of California, You unconditionally release and forever discharge the Company, and the Company's current, former, and future controlling shareholders, subsidiaries, affiliates, related companies, predecessor companies, divisions, directors, trustees, officers, employees, agents, 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 Commonwealth of Pennsylvania 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, Autobyte Inc., 18872 MacArthur Blvd. Suite 200, Irvine, California 92612-1400, on or before the third (3rd) day after your delivery of this signed Release to the Company (or on the next business day if the third calendar day is not a business day). You understand that this Release will not become effective or enforceable until after that three (3) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

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

You understand that You have twenty-one (21) days after this Release has been delivered to You by the Company to decide whether to sign this Release, although You may sign this Release at any time within the twenty-one (21) day period. If You do sign it, You also understand that You will have an additional seven (7) days after the date You deliver this signed Release to the Company and to change your mind and revoke this Release, in which case a written notice of revocation must be delivered to the Company's Chief Legal Officer, Autobyte 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, Autobyte 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_

Bret Dunlap

Dated: _____, 201_

AUTOBYTEL INC.

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

AUTOBYTEL INC.

**Inducement Stock Option Award Agreement
(Non-Qualified Performance-Based Stock Options)**

THESE OPTIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND OPTIONEE AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN OPTIONEE SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY OPTIONEE AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS.

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

Optionee has not previously been an employee or director of the Company. The Company has determined to offer employment to Optionee, and as an inducement material to Optionee's decision to accept such employment offer, the Company determined to grant Optionee the Options under the terms and conditions set forth herein.

This Agreement and the stock options granted hereby have not been granted pursuant to the Company's 2010 Equity Incentive Plan ("**Plan**"), but certain capitalized identified herein and not defined herein shall have the same meanings as defined in the Plan.

- 1. Grant of Options.** Subject to Optionee's commencement of employment with the Company, the Company hereby grants to Optionee non-qualified stock options ("**Options**") to purchase the number of shares of common stock of the Company, par value \$0.001 per share, set forth on the signature page to this Agreement ("**Shares**"), at the exercise price per Share set forth on the signature page to this Agreement ("**Exercise Price**"). The Options are not intended to
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qualify as incentive stock options under Section 422 of the Code (as such term is defined in the Plan).

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

3. **Vesting**. The Options shall become vested and exercisable in accordance with the vesting schedule attached hereto as Exhibit A and incorporated herein by reference (" **Vesting Schedule** ").

4. **Exercise of Options**.

(a) **Manner of Exercise**. To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to the Company in accordance with Section 8(f) of the Plan in such form as the Company may require from time to time, or at the direction of the Company, through the procedures established with the Company's third party option administration service. Such notice shall specify the number of Shares subject to the Options as to which the Options are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (as if these Options had been granted under the Plan) including same day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5 b) of the Plan (as if these Options had been granted under the Plan), may only be made with the consent of the Committee (as such term is defined in the Plan). The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.

(b) **Issuance of Shares**. Upon exercise of the Options and payment of the Exercise Price for the Shares as to which the Options are exercised and satisfaction of all applicable tax withholding requirements, the Company shall issue to Optionee the applicable number of Shares in the form of fully paid and nonassessable Shares.

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

(d) **Compliance with Securities Trading Policy**. Shares issued upon exercise of the Options may only be sold, pledged or otherwise transferred in compliance with the Company's securities trading policies generally applicable to officers, directors or employees of the Company as long as Optionee is subject to such securities trading policy.

(e) **Limitation on Number of Resales or Transfers of Shares**. The number of Shares that may be resold or transferred to the public or through any public securities trading market at any time may not exceed (i) for any one sale or transfer order, twenty-five percent (25%) of the Average Daily Volume; and (ii) for all sales or transfer volume in any calendar week, twenty-five percent (25%) of the Weekly Volume. For purposes of this Section 4(e), (i)

Average Daily Volume " will be determined once at the beginning of each calendar quarter for application during such quarter based on an averaging of the daily volume of sales of Company Common Stock as reported by The NASDAQ Capital Market (provided that if the Company's Common Stock is not then listed on The NASDAQ Capital Market, as reported by such trading market on which the Common Stock is traded) for each trading day over the 90-trading day period preceding such determination; and (ii) "**Average Weekly Volume** " is calculated by multiplying the Average Daily Volume by the number of trading days in the calendar week preceding the proposed sale or transfer of Shares.

5. **Option Termination and Other Provisions.**

(a) **Termination Upon Expiration of Option Term.** The Options shall terminate and expire in their entirety on the Option Expiration Date. In no event may Optionee exercise the Options after the Option Expiration Date, even if the application of another provision of this Section 5 may result in an extension of the exercise period for the Options beyond the Option Expiration Date.

(b) **Termination of Employment.**

(i) **Termination of Employment Other Than Due to Death, Disability or Cause.**

(1) **Termination of Employment On or After Determination of Vesting Eligible Performance Options.** In the event of a termination of Optionee's employment by the Company without Cause or by Optionee for Good Reason on or after the date that the Vesting Eligible Performance Options (as defined in the Vesting Schedule) are determined ("**Vesting Eligible Performance Options Determination Date**"), the provisions of this Section 5(b)(i)(1) shall apply rather than Section 5(b)(i)(2). Any unvested portion of the Vesting Eligible Performance Options shall become immediately and fully vested as of the date of such termination of employment without Cause or for Good Reason. Optionee may exercise the vested portion of the Vesting Eligible Performance Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following the date of any such termination of Optionee's employment with the Company either by Optionee or the Company, other than in the event of a termination of Optionee's employment by the Company for Cause or by reason of Optionee's death or Disability. To the extent Optionee is not entitled to exercise the Options at the date of termination of employment, or if Optionee does not exercise the Options within the time specified in this Agreement for post-termination of employment exercises of the Options, the Options shall terminate. For purposes of this Agreement, the terms "**Cause**" and "**Good Reason**" shall have the meanings ascribed to them in that certain Severance Benefits Agreement identified on the signature page to this Agreement ("**Severance Agreement**").

(2) **Termination of Employment Prior to Determination of Vesting Eligible Performance Options.** In the event of a termination of Optionee's employment by the Company without Cause or by Optionee for Good Reason before the Vesting Eligible Performance Options Determination Date, the provisions of this Section 5(b)(i)(2) shall apply rather than Section 5(b)(i)(1). Unless otherwise expired, terminated, forfeited or cancelled prior to the Vesting Eligible Performance Options Determination Date in accordance with this Agreement, no Options shall expire or be cancelled or terminated, nor may any Options be exercised until such time as the Vesting Eligible Performance Options are determined. Once the

Vesting Eligible Performance Options are determined, any unvested portion of the Vesting Eligible Performance Options shall become immediately and fully vested as of the Vesting Eligible Performance Options Determination Date. Optionee may exercise the vested portion of the Vesting Eligible Performance Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following the Vesting Eligible Performance Options Determination Date. To the extent Optionee does not exercise the Options within the time specified in this Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

(ii) **Termination of Employment for Cause**. Upon the termination of Optionee's employment by the Company or Cause, unless the Options have been earlier terminated, cancelled, expired or forfeited, the Options (whether vested or not) shall immediately terminate and be cancelled in their entirety and shall thereafter not be exercisable to any extent whatsoever; provided that the Company, in its discretion, may, by written notice to Optionee given as of the date of termination, authorize Optionee to exercise any vested portion of the Options for a period of up to thirty (30) days following Optionee's termination of employment for Cause, provided that in no event may Optionee exercise the Options after the Option Expiration Date.

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

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

(c) **Change in Control**. In the event of a Change in Control (as such term is defined in the Plan), the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 11 of the Plan) (as if the Options had been granted under the Plan), provided that (i) to the extent the Options are assumed or substituted for in connection with the Change in Control, or the Company is the ultimate parent corporation upon the consummation of the Change in Control and the Company continues the Options, the Options will vest and become fully exercisable in accordance with clause (i) of Section 11.2(a) of the Plan (as if the Options had been granted under the Plan), only

if within twelve (12) months following the date of the Change in Control Optionee's employment is terminated by the Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause; and (ii) any portion of the Options which vests and becomes exercisable pursuant to Section 11.2(b) of the Plan (as if the Options had been granted under the Plan), as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Optionee is then employed by the Company or a Subsidiary and (2) terminate on the date of the Change in Control. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value (as such term is defined in the Plan) of one (1) Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

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

(e) **Adjustments**. The number of Options may be subject to adjustment as provided in Section 12.2 of the Plan (as if the Options had been granted under the Plan).

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

the Company or any Subsidiary that results in an accounting restatement by the Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Optionee's employment by the Company or any Subsidiary.

(g) **Reservation of Committee Discretion to Accelerate Option Vesting and Extend Option Exercise Window**. The Committee reserves the right, in its sole and absolute discretion, to accelerate the vesting of the Options and to extend the exercise window for Options that have vested (either in accordance with the terms of this Agreement or by discretionary acceleration by the Committee) under circumstances not otherwise covered by the foregoing provisions of this Section 5; provided that in no event may the Committee extend the exercise period for Options beyond the Option Expiration Date. The Committee is under no obligation to exercise any such discretion and may or may not exercise such discretion on a case-by-case basis.

6. Non-Registered Option and Shares

(a) Optionee hereby acknowledges that the Options and any Shares that may be acquired upon exercise of the Options pursuant hereto are, as of the date hereof, not registered: (i) under the Securities Act of 1933, as amended (" **Securities Act** "), on the ground that the issuance of the Options and the underlying shares is exempt from registration under Section 4(2) of the Securities Act as not involving any public offering or, with respect to Options, because the grant of the Options alone may not constitute an offer or sale of a security under the Securities Act until such time as the Options are exercised or exercisable or (ii) under any applicable state securities law because the grant of the Options does not involve any public offering or is otherwise exempt under applicable state securities laws, and (iii) that the Company's reliance on the Section 4(2) exemption of the Securities Act and under applicable state securities laws is predicated in part on the representations hereby made to the Company by Optionee. Optionee represents and warrants that Optionee is acquiring the Options and will acquire the Shares for investment for Optionee's own account, with no present intention of reselling or otherwise distributing the same.

(b) If, at the time of issuance of shares upon exercise of the Options, no registration statement is in effect with respect to such shares under applicable provisions of the Securities Act and other applicable securities laws, Optionee hereby agrees that Optionee will not sell, transfer, offer, pledge or hypothecate all or any part of the shares unless and until Optionee shall first have given notice to the Company describing such sale, transfer, offer, pledge or hypothecation and there shall be available exemptions from such registration requirements that exist. Should there be any reasonable uncertainty or good faith disagreement between the Company and Optionee as to the availability of such exemptions, then Optionee shall be required to deliver to the Company (1) an opinion of counsel (skilled in securities matters, selected by Optionee and reasonably satisfactory to the Company) in form and substance satisfactory to the Company to the effect that such offer, sale, transfer, pledge or hypothecation is in compliance with an available exemption under the Securities Act and other applicable securities laws, or (2) an interpretative letter from the Securities and Exchange Commission to the effect that no enforcement action will be recommended if the proposed offer, sale, transfer, pledge or hypothecation is made without registration under the Securities Act. The Company may at its election require that Optionee provide the Company with written reconfirmation of

Optionee's investment intent as set forth in Section 6(a) with respect to the shares. The shares issued upon exercise of the Options shall bear a legend reading substantially as follows:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (" **SECURITIES ACT** "), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND OPTIONEE AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN OPTIONEE SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY OPTIONEE AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS."

(c) The exercise of the Option and the issuance of the Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange or securities trading market on which the Shares may be listed for trading at the end of such exercise and issuance.

(d) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to the Options shall relieve the Company of any liability with respect to the nonissuance or sale of the Shares as to which such approval shall not have been obtained. However, the Company shall use its best efforts to obtain all such applicable approvals.

7. Miscellaneous.

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

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

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

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

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

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

Notices to the Company should be addressed to:

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

Notices to Optionee should be addressed to Optionee at Optionee's address as it appears on the Company's records.

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

(g) **Agreement Not an Employment Contract**. This Agreement is not an employment or service contract, and nothing in this Agreement or in the granting of the Options shall be deemed to create in any way whatsoever any obligation on Optionee's part to continue as an employee of the Company or any Subsidiary or on the part of the Company or any Subsidiary to continue Optionee's employment or service as an employee.

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

(i) **Administration**. The Committee shall have the power to interpret this Agreement and to adopt such rules for the administration, interpretation and application of this Agreement as are consistent with this Agreement and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee (including determinations as to the calculation, satisfaction or achievement of performance-based vesting requirements, if any, to which the Options are subject) shall be final and binding upon Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to this Agreement.

(j) **No Impairment of Rights**. This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of the business or assets.

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

Remainder of Page Intentionally Left Blank; Signature Page Follows

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

Grant Date: September 30, 2013

Total Options Granted: 29,547
(Maximum Vesting Eligible Performance Options)

Exercise Price Per Share: \$7.17

Severance Benefits Agreement: Severance Benefits Agreement dated as of September 30, 2013, by and between the Company and Optionee.

"Company "

Autobyte Inc., a Delaware corporation

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

"Optionee "

/s/ Bret Dunlap
Bret Dunlap

Exhibit A
Option Vesting Schedule

The Options granted under this Agreement shall be subject to two vesting requirements and conditions: (i) percentage achievement (based on the Performance Goals Achievement Scale) of the Mobile Business Revenue Goal and Mobile Business Gross Profit Goal, as determined below ("**Mobile Business Performance Goals Component**"); and (ii) time vesting based on the time vesting schedule ("**Time Vesting Schedule**") set forth below ("**Time Vesting Component**"). For Options to vest and become exercisable, the number of Options eligible to vest under the Time Vesting Component must first be determined under the Mobile Business Performance Goals Component in accordance with the formulas set forth below ("**Vesting Eligible Performance Options**"). The aggregate number of Vesting Eligible Performance Options is determined based upon achievement of Mobile Business Performance Goals. Once the aggregate number of Vesting Eligible Performance Options is determined, the Vesting Eligible Performance Options are then subject to vesting under the Time Vesting Component in accordance with the Time Vesting Schedule. Options that are not determined to be Vesting Eligible Performance Options shall not vest and shall be cancelled as soon as the number of Vesting Eligible Performance Options is determined by the Committee. The Vesting Eligible Performance Options Determination Date is the date that the Mobile Business Revenues and Mobile Business Gross Profit is determined for the Mobile Business Measurement Period in accordance with the procedures set forth in the Asset Purchase Agreement.

The number of Vesting Eligible Performance Options (which may not exceed the Maximum Number of Vesting Eligible Performance Options) is determined in accordance with the following formula:

[Combined Mobile Business Performance Goals Vesting Eligible Percentage] x [Maximum Number of Vesting Eligible Performance Options]

The following definitions apply to this Vesting Schedule:

Asset Purchase Agreement means that certain Asset Purchase Agreement dated as of September 30, 2013 by and among the Company, Advanced Mobile, LLC and Advanced Mobile Worldwide Solutions, Inc.

Combined Mobile Business Performance Goals Vesting Eligible Percentage means the percentage resulting from the following calculation:

[Mobile Business Gross Profit Goal Vesting Eligible Percentage x Mobile Business Gross Profit Goal Allocation Percentage] + [Mobile Business Revenue Goal Vesting Eligible Percentage x Mobile Business Revenue Goal Allocation Percentage]

GAAP means generally accepted accounting principles.

Maximum Number of Vesting Eligible Performance Options means the maximum number of Options that can be determined to be Vesting Eligible Performance Options. The Maximum Number of Vesting Eligible Performance Options is set forth on the signature page to this Agreement.

Mobile Business means the Company's business operations located in King of Prussia, Pennsylvania that provides mobile marketing solutions for the automotive industry, media publishers, and homebuilders and that was acquired by the Company pursuant to the Asset Purchase Agreement.

Mobile Business Goals Achievement Scale means Schedule A-1 attached hereto and incorporated herein by reference.

Mobile Business Gross Profit means the Mobile Business' gross profit for the Mobile Business Performance Measurement Period as determined in accordance with GAAP.

Mobile Business Gross Profit Goal means the target goal set for the Mobile Business' Gross Profit for the Mobile Business Performance Measurement Period. The Mobile Business Gross Profit Goal for the Mobile Business Performance Measurement Period is * Dollars (\$ ____*.00).

Mobile Business Gross Profit Goal Allocation Percentage means the percentage allocated to the Mobile Business Gross Profit Goal. The Mobile Business Gross Profit Goal Allocation Percentage is fifty percent (50%).

Mobile Business Gross Profit Goal Vesting Eligible Percentage means the percentage obtained from the column entitled " **Vesting Eligible Percentage** " in the Mobile Business Goals Achievement Scale applicable to the Mobile Business Gross Profit achieved for the Mobile Business Performance Measurement Period.

Mobile Business Gross Profit Percentage Achieved means the percentage of the Mobile Business' Gross Profit Goal achieved calculated by dividing the Mobile Business Gross Profit achieved for the Mobile Business Performance Measurement Period by the Mobile Business Gross Profit Goal.

Mobile Business Performance Measurement Period means the twelve calendar month period commencing January 1, 2014 and ending December 31, 2014.

Mobile Business Revenues means the Mobile Business' total net revenues for the Mobile Business Performance Measurement Period as determined in accordance with GAAP.

Mobile Business Revenue Goal means the target goal set for the Mobile Business Revenues for the Mobile Business Performance Measurement Period. The Mobile Business Revenue Goal is ____* Dollars (\$ ____*.00).

Mobile Business Revenue Goal Allocation Percentage means the percentage allocated to the Mobile Business Revenue Goal. The Mobile Business Revenue Goal Allocation Percentage is fifty percent (50%).

* Per Contingent Payments Component Schedule to Asset Purchase Agreement for Mobile Business Performance Measurement Period.

Mobile Business Revenue Goal Vesting Eligible Percentage means the percentage obtained from the column entitled " **Vesting Eligible Percentage** " in the Mobile Business Goals Achievement Scale applicable to the Mobile Business Revenue achieved for the Performance Measurement Period.

Mobile Business Revenue Goal Percentage Achieved means the percentage of the Mobile Business' Revenue Goal achieved for the Mobile Business Performance Measurement Period calculated by dividing the Mobile Business Revenues achieved for the Mobile Business Performance Measurement Period by the Mobile Business Revenue Goal.

Time Vesting Schedule means the following vesting schedule for Vesting Eligible Performance Options: (1) thirty-three and one-third percent (33 1/3%) of the Vesting Eligible Performance Options shall vest and become exercisable effective as of the Vesting Eligible Performance Options Determination Date; and (2) one thirty-sixth (1/36th) the Vesting Eligible Performance Options shall vest and become exercisable on each successive monthly anniversary of the Vesting Eligible Performance Options thereafter for the following twenty-four (24) months ending on the third anniversary of the Vesting Eligible Performance Options Determination Date.

Schedule A-1
Mobile Business Goals Achievement Scale

Revenue

% of Mobile Business Revenue Goal Achieved	Vesting Eligible Percentage
80% to 100%	Linear*
70% to 79.9%	50%
60% to 69.9%	25%
< 60%	10%

Gross Profit

% of Mobile Business Goals Gross Profit Goal Achieved	Vesting Eligible Percentage
80% to 100%	Linear**
70% to 79.9%	50%
60% to 69.9%	25%
< 60%	10%

* (e.g., 85% achievement = 85% Mobile Business Revenue Goal Vesting Eligible Percentage; 92% achievement = 92% Mobile Business Revenue Goal Vesting Eligible Percentage)

** (e.g., 85% achievement = 85% Mobile Business Gross Profit Goal Vesting Eligible Percentage; 92% achievement = 92% Mobile Business Gross Profit Goal Vesting Eligible Percentage)

AUTOBYTEL INC.

**Inducement Stock Option Award Agreement
(Non-Qualified Performance-Based Stock Options)**

THESE OPTIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND OPTIONEE AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN OPTIONEE SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY OPTIONEE AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS.

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

Optionee has not previously been an employee or director of the Company. The Company has determined to offer employment to Optionee, and as an inducement material to Optionee's decision to accept such employment offer, the Company determined to grant Optionee the Options under the terms and conditions set forth herein.

This Agreement and the stock options granted hereby have not been granted pursuant to the Company's 2010 Equity Incentive Plan ("**Plan**"), but certain capitalized identified herein and not defined herein shall have the same meanings as defined in the Plan.

- 1. Grant of Options.** Subject to Optionee's commencement of employment with the Company, the Company hereby grants to Optionee non-qualified stock options ("**Options**") to purchase the number of shares of common stock of the Company, par value \$0.001 per share, set forth on the signature page to this Agreement ("**Shares**"), at the exercise price per Share set forth on the signature page to this Agreement ("**Exercise Price**"). The Options are not intended to qualify as incentive stock options under Section 422 of the Code (as such term is defined in the Plan).
-

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

3. **Vesting**. The Options shall become vested and exercisable in accordance with the vesting schedule attached hereto as **Exhibit A** and incorporated herein by reference (" **Vesting Schedule** ").

4. **Exercise of Options**.

(a) **Manner of Exercise**. To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to the Company in accordance with Section 8(f) of the Plan in such form as the Company may require from time to time, or at the direction of the Company, through the procedures established with the Company's third party option administration service. Such notice shall specify the number of Shares subject to the Options as to which the Options are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (as if these Options had been granted under the Plan) including same day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5 b) of the Plan (as if these Options had been granted under the Plan), may only be made with the consent of the Committee (as such term is defined in the Plan). The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.

(b) **Issuance of Shares**. Upon exercise of the Options and payment of the Exercise Price for the Shares as to which the Options are exercised and satisfaction of all applicable tax withholding requirements, the Company shall issue to Optionee the applicable number of Shares in the form of fully paid and nonassessable Shares.

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

(d) **Compliance with Securities Trading Policy**. Shares issued upon exercise of the Options may only be sold, pledged or otherwise transferred in compliance with the Company's securities trading policies generally applicable to officers, directors or employees of the Company as long as Optionee is subject to such securities trading policy.

(e) **Limitation on Number of Resales or Transfers of Shares**. The number of Shares that may be resold or transferred to the public or through any public securities trading market at any time may not exceed (i) for any one sale or transfer order, twenty-five percent (25%) of the Average Daily Volume; and (ii) for all sales or transfer volume in any calendar

week, twenty-five percent (25%) of the Weekly Volume. For purposes of this Section 4(e), (i) " **Average Daily Volume** " will be determined at the beginning of each calendar quarter for application during such quarter based on an averaging of the daily volume of sales of Company Common Stock as reported by The NASDAQ Capital Market (provided that if the Company's Common Stock is not then listed on The NASDAQ Capital Market, as reported by such trading market on which the Common Stock is traded) for each trading day over the 90-trading day period preceding such determination; and (ii) " **Average Weekly Volume** " is calculated by multiplying the Average Daily Volume by the number of trading days in the calendar week preceding the proposed sale or transfer of Shares.

5. Option Termination and Other Provisions.

(a) **Termination Upon Expiration of Option Term.** The Options shall terminate and expire in their entirety on the Option Expiration Date. In no event may Optionee exercise the Options after the Option Expiration Date, even if the application of another provision of this Section 5 may result in an extension of the exercise period for the Options beyond the Option Expiration Date.

(b) **Termination of Employment.**

(i) **Termination of Employment Other Than Due to Death, Disability or Cause.**

(1) **Termination of Employment On or After Determination of Vesting Eligible Performance Options.** In the event of a termination of Optionee's employment by the Company without Cause or by Optionee for Good Reason on or after the date that the Vesting Eligible Performance Options (as defined in the Vesting Schedule) are determined (" **Vesting Eligible Performance Options Determination Date** "), the provisions of this Section 5(b)(i)(1) shall apply rather than Section 5(b)(i)(2). Any unvested portion of the Vesting Eligible Performance Options shall become immediately and fully vested as of the date of such termination of employment without Cause or for Good Reason. Optionee may exercise the vested portion of the Vesting Eligible Performance Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following the date of any such termination of Optionee's employment with the Company either by Optionee or the Company, other than in the event of a termination of Optionee's employment by the Company for Cause or by reason of Optionee's death or Disability. To the extent Optionee is not entitled to exercise the Options at the date of termination of employment, or if Optionee does not exercise the Options within the time specified in this Agreement for post-termination of employment exercises of the Options, the Options shall terminate. For purposes of this Agreement, the terms " **Cause** " and " **Good Reason** " shall have the meanings ascribed to them in that certain Severance Benefits Agreement identified on the signature page to this Agreement (" **Severance Agreement** ").

(2) **Termination of Employment Prior to Determination of Vesting Eligible Performance Options.** In the event of a termination of Optionee's employment by the Company without Cause or by Optionee for Good Reason before the Vesting Eligible Performance Options Determination Date, the provisions of this Section 5(b)(i)(2) shall apply rather than Section 5(b)(i)(1). Unless otherwise expired, terminated, forfeited or cancelled prior to the Vesting Eligible Performance Options Determination Date in accordance with this agreement, no Options shall expire or be cancelled or terminated, nor may any Options be

xercised until such time as the Vesting Eligible Performance Options are determined. Once the Vesting Eligible Performance Options are determined, any unvested portion of the Vesting Eligible Performance Options shall become immediately and fully vested as of the Vesting Eligible Performance Options Determination Date. Optionee may exercise the vested portion of the Vesting Eligible Performance Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following the Vesting Eligible Performance Options Determination Date. To the extent Optionee does not exercise the Options within the time specified in this Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

(ii) **Termination of Employment for Cause**. Upon the termination of Optionee's employment by the Company or Cause, unless the Options have been earlier terminated, cancelled, expired or forfeited, the Options (whether vested or not) shall immediately terminate and be cancelled in their entirety and shall thereafter not be exercisable to any extent whatsoever; provided that the Company, in its discretion, may, by written notice to Optionee given as of the date of termination, authorize Optionee to exercise any vested portion of the Options for a period of up to thirty (30) days following Optionee's termination of employment for Cause, provided that in no event may Optionee exercise the Options after the Option Expiration Date.

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

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

(c) **Change in Control**. In the event of a Change in Control (as such term is defined in the Plan), the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 11 of the Plan) (as if the Options had been granted under the Plan), provided that (i) to the extent the Options are assumed or substituted for in connection with the Change in Control, or the Company is the ultimate parent corporation upon the consummation of the Change in Control and the Company continues the Options, the Options will vest and become fully exercisable in accordance with

clause (i) of Section 11.2(a) of the Plan (as if the Options had been granted under the Plan), only if within twelve (12) months following the date of the Change in Control Optionee's employment is terminated by the Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause; and (ii) any portion of the Options which vests and becomes exercisable pursuant to Section 11.2(b) of the Plan (as if the Options had been granted under the Plan), as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Optionee is then employed by the Company or a Subsidiary and (2) terminate on the date of the Change in Control. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value (as such term is defined in the Plan) of one (1) Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

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

(e) **Adjustments**. The number of Options may be subject to adjustment as provided in Section 12.2 of the Plan (as if the Options had been granted under the Plan).

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

Company or any Subsidiary; or (iii) misconduct during the course of Optionee's employment by the Company or any Subsidiary that results in an accounting restatement by the Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Optionee's employment by the Company or any Subsidiary.

(g) **Reservation of Committee Discretion to Accelerate Option Vesting and Extend Option Exercise Window**. The Committee reserves the right, in its sole and absolute discretion, to accelerate the vesting of the Options and to extend the exercise window for Options that have vested (either in accordance with the terms of this Agreement or by discretionary acceleration by the Committee) under circumstances not otherwise covered by the foregoing provisions of this Section 5; provided that in no event may the Committee extend the exercise period for Options beyond the Option Expiration Date. The Committee is under no obligation to exercise any such discretion and may or may not exercise such discretion on a case-by-case basis.

6. **Non-Registered Option and Shares**.

(a) Optionee hereby acknowledges that the Options and any Shares that may be acquired upon exercise of the Options pursuant hereto are, as of the date hereof, not registered: (i) under the Securities Act of 1933, as amended (" **Securities Act** "), on the ground that the issuance of the Options and the underlying shares is exempt from registration under Section 4(2) of the Securities Act as not involving any public offering or, with respect to Options, because the grant of the Options alone may not constitute an offer or sale of a security under the Securities Act until such time as the Options are exercised or exercisable or (ii) under any applicable state securities law because the grant of the Options does not involve any public offering or is otherwise exempt under applicable state securities laws, and (iii) that the Company's reliance on the Section 4(2) exemption of the Securities Act and under applicable state securities laws is predicated in part on the representations hereby made to the Company by Optionee. Optionee represents and warrants that Optionee is acquiring the Options and will acquire the Shares for investment for Optionee's own account, with no present intention of reselling or otherwise distributing the same.

(b) If, at the time of issuance of shares upon exercise of the Options, no registration statement is in effect with respect to such shares under applicable provisions of the Securities Act and other applicable securities laws, Optionee hereby agrees that Optionee will not sell, transfer, offer, pledge or hypothecate all or any part of the shares unless and until Optionee shall first have given notice to the Company describing such sale, transfer, offer, pledge or hypothecation and there shall be available exemptions from such registration requirements that exist. Should there be any reasonable uncertainty or good faith disagreement between the Company and Optionee as to the availability of such exemptions, then Optionee shall be required to deliver to the Company (1) an opinion of counsel (skilled in securities matters, selected by Optionee and reasonably satisfactory to the Company) in form and substance satisfactory to the Company to the effect that such offer, sale, transfer, pledge or hypothecation is in compliance with an available exemption under the Securities Act and other applicable securities laws, or (2) an interpretative letter from the Securities and Exchange Commission to the effect that no enforcement action will be recommended if the proposed offer, sale, transfer, pledge or hypothecation is made without registration under the Securities Act. The Company may at its election require that Optionee provide the Company with written reconfirmation of

Optionee's investment intent as set forth in Section 6(a) with respect to the shares. The shares issued upon exercise of the Options shall bear a legend reading substantially as follows:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (" **SECURITIES ACT** "), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND OPTIONEE AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN OPTIONEE SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY OPTIONEE AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS."

(c) The exercise of the Option and the issuance of the Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange or securities trading market on which the Shares may be listed for trading at the end of such exercise and issuance.

(d) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to the Options shall relieve the Company of any liability with respect to the nonissuance or sale of the Shares as to which such approval shall not have been obtained. However, the Company shall use its best efforts to obtain all such applicable approvals.

7. Miscellaneous.

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

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

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

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

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

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

Notices to the Company should be addressed to:

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

Notices to Optionee should be addressed to Optionee at Optionee's address as it appears on the Company's records.

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

(g) **Agreement Not an Employment Contract**. This Agreement is not an employment or service contract, and nothing in this Agreement or in the granting of the Options shall be deemed to create in any way whatsoever any obligation on Optionee's part to continue as an employee of the Company or any Subsidiary or on the part of the Company or any Subsidiary to continue Optionee's employment or service as an employee.

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

(i) **Administration**. The Committee shall have the power to interpret this Agreement and to adopt such rules for the administration, interpretation and application of this Agreement as are consistent with this Agreement and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee (including determinations as to the calculation, satisfaction or achievement of performance-based vesting requirements, if any, to which the Options are subject) shall be final and binding upon Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to this Agreement.

(j) **No Impairment of Rights**. This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of the business or assets.

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

Remainder of Page Intentionally Left Blank; Signature Page Follows

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

Grant Date: September 30, 2013

Total Options Granted: 29,547
(Maximum Vesting Eligible Performance Options)

Exercise Price Per Share: \$7.17

Severance Benefits Agreement: Severance Benefits Agreement dated as of September 30, 2013, by and between the Company and Optionee.

"Company "

Autobytel Inc., a Delaware corporation

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

"Optionee "

/s/ Bret Dunlap
Bret Dunlap

Exhibit A
Option Vesting Schedule

The Options granted under this Agreement shall be subject to two vesting requirements and conditions: (i) percentage achievement (based on the Performance Goals Achievement Scale) of the Mobile Business Revenue Goal and Mobile Business Gross Profit Goal, as determined below ("**Mobile Business Performance Goals Component**"); and (ii) time vesting based on the time vesting schedule ("**Time Vesting Schedule**") set forth below ("**Time Vesting Component**"). For Options to vest and become exercisable, the number of Options eligible to vest under the Time Vesting Component must first be determined under the Mobile Business Performance Goals Component in accordance with the formulas set forth below ("**Vesting Eligible Performance Options**"). The aggregate number of Vesting Eligible Performance Options is determined based upon achievement of Mobile Business Performance Goals. Once the aggregate number of Vesting Eligible Performance Options is determined, the Vesting Eligible Performance Options are then subject to vesting under the Time Vesting Component in accordance with the Time Vesting Schedule. Options that are not determined to be Vesting Eligible Performance Options shall not vest and shall be cancelled as soon as the number of Vesting Eligible Performance Options is determined by the Committee. The Vesting Eligible Performance Options Determination Date is the date that the Mobile Business Revenues and Mobile Business Gross Profit is determined for the Mobile Business Measurement Period in accordance with the procedures set forth in the Asset Purchase Agreement.

The number of Vesting Eligible Performance Options (which may not exceed the Maximum Number of Vesting Eligible Performance Options) is determined in accordance with the following formula:

[Combined Mobile Business Performance Goals Vesting Eligible Percentage] x [Maximum Number of Vesting Eligible Performance Options]

The following definitions apply to this Vesting Schedule:

Asset Purchase Agreement means that certain Asset Purchase Agreement dated as of September 30, 2013 by and among the Company, Advanced Mobile, LLC and Advanced Mobile Worldwide Solutions, Inc.

Combined Mobile Business Performance Goals Vesting Eligible Percentage means the percentage resulting from the following calculation:

[Mobile Business Gross Profit Goal Vesting Eligible Percentage x Mobile Business Gross Profit Goal Allocation Percentage] + [Mobile Business Revenue Goal Vesting Eligible Percentage x Mobile Business Revenue Goal Allocation Percentage]

GAAP means generally accepted accounting principles.

Maximum Number of Vesting Eligible Performance Options means the maximum number of Options that can be determined to be Vesting Eligible Performance Options. The Maximum Number of Vesting Eligible Performance Options is set forth on the signature page to this Agreement.

Mobile Business means the Company's business operations located in King of Prussia, Pennsylvania that provides mobile marketing solutions for the automotive industry, media publishers, and homebuilders and that was acquired by the Company pursuant to the Asset Purchase Agreement.

Mobile Business Goals Achievement Scale means Schedule A-1 attached hereto and incorporated herein by reference.

Mobile Business Gross Profit means the Mobile Business' gross profit for the Mobile Business Performance Measurement Period as determined in accordance with GAAP.

Mobile Business Gross Profit Goal means the target goal set for the Mobile Business' Gross Profit for the Mobile Business Performance Measurement Period. The Mobile Business Gross Profit Goal for the Mobile Business Performance Measurement Period is * Dollars (\$ ____*.00).

Mobile Business Gross Profit Goal Allocation Percentage means the percentage allocated to the Mobile Business Gross Profit Goal. The Mobile Business Gross Profit Goal Allocation Percentage is fifty percent (50%).

Mobile Business Gross Profit Goal Vesting Eligible Percentage means the percentage obtained from the column entitled " **Vesting Eligible Percentage** " in the Mobile Business Goals Achievement Scale applicable to the Mobile Business Gross Profit achieved for the Mobile Business Performance Measurement Period.

Mobile Business Gross Profit Percentage Achieved means the percentage of the Mobile Business' Gross Profit Goal achieved calculated by dividing the Mobile Business Gross Profit achieved for the Mobile Business Performance Measurement Period by the Mobile Business Gross Profit Goal.

Mobile Business Performance Measurement Period means the twelve calendar month period commencing January 1, 2015 and ending December 31, 2015.

Mobile Business Revenues means the Mobile Business' total net revenues for the Mobile Business Performance Measurement Period as determined in accordance with GAAP.

Mobile Business Revenue Goal means the target goal set for the Mobile Business Revenues for the Mobile Business Performance Measurement Period. The Mobile Business Revenue Goal is ____* Dollars (\$ ____*.00)..

Mobile Business Revenue Goal Allocation Percentage means the percentage allocated to the Mobile Business Revenue Goal. The Mobile Business Revenue Goal Allocation Percentage is fifty percent (50%).

* Per Contingent Payments Component Schedule to Asset Purchase Agreement for Mobile Business Performance Measurement Period.

Mobile Business Revenue Goal Vesting Eligible Percentage means the percentage obtained from the column entitled " **Vesting Eligible Percentage** " in the Mobile Business Goals Achievement Scale applicable to the Mobile Business Revenue achieved for the Performance Measurement Period.

Mobile Business Revenue Goal Percentage Achieved means the percentage of the Mobile Business' Revenue Goal achieved for the Mobile Business Performance Measurement Period calculated by dividing the Mobile Business Revenues achieved for the Mobile Business Performance Measurement Period by the Mobile Business Revenue Goal.

Time Vesting Schedule means the following vesting schedule for Vesting Eligible Performance Options: (1) thirty-three and one-third percent (33 1/3%) of the Vesting Eligible Performance Options shall vest and become exercisable effective as of the Vesting Eligible Performance Options Determination Date; and (2) one thirty-sixth (1/36th) the Vesting Eligible Performance Options shall vest and become exercisable on each successive monthly anniversary of the Vesting Eligible Performance Options thereafter for the following twenty-four (24) months ending on the third anniversary of the Vesting Eligible Performance Options Determination Date.

Schedule A-1
Mobile Business Goals Achievement Scale

Revenue

% of Mobile Business Revenue Goal Achieved	Vesting Eligible Percentage
80% to 100%	Linear*
70% to 79.9%	50%
60% to 69.9%	25%
< 60%	10%

Gross Profit

% of Mobile Business Goals Gross Profit Goal Achieved	Vesting Eligible Percentage
80% to 100%	Linear**
70% to 79.9%	50%
60% to 69.9%	25%
< 60%	10%

* (e.g., 85% achievement = 85% Mobile Business Revenue Goal Vesting Eligible Percentage; 92% achievement = 92% Mobile Business Revenue Goal Vesting Eligible Percentage)

** (e.g., 85% achievement = 85% Mobile Business Gross Profit Goal Vesting Eligible Percentage; 92% achievement = 92% Mobile Business Gross Profit Goal Vesting Eligible Percentage)

AUTOBYTEL INC.

**Inducement Stock Option Award Agreement
(Non-Qualified Performance-Based Stock Options)**

THESE OPTIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND OPTIONEE AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN OPTIONEE SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY OPTIONEE AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS.

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

Optionee has not previously been an employee or director of the Company. The Company has determined to offer employment to Optionee, and as an inducement material to Optionee's decision to accept such employment offer, the Company determined to grant Optionee the Options under the terms and conditions set forth herein.

This Agreement and the stock options granted hereby have not been granted pursuant to the Company's 2010 Equity Incentive Plan ("**Plan**"), but certain capitalized identified herein and not defined herein shall have the same meanings as defined in the Plan.

- 1. Grant of Options.** Subject to Optionee's commencement of employment with the Company, the Company hereby grants to Optionee non-qualified stock options ("**Options**") to purchase the number of shares of common stock of the Company, par value \$0.001 per share, set forth on the signature page to this Agreement ("**Shares**"), at the exercise price per Share set forth on the signature page to this Agreement ("**Exercise Price**"). The Options are not intended to qualify as incentive stock options under Section 422 of the Code (as such term is defined in the Plan).
-

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

3. **Vesting**. The Options shall become vested and exercisable in accordance with the vesting schedule attached hereto as **Exhibit A** and incorporated herein by reference (" **Vesting Schedule** ").

4. **Exercise of Options**.

(a) **Manner of Exercise**. To the extent vested, the Options may be exercised, in whole or in part, by delivering written notice to the Company in accordance with Section 8(f) of the Plan in such form as the Company may require from time to time, or at the direction of the Company, through the procedures established with the Company's third party option administration service. Such notice shall specify the number of Shares subject to the Options as to which the Options are being exercised and shall be accompanied by full payment of the Exercise Price of such Shares in a manner permitted under the terms of Section 5.5 of the Plan (as if these Options had been granted under the Plan) including same day sales through a broker), except that payment in whole or in part in a manner set forth in clauses (ii), (iii) or (iv) of Section 5.5 b) of the Plan (as if these Options had been granted under the Plan), may only be made with the consent of the Committee (as such term is defined in the Plan). The Options may be exercised only in multiples of whole Shares, and no fractional Shares shall be issued.

(b) **Issuance of Shares**. Upon exercise of the Options and payment of the Exercise Price for the Shares as to which the Options are exercised and satisfaction of all applicable tax withholding requirements, the Company shall issue to Optionee the applicable number of Shares in the form of fully paid and nonassessable Shares.

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

(d) **Compliance with Securities Trading Policy**. Shares issued upon exercise of the Options may only be sold, pledged or otherwise transferred in compliance with the Company's securities trading policies generally applicable to officers, directors or employees of the Company as long as Optionee is subject to such securities trading policy.

(e) **Limitation on Number of Resales or Transfers of Shares**. The number of Shares that may be resold or transferred to the public or through any public securities trading market at any time may not exceed (i) for any one sale or transfer order, twenty-five percent (25%) of the Average Daily Volume; and (ii) for all sales or transfer volume in any calendar week, twenty-five percent (25%) of the Weekly Volume. For purposes of this Section 4(e), (i)

Average Daily Volume " will be determined once at the beginning of each calendar quarter for application during such quarter based on an averaging of the daily volume of sales of Company Common Stock as reported by The NASDAQ Capital Market (provided that if the Company's Common Stock is not then listed on The NASDAQ Capital Market, as reported by such trading market on which the Common Stock is traded) for each trading day over the 90-trading day period preceding such determination; and (ii) "**Average Weekly Volume** " is calculated by multiplying the Average Daily Volume by the number of trading days in the calendar week preceding the proposed sale or transfer of Shares.

5. **Option Termination and Other Provisions.**

(a) **Termination Upon Expiration of Option Term.** The Options shall terminate and expire in their entirety on the Option Expiration Date. In no event may Optionee exercise the Options after the Option Expiration Date, even if the application of another provision of this Section 5 may result in an extension of the exercise period for the Options beyond the Option Expiration Date.

(b) **Termination of Employment.**

(i) **Termination of Employment Other Than Due to Death, Disability or Cause.**

(1) **Termination of Employment On or After Determination of Vesting Eligible Performance Options.** In the event of a termination of Optionee's employment by the Company without Cause or by Optionee for Good Reason on or after the date that the Vesting Eligible Performance Options (as defined in the Vesting Schedule) are determined ("**Vesting Eligible Performance Options Determination Date**"), the provisions of this Section 5(b)(i)(1) shall apply rather than Section 5(b)(i)(2). Any unvested portion of the Vesting Eligible Performance Options shall become immediately and fully vested as of the date of such termination of employment without Cause or for Good Reason. Optionee may exercise the vested portion of the Vesting Eligible Performance Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following the date of any such termination of Optionee's employment with the Company either by Optionee or the Company, other than in the event of a termination of Optionee's employment by the Company for Cause or by reason of Optionee's death or Disability. To the extent Optionee is not entitled to exercise the Options at the date of termination of employment, or if Optionee does not exercise the Options within the time specified in this Agreement for post-termination of employment exercises of the Options, the Options shall terminate. For purposes of this Agreement, the terms "**Cause**" and "**Good Reason**" shall have the meanings ascribed to them in that certain Severance Benefits Agreement identified on the signature page to this Agreement ("**Severance Agreement**").

(2) **Termination of Employment Prior to Determination of Vesting Eligible Performance Options.** In the event of a termination of Optionee's employment by the Company without Cause or by Optionee for Good Reason before the Vesting Eligible Performance Options Determination Date, the provisions of this Section 5(b)(i)(2) shall apply rather than Section 5(b)(i)(1). Unless otherwise expired, terminated, forfeited or cancelled prior to the Vesting Eligible Performance Options Determination Date in accordance with this Agreement, no Options shall expire or be cancelled or terminated, nor may any Options be exercised until such time as the Vesting Eligible Performance Options are determined. Once the

Vesting Eligible Performance Options are determined, any unvested portion of the Vesting Eligible Performance Options shall become immediately and fully vested as of the Vesting Eligible Performance Options Determination Date. Optionee may exercise the vested portion of the Vesting Eligible Performance Options for a period of ninety (90) days (but in no event later than the Option Expiration Date) following the Vesting Eligible Performance Options Determination Date. To the extent Optionee does not exercise the Options within the time specified in this Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

(ii) **Termination of Employment for Cause**. Upon the termination of Optionee's employment by the Company or Cause, unless the Options have been earlier terminated, cancelled, expired or forfeited, the Options (whether vested or not) shall immediately terminate and be cancelled in their entirety and shall thereafter not be exercisable to any extent whatsoever; provided that the Company, in its discretion, may, by written notice to Optionee given as of the date of termination, authorize Optionee to exercise any vested portion of the Options for a period of up to thirty (30) days following Optionee's termination of employment for Cause, provided that in no event may Optionee exercise the Options after the Option Expiration Date.

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

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

(c) **Change in Control**. In the event of a Change in Control (as such term is defined in the Plan), the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 11 of the Plan) (as if the Options had been granted under the Plan), provided that (i) to the extent the Options are assumed or substituted for in connection with the Change in Control, or the Company is the ultimate parent corporation upon the consummation of the Change in Control and the Company continues the Options, the Options will vest and become fully exercisable in accordance with clause (i) of Section 11.2(a) of the Plan (as if the Options had been granted under the Plan), only

if within twelve (12) months following the date of the Change in Control Optionee's employment is terminated by the Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause; and (ii) any portion of the Options which vests and becomes exercisable pursuant to Section 11.2(b) of the Plan (as if the Options had been granted under the Plan), as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Optionee is then employed by the Company or a Subsidiary and (2) terminate on the date of the Change in Control. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value (as such term is defined in the Plan) of one (1) Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

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

(e) **Adjustments**. The number of Options may be subject to adjustment as provided in Section 12.2 of the Plan (as if the Options had been granted under the Plan).

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

the Company or any Subsidiary that results in an accounting restatement by the Company due to material noncompliance with any financial reporting requirement under applicable securities laws, whether such restatement occurs during or after Optionee's employment by the Company or any Subsidiary.

(g) **Reservation of Committee Discretion to Accelerate Option Vesting and Extend Option Exercise Window**. The Committee reserves the right, in its sole and absolute discretion, to accelerate the vesting of the Options and to extend the exercise window for Options that have vested (either in accordance with the terms of this Agreement or by discretionary acceleration by the Committee) under circumstances not otherwise covered by the foregoing provisions of this Section 5; provided that in no event may the Committee extend the exercise period for Options beyond the Option Expiration Date. The Committee is under no obligation to exercise any such discretion and may or may not exercise such discretion on a case-by-case basis.

6. Non-Registered Option and Shares.

(a) Optionee hereby acknowledges that the Options and any Shares that may be acquired upon exercise of the Options pursuant hereto are, as of the date hereof, not registered: (i) under the Securities Act of 1933, as amended (" **Securities Act** "), on the ground that the issuance of the Options and the underlying shares is exempt from registration under Section 4(2) of the Securities Act as not involving any public offering or, with respect to Options, because the grant of the Options alone may not constitute an offer or sale of a security under the Securities Act until such time as the Options are exercised or exercisable or (ii) under any applicable state securities law because the grant of the Options does not involve any public offering or is otherwise exempt under applicable state securities laws, and (iii) that the Company's reliance on the Section 4(2) exemption of the Securities Act and under applicable state securities laws is predicated in part on the representations hereby made to the Company by Optionee. Optionee represents and warrants that Optionee is acquiring the Options and will acquire the Shares for investment for Optionee's own account, with no present intention of reselling or otherwise distributing the same.

(b) If, at the time of issuance of shares upon exercise of the Options, no registration statement is in effect with respect to such shares under applicable provisions of the Securities Act and other applicable securities laws, Optionee hereby agrees that Optionee will not sell, transfer, offer, pledge or hypothecate all or any part of the shares unless and until Optionee shall first have given notice to the Company describing such sale, transfer, offer, pledge or hypothecation and there shall be available exemptions from such registration requirements that exist. Should there be any reasonable uncertainty or good faith disagreement between the Company and Optionee as to the availability of such exemptions, then Optionee shall be required to deliver to the Company (1) an opinion of counsel (skilled in securities matters, selected by Optionee and reasonably satisfactory to the Company) in form and substance satisfactory to the Company to the effect that such offer, sale, transfer, pledge or hypothecation is in compliance with an available exemption under the Securities Act and other applicable securities laws, or (2) an interpretative letter from the Securities and Exchange Commission to the effect that no enforcement action will be recommended if the proposed offer, sale, transfer, pledge or hypothecation is made without registration under the Securities Act. The Company may at its election require that Optionee provide the Company with written reconfirmation of

Optionee's investment intent as set forth in Section 6(a) with respect to the shares. The shares issued upon exercise of the Options shall bear a legend reading substantially as follows:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (" **SECURITIES ACT** "), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE STATE SECURITIES LAWS WITH RESPECT TO SUCH SECURITY IS THEN IN EFFECT, OR SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED DUE TO AVAILABLE EXEMPTIONS FROM SUCH REGISTRATION. SHOULD THERE BE ANY REASONABLE UNCERTAINTY OR GOOD FAITH DISAGREEMENT BETWEEN THE COMPANY AND OPTIONEE AS TO THE AVAILABILITY OF SUCH EXEMPTIONS, THEN OPTIONEE SHALL BE REQUIRED TO DELIVER TO THE COMPANY AN OPINION OF COUNSEL (SKILLED IN SECURITIES MATTERS, SELECTED BY OPTIONEE AND REASONABLY SATISFACTORY TO THE COMPANY) IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS."

(c) The exercise of the Option and the issuance of the Shares upon such exercise shall be subject to compliance by the Company and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange or securities trading market on which the Shares may be listed for trading at the end of such exercise and issuance.

(d) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Shares pursuant to the Options shall relieve the Company of any liability with respect to the nonissuance or sale of the Shares as to which such approval shall not have been obtained. However, the Company shall use its best efforts to obtain all such applicable approvals.

7. Miscellaneous.

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

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

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

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

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

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

Notices to the Company should be addressed to:

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

Notices to Optionee should be addressed to Optionee at Optionee's address as it appears on the Company's records.

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

(g) **Agreement Not an Employment Contract**. This Agreement is not an employment or service contract, and nothing in this Agreement or in the granting of the Options shall be deemed to create in any way whatsoever any obligation on Optionee's part to continue as an employee of the Company or any Subsidiary or on the part of the Company or any Subsidiary to continue Optionee's employment or service as an employee.

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

(i) **Administration**. The Committee shall have the power to interpret this Agreement and to adopt such rules for the administration, interpretation and application of this Agreement as are consistent with this Agreement and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee (including determinations as to the calculation, satisfaction or achievement of performance-based vesting requirements, if any, to which the Options are subject) shall be final and binding upon Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to this Agreement.

(j) **No Impairment of Rights**. This Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of the business or assets.

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

Remainder of Page Intentionally Left Blank; Signature Page Follows

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

Grant Date: September 30, 2013

Total Options Granted: 29,547
(Maximum Vesting Eligible Performance Options)

Exercise Price Per Share: \$7.17

Severance Benefits Agreement: Severance Benefits Agreement dated as of September 30, 2013, by and between the Company and Optionee.

"Company "

Autobyte Inc., a Delaware corporation

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

"Optionee "

/s/ Bret Dunlap
Bret Dunlap

Exhibit A
Option Vesting Schedule

The Options granted under this Agreement shall be subject to two vesting requirements and conditions: (i) percentage achievement (based on the Performance Goals Achievement Scale) of the Mobile Business Revenue Goal and Mobile Business Gross Profit Goal, as determined below ("**Mobile Business Performance Goals Component**"); and (ii) time vesting based on the time vesting schedule ("**Time Vesting Schedule**") set forth below ("**Time Vesting Component**"). For Options to vest and become exercisable, the number of Options eligible to vest under the Time Vesting Component must first be determined under the Mobile Business Performance Goals Component in accordance with the formulas set forth below ("**Vesting Eligible Performance Options**"). The aggregate number of Vesting Eligible Performance Options is determined based upon achievement of Mobile Business Performance Goals. Once the aggregate number of Vesting Eligible Performance Options is determined, the Vesting Eligible Performance Options are then subject to vesting under the Time Vesting Component in accordance with the Time Vesting Schedule. Options that are not determined to be Vesting Eligible Performance Options shall not vest and shall be cancelled as soon as the number of Vesting Eligible Performance Options is determined by the Committee. The Vesting Eligible Performance Options Determination Date is the date that the Mobile Business Revenues and Mobile Business Gross Profit is determined for the Mobile Business Measurement Period in accordance with the procedures set forth in the Asset Purchase Agreement.

The number of Vesting Eligible Performance Options (which may not exceed the Maximum Number of Vesting Eligible Performance Options) is determined in accordance with the following formula:

[Combined Mobile Business Performance Goals Vesting Eligible Percentage] x [Maximum Number of Vesting Eligible Performance Options]

The following definitions apply to this Vesting Schedule:

Asset Purchase Agreement means that certain Asset Purchase Agreement dated as of September 30, 2013 by and among the Company, Advanced Mobile, LLC and Advanced Mobile Worldwide Solutions, Inc.

Combined Mobile Business Performance Goals Vesting Eligible Percentage means the percentage resulting from the following calculation:

[Mobile Business Gross Profit Goal Vesting Eligible Percentage x Mobile Business Gross Profit Goal Allocation Percentage] + [Mobile Business Revenue Goal Vesting Eligible Percentage x Mobile Business Revenue Goal Allocation Percentage]

GAAP means generally accepted accounting principles.

Maximum Number of Vesting Eligible Performance Options means the maximum number of Options that can be determined to be Vesting Eligible Performance Options. The Maximum Number of Vesting Eligible Performance Options is set forth on the signature page to this Agreement.

Mobile Business means the Company's business operations located in King of Prussia, Pennsylvania that provides mobile marketing solutions for the automotive industry, media publishers, and homebuilders and that was acquired by the Company pursuant to the Asset Purchase Agreement.

Mobile Business Goals Achievement Scale means Schedule A-1 attached hereto and incorporated herein by reference.

Mobile Business Gross Profit means the Mobile Business' gross profit for the Mobile Business Performance Measurement Period as determined in accordance with GAAP.

Mobile Business Gross Profit Goal means the target goal set for the Mobile Business' Gross Profit for the Mobile Business Performance Measurement Period. The Mobile Business Gross Profit Goal for the Mobile Business Performance Measurement Period is * Dollars (\$ *.00).

Mobile Business Gross Profit Goal Allocation Percentage means the percentage allocated to the Mobile Business Gross Profit Goal. The Mobile Business Gross Profit Goal Allocation Percentage is fifty percent (50%).

Mobile Business Gross Profit Goal Vesting Eligible Percentage means the percentage obtained from the column entitled " **Vesting Eligible Percentage** " in the Mobile Business Goals Achievement Scale applicable to the Mobile Business Gross Profit achieved for the Mobile Business Performance Measurement Period.

Mobile Business Gross Profit Percentage Achieved means the percentage of the Mobile Business' Gross Profit Goal achieved calculated by dividing the Mobile Business Gross Profit achieved for the Mobile Business Performance Measurement Period by the Mobile Business Gross Profit Goal.

Mobile Business Performance Measurement Period means the twelve calendar month period commencing January 1, 2016 and ending December 31, 2016.

Mobile Business Revenues means the Mobile Business' total net revenues for the Mobile Business Performance Measurement Period as determined in accordance with GAAP.

Mobile Business Revenue Goal means the target goal set for the Mobile Business Revenues for the Mobile Business Performance Measurement Period. The Mobile Business Revenue Goal is * Dollars (\$ *.00).

Mobile Business Revenue Goal Allocation Percentage means the percentage allocated to the Mobile Business Revenue Goal. The Mobile Business Revenue Goal Allocation Percentage is fifty percent (50%).

* Per Contingent Payments Component Schedule to Asset Purchase Agreement for Mobile Business Performance Measurement Period.

Mobile Business Revenue Goal Vesting Eligible Percentage means the percentage obtained from the column entitled " **Vesting Eligible Percentage** " in the Mobile Business Goals Achievement Scale applicable to the Mobile Business Revenue achieved for the Performance Measurement Period.

Mobile Business Revenue Goal Percentage Achieved means the percentage of the Mobile Business' Revenue Goal achieved for the Mobile Business Performance Measurement Period calculated by dividing the Mobile Business Revenues achieved for the Mobile Business Performance Measurement Period by the Mobile Business Revenue Goal.

Time Vesting Schedule means the following vesting schedule for Vesting Eligible Performance Options: (1) thirty-three and one-third percent (33 1/3%) of the Vesting Eligible Performance Options shall vest and become exercisable effective as of the Vesting Eligible Performance Options Determination Date; and (2) one thirty-sixth (1/36th) the Vesting Eligible Performance Options shall vest and become exercisable on each successive monthly anniversary of the Vesting Eligible Performance Options thereafter for the following twenty-four (24) months ending on the third anniversary of the Vesting Eligible Performance Options Determination Date.

Schedule A-1
Mobile Business Goals Achievement Scale

Revenue		Gross Profit	
% of Mobile Business Revenue Goal Achieved	Vesting Eligible Percentage	% of Mobile Business Goals Gross Profit Goal Achieved	Vesting Eligible Percentage
80% to 100%	Linear*	80% to 100%	Linear**
70% to 79.9%	50%	70% to 79.9%	50%
60% to 69.9%	25%	60% to 69.9%	25%
< 60%	10%	< 60%	10%

* (e.g., 85% achievement = 85% Mobile Business Revenue Goal Vesting Eligible Percentage; 92% achievement = 92% Mobile Business Revenue Goal Vesting Eligible Percentage)

** (e.g., 85% achievement = 85% Mobile Business Gross Profit Goal Vesting Eligible Percentage; 92% achievement = 92% Mobile Business Gross Profit Goal Vesting Eligible Percentage)

CERTIFICATION

I, Curtis E. DeWalt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Autobyte 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: November 7, 2013

/s/ Curtis E. DeWalt

Curtis E. DeWalt,
*Senior Vice President and
Chief Financial Officer*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Autobyte Inc. (the " *Company* ") on Form 10-Q for the period ended September 30, 2013 (the " *Report* "), we, Jeffrey H. Coats, President and Chief Executive Officer of the Company, and Curtis E. DeWalt, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Jeffrey H. Coats

Jeffrey H. Coats
President and Chief Executive Officer
November 7, 2013

/s/ Curtis E. DeWalt

Curtis E. DeWalt
*Senior Vice President and
Chief Financial Officer*
November 7, 2013

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 Autobyte Inc. and will be retained by Autobyte Inc. and furnished to the Securities and Exchange Commission or its staff upon request.