AUTOBYTEL INC

FORM 10-Q
(Quarterly Report)

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UN ITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2017
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 [X] 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 [X] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [X]	Emerging growth company [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. [ ]

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

As of May 1, 2017, there were 11,071,584 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)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 39,643	$ 38,512
Short-term investment	251	251
Accounts receivable, net of allowances for bad debts and customer credits of $968 and $1,015 at March 31, 2017 and December 31, 2016, respectively	28,517	33,634
Deferred tax asset	—	4,669
Prepaid expenses and other current assets	885	901
Total current assets	69,296	77,967
Property and equipment, net	4,140	4,430
Investments	680	680
Intangible assets, net	22,395	23,783
Goodwill	42,821	42,821
Long-term deferred tax asset	25,622	14,799
Other assets	757	801
Total assets	$ 165,711	$ 165,281
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 7,237	$ 9,764
Accrued employee-related benefits	2,246	4,530
Other accrued expenses and other current liabilities	7,741	8,315
Current portion of term loan payable	4,688	6,563
Total current liabilities	21,912	29,172
Convertible note payable	1,000	1,000
Long-term portion of term loan payable	6,750	7,500
Borrowings under revolving credit facility	8,000	8,000
Total liabilities	37,662	45,672
Commitments and contingencies (Note 10)	—	—

Stockholders' equity:		
Preferred stock, $0.001 par value, 11,445,187 shares authorized		
Series A Preferred stock, none issued and outstanding	—	—
Series B Preferred stock, 168,007 shares issued and outstanding	—	—
Common stock, $0.001 par value; 55,000,000 shares authorized and 11,062,688 and 11,012,625 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	11	11
Additional paid-in capital	351,490	350,022
Accumulated deficit	(223,452)	(230,424)
Total stockholders' equity	128,049	119,609
Total liabilities and stockholders' equity	$ 165,711	$ 165,281

See accompanying notes to unaudited consolidated condensed financial statements.

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Revenues:		
Lead fees	$ 29,092	$ 31,996
Advertising	7,969	3,766
Other revenues	280	485
Total revenues	37,341	36,247
Cost of revenues	24,430	22,612
Gross profit	12,911	13,635
Operating expenses:		
Sales and marketing	3,763	5,677
Technology support	3,253	4,188
General and administrative	3,482	3,373
Depreciation and amortization	1,229	1,286
Litigation settlements	(25)	(5)
Total operating expenses	11,702	14,519
Operating income (loss)	1,209	(884)
Interest and other income (expense), net	(100)	(224)
Income (loss) before income tax provision (benefit)	1,109	(1,108)
Income tax provision (benefit)	625	(432)
Net income (loss) and comprehensive income (loss)	$ 484	$ (676)
Basic earnings (loss) per common share	$ 0.04	$ (0.06)
Diluted earnings (loss) per common share	$ 0.04	$ (0.06)

See accompanying notes to unaudited consolidated condensed financial statements.

AUTOBYTEL INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows from operating activities:		
Net income (loss)	$ 484	$ (676)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,841	1,813
Provision for bad debts	43	54
Provision for customer credits	94	181
Share-based compensation	1,011	1,364
Change in deferred tax asset	334	(595)
Changes in assets and liabilities:		
Accounts receivable	4,980	206
Prepaid expenses and other current assets	16	426
Other assets	44	76
Accounts payable	(2,527)	1,667
Accrued expenses and other current liabilities	(2,858)	(2,969)
Non-current liabilities	—	13
Net cash provided by operating activities	3,462	1,560
Cash flows from investing activities:		
Purchases of property and equipment	(163)	(899)
Net cash used in investing activities	(163)	(899)
Cash flows from financing activities:		
Payments on term loan borrowings	(2,625)	(1,313)
Proceeds from exercise of stock options	457	699
Payment of contingent fee arrangement	—	(13)
Net cash used in financing activities	(2,168)	(627)
Net increase in cash and cash equivalents	1,131	34
Cash and cash equivalents, beginning of period	38,512	23,993
Cash and cash equivalents, end of period	$ 39,643	$ 24,027

Supplemental disclosure of cash flow information:

Cash paid for income taxes	$ —	$ —
Cash paid for interest	$ 356	$ 230

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, online advertising and consumer traffic referral programs and mobile products.

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

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

On December 19, 2016, Autobytel and Car.com, Inc., a wholly owned subsidiary of Autobytel (" **Car.com** "), entered into an Asset Purchase and Sale Agreement, by and among Autobytel, Car.com, and Internet Brands, Inc., a Delaware corporation (" **Internet Brands** "), in which Internet Brands acquired substantially all of the assets of the automotive specialty finance leads group of Car.com. The transaction was completed effective as of December 31, 2016. The transaction consideration consisted of $3.2 million in cash and $1.6 million to be paid over a five year period pursuant to a Transitional License and Linking Agreement. The Company recorded a gain on sale of approximately $2.2 million in connection with the transaction in the fourth quarter of 2016. See Note 4.

2. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements are presented on the same basis as the Company's Annual Report on Form 10-K for the year ended December 31, 2016 (" **2016 Form 10-K** ") filed with the Securities and Exchange Commission (" **SEC** "). Autobytel has made its disclosures in accordance with U.S. generally accepted accounting principles (" **GAAP** ") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP 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 consolidated condensed statements of operations and comprehensive income (loss) and cash flows for the periods ended March 31, 2017 and 2016 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 2016 Form 10-K.

3. Recent Accounting Pronouncements

Issued but not yet adopted by the Company

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

Accounting Standards Codification 842 "Leases." In February 2016, ASU No. 2016-02, "Leases (Topic 842)" was issued. This ASU will require lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases of terms more than 12 months. The ASU will require both capital and operating leases to be recognized on the balance sheet. Qualitative and quantitative disclosures will also be required to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The ASU will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We expect this standard will have a material effect on our financial statements due to the recognition of new right-of-use assets and lease liabilities on our balance sheet for real estate and equipment operating leases. The Company is continuing to evaluate the effect this guidance will have on the consolidated financial statements and related disclosures.

Accounting Standards Codification 805 "Business Combinations." In January 2017, ASU No. 2017-01, "Clarifying the Definition of a Business" was issued. This ASU provides a more robust framework to use in determining when a set of assets and activities is a business. The amendments in this ASU are effective for annual periods beginning after December 15, 2017, and interim periods within those periods. The Company does not believe this ASU will have a material effect on the consolidated financial statements.

Accounting Standards Codification 350 "Intangibles – Goodwill and Other." In January 2017, ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment" was issued. Under the amendments in this ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss should not exceed the total amount of goodwill allocated to that reporting unit. The ASU also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity should apply this ASU on a prospective basis and for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company is continuing to evaluate the effect this guidance will have on the consolidated financial statements and related disclosures.

Recently adopted by the Company

Accounting Standards Codification 740 "Income Taxes." In November 2015, ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes" was issued. This ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this update apply to all entities that present a classified statement of financial position. The Company adopted this ASU prospectively in the three months ended March 31, 2017 and reclassified $4.7 million of current deferred tax assets to long-term deferred tax assets. Prior periods were not retrospectively adjusted.

Accounting Standards Codification 323 "Investments-Equity Method and Joint Ventures." In March 2016, ASU No. 2016-07, "Simplifying the Transition to the Equity Method of Accounting" was issued. This ASU eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment was held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Thus, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The Company adopted this ASU in the three months ended March 31, 2017 and it did not have a material effect on the consolidated financial statements.

Accounting Standards Codification 718 "Compensation-Stock Compensation." In March 2016, ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" was issued. This ASU provides for areas of simplification for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods.

The changes in the new standard eliminate the accounting for excess tax benefits to be recognized in additional paid-in capital and tax deficiencies recognized either in the income tax provision or in additional paid-in capital. ASU 2016-09 requires recognition of excess tax benefits and tax deficiencies in the income statement on a prospective basis. For the three months ended March 31, 2017, we recognized all excess tax benefits and tax deficiencies as income tax expense or benefit as a discrete event. Income tax expense of approximately $0.2 million was recognized in the quarterly period ended March 31, 2017 as a result of the adoption of ASU 2016-09.

The Company adopted the amendments related to the timing of when excess tax benefits are recognized on a modified retrospective transition method. T he Company recognized $6.5 million of deferred tax assets relating to unrealized stock option benefits, resulting in a cumulative $6.5 million adjustment to retained earnings.

The treatment of forfeitures has not changed as we are electing to continue our current process of estimating the number of forfeitures. As such, this has no cumulative effect on retained earnings. We have elected to present the cash flow statement on a prospective transition method and no prior periods have been adjusted.

The Company calculates diluted earnings (loss) per share using the treasury stock method for share-based payment awards. ASU 2016-09 eliminates excess tax benefits and deficiencies from the calculation of assumed proceeds under the treasury stock method, which the Company adopted on a prospective transition method.

Accounting Standards Codification 230 "Statement of Cash Flows." In August 2016, ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments" was issued. This ASU provides guidance on eight specific cash flow issues with the objective of reducing the existing diversity in practice for those issues. The amendments in this ASU are effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Company early adopted this ASU in the three months ended March 31, 2017 and it did not have a material effect on the consolidated financial statements.

Accounting Standards Codification 810 "Consolidation." In October 2016, ASU No. 2016-17, "Interests Held through Related Parties That Are Under Common Control" was issued. This ASU amends the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity (" **VIE** ") should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company adopted this ASU in the three months ended March 31, 2017 and it did not have a material effect on the consolidated financial statements.

4. Disposal of Specialty Finance Leads Product

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

In connection with the transaction, Internet Brands, Car.com and Autobytel entered into the License Agreement pursuant to which Car.com and Autobytel will provide to Internet Brands certain transition services and arrangements. Pursuant to the License Agreement, (i) Internet Brands will pay Autobytel $1.6 million in fees over the five-year term of the License Agreement, and (ii) Car.com will (1) grant Internet Brands a limited, non-exclusive, non-transferable license to use the Car.com logo and name solely for sales and marketing purposes in Internet Brand's automotive specialty finance leads business; and (2) provide certain redirect linking of consumer traffic from the Acquired Group's current specialty finance leads application forms to a landing page designated by Internet Brands. The Company received $0.1 million during the three months ended March 31, 2017 related to the License Agreement.

The disposal of the automotive specialty finance leads product did not qualify for presentation and disclosure as a discontinued operation because it did not represent a strategic shift that had or will have a major effect on the Company's operations. The pretax profit of the finance leads product for the three months ended March 31, 2016 was $0.1 million.

5. Computation of Basic and Diluted Net Earnings (Loss) Per Share

Basic net earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period, excluding any unvested restricted stock. Diluted net earnings (loss) 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 methods, during the period. Potential common shares consist of common shares issuable upon the exercise of stock options, common shares issuable upon the exercise of warrants, common shares issuable upon conversion of convertible notes and unvested restricted stock. The following are the share amounts utilized to compute the basic and diluted net earnings (loss) per share for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	**2016**
Basic Shares:		
Weighted average common shares outstanding	11,025,864	10,633,907
Weighted average unvested restricted stock	(116,667)	(125,000)
Basic Shares	10,909,197	10,508,907
Diluted Shares:		
Basic shares	10,909,197	10,508,907
Weighted average dilutive securities	2,399,938	—
Diluted Shares	13,309,135	10,508,907

For the three months ended March 31, 2017, weighted average dilutive securities included dilutive options, restricted stock awards, and the convertible note issued in connection with the acquisition of AutoWeb, Inc.

For the three months ended March 31, 2017 and 2016, 2.2 million and 2.8 million of potentially anti-dilutive shares of common stock have been excluded from the calculation of diluted net earnings per share, respectively.

On June 7, 2012, the Company announced that its board of directors had authorized the Company to repurchase up to $2.0 million of the Company's Common Stock, and on September 17, 2014 the Company announced that the board of directors had approved the repurchase of up to an additional $1.0 million of the Company's Common Stock. The authorization may be increased or otherwise modified, renewed, suspended or terminated by the Company at any time, without prior notice. The Company may repurchase Common Stock from time to time on the open market or in private transactions. Shares repurchased under this program have been retired and returned to the status of authorized and unissued shares. The Company funded repurchases and anticipates that the Company would fund future repurchases through the use of available cash. The repurchase authorization does not obligate the Company to repurchase any particular number of shares. The timing and actual number of repurchases of additional shares, if any, under the Company’s stock repurchase program will depend upon a variety of factors, including price, market conditions, release of quarterly and annual earnings and other legal, regulatory and corporate considerations at the Company’s sole discretion. The impact of repurchases on the Company’s Tax Benefit Preservation Plan, as amended, and on the Company’s use of its net operating loss carryovers and other tax attributes if the Company were to experience an “ownership change,” as defined in Section 382 of the Internal Revenue Code, is also a factor that the Company considers in connection with share repurchases. No shares were repurchased in the three months ended March 31, 2017 and 2016, respectively.

Warrants. The warrant to purchase 69,930 shares of Company common stock issued in connection with the acquisition of AutoUSA on January 13, 2014 (“ **AutoUSA Acquisition Date** ”) was valued at $7.35 per share for a total value of $0.5 million (“ **AutoUSA Warrant** ”). The Company used an option pricing model to determine the value of the AutoUSA Warrant. Key assumptions used in valuing the AutoUSA Warrant are as follows: risk-free rate of 1.6%, stock price volatility of 65.0% and a term of 5.0 years. The AutoUSA Warrant was valued based on long-term stock price volatilities of the Company. The exercise price of the AutoUSA Warrant is $14.30 per share (as may be adjusted for stock splits, stock dividends, combinations and other similar events). The AutoUSA Warrant became exercisable on January 13, 2017 and expires on January 13, 2019. The right to exercise the AutoUSA Warrant is accelerated in the event of a change in control of the Company.

The warrant to purchase up to 148,240 shares of Series B Preferred Stock issued in connection with the acquisition of AutoWeb, Inc. (“ **AutoWeb Warrant** ”) was valued at $1.72 per share for a total value of $2.5 million. The Company used an option pricing model to determine the value of the AutoWeb Warrant. Key assumptions used in valuing the AutoWeb Warrant are as follows: risk-free rate of 1.9%, stock price volatility of 74.0% and a term of 7.0 years. The AutoWeb Warrant was valued based on long-term stock price volatilities of the Company’s Common Stock. The exercise price of the AutoWeb Warrant is $184.47 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The AutoWeb Warrant becomes exercisable on October 1, 2018, subject to the following vesting conditions: (i) with respect to the first one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date of the AutoWeb Warrant the weighted average closing price of the Common Stock for the preceding 30 trading days (adjusted for any stock splits, stock dividends, reverse stock splits or combinations of the Common Stock occurring after the issuance date) (“ **Weighted Average Closing Price** ”) is at or above $30.00; (ii) with respect to the second one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date the Weighted Average Closing Price is at or above $37.50; and (iii) with respect to the last one-third (1/3) of the warrant shares, if at any time after the issuance date of the AutoWeb Warrant and prior to the expiration date the Weighted Average Closing Price is at or above $45.00. The AutoWeb Warrant expires on October 1, 2022.

6. Share-Based Compensation

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Share-based compensation expense:		
Cost of revenues	$ 20	$ 14
Sales and marketing [1]	412	632
Technology support [2]	128	332
General and administrative	452	388
Share-based compensation costs	1,012	1,366
Amount capitalized to internal use software	1	2
Total share-based compensation costs	$ 1,011	$ 1,364

(1) Certain awards were modified in connection with the termination of an executive officer’s employment with the Company and their vesting accelerated in accordance with the terms of the applicable option agreements. The total expense related to these modifications and acceleration of vested awards was

approximately $0.3 million in the three months ended March 31, 2016.

(2) The vesting of certain awards was accelerated in accordance with the terms of the applicable option agreements in connection with the termination of an executive officer’s employment with the Company. The total expense related to acceleration of vested awards was approximately $0.2 million in the three months ended March 31, 2016.

Service-Based Options. The Company granted the following service-based options for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Number of service-based options granted	319,250	428,900
Weighted average grant date fair value	$ 6.91	$ 8.12
Weighted average exercise price	$ 13.81	$ 17.12

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.

Market Condition Options. O n January 21, 2016, the Company granted 100,000 stock options to its chief executive officer with an exercise price of $17.09 and grant date fair value of $1.47 per option, using a Monte Carlo simulation model (" **CEO Market Condition Options** "). The CEO Market Condition Options were previously valued at $2.94 per option but were revalued when the requisite stockholder approval for the Company's Amended and Restated 2014 Equity Incentive Plan was obtained in June 2016. The CEO Market Condition Options are subject to both stock price-based and service-based vesting requirements that must be satisfied for the CEO Market Condition Options to vest and become exercisable. The CEO Market Condition Options provide that the stock price-based vesting condition will be met (i) with respect to the first one-third (1/3) of the CEO Market Condition Options, if at any time after the grant date and prior to the expiration date of the CEO Market Condition Options the Weighted Average Closing Price is at or above $30.00; (ii) with respect to the second one-third (1/3) of the CEO Market Condition Options, if at any time after the grant date and prior to the expiration date the Weighted Average Closing Price is at or above $37.50; and (iii) with respect to the last one-third (1/3) of the CEO Market Condition Options, if at any time after the grant date and prior to the expiration date the Weighted Average Closing Price is at or above $45.00. With respect to any of the CEO Market Condition Options for which the stock price-based requirements are met, these options are also subject to the following service-based vesting schedule: (i) thirty-three and one-third percent (33 1/3%) of these options vested on January 21, 2017 and (ii) one thirty-sixth (1/36 th) of these options will vest on each successive monthly anniversary thereafter for the following twenty-four months ending on January 21, 2019. None of the stock-price based vesting requirements have been met as of March 31, 2017. The CEO Market Condition Options expire on January 21, 2023.

Stock option exercises . The following stock options were exercised during the three months ended March 31, 2017 and 2016, respectively:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Number of stock options exercised	58,959	53,839
Weighted average exercise price	$ 7.75	$ 12.97

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 March 31, 2017	Three Months Ended March 31, 2016
Dividend yield	—	—
Volatility	61 %	58 %
Risk-free interest rate	1.8 %	1.3 %
Expected life (years)	4.4	4.4

Upon adoption of ASU 2016-09, the Company has elected to estimate the number of forfeitures.

Restricted Stock Awards. The Company granted an aggregate of 125,000 restricted stock awards (" **RSAs** ") on April 23, 2015 in connection with the promotion of one of its executive officers. Of the 125,000 RSAs, 25,000 were service-based and the forfeiture restrictions lapse with respect to one-third of the restricted stock on each of the first, second and third anniversaries of the date of the award. Forfeiture restrictions lapsed on 8,333 shares of restricted stock on April 23, 2016. This executive officer was also awarded 100,000 shares of the Company's common stock in the form of performance-based restricted stock. The shares are subject to forfeiture upon the earlier of (such earliest date being referred to as the " **Termination Date** ") (i) a termination of the executive officer's employment with the Company; (ii) March 31, 2018; and (iii) other events of forfeiture set forth in the award agreement, subject to the following: (i) the forfeiture restrictions with respect to 50,000 of the restricted shares will lapse if any time prior to the Termination Date the weighted average closing price of the Company's common stock for the preceding 30 trading days is at or above $30.00 per share, and (ii) the forfeiture restrictions with respect to any of the restricted shares that remain subject to forfeiture restrictions will lapse if any time prior to the Termination Date the weighted average closing price of the Company's common stock for the preceding 30 trading days is at or above $45.00 per share. None of the forfeiture restrictions had lapsed during the three months ended March 31, 2017.

7. Investments

The Company's investments at March 31, 2017 and December 31, 2016 consisted primarily of investments in privately-held SaleMove, Inc., a Delaware corporation (" **SaleMove** "), and GoMoto, Inc., a Delaware corporation **("GoMoto")** .

In September 2013, the Company entered into a Convertible Note Purchase Agreement with SaleMove in which Autobytel invested $150,000 in SaleMove in the form of an interest bearing, convertible promissory note. In November 2014, the Company invested an additional $400,000 in SaleMove in the form of an interest bearing, convertible promissory note. Upon closing of a preferred stock financing by SaleMove in July 2015, these two notes were converted in accordance with their terms into an aggregate of 190,997 Series A Preferred Stock, which shares are classified as a long-term investment on the consolidated balance sheet as of March 31, 2017.

In October 2013, the Company entered into a Reseller Agreement with SaleMove to become a reseller of SaleMove's technology for enhancing communications with consumers. SaleMove's technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. The Company and SaleMove will equally share in revenues from automotive-related sales of the SaleMove products and services. In connection with this reseller arrangement, the Company advanced to SaleMove $1.0 million to fund SaleMove's 50% share of various product development, marketing and sales costs and expenses, with the advanced funds to be recovered by the Company from SaleMove's share of sales revenue. SaleMove advances are repaid to the Company from SaleMove's share of net revenues and expenses from the Reseller Agreement. As of March 31, 2017, the net advances due from SaleMove totaled $509,000 and are recorded as an other long-term asset on the Unaudited Consolidated Condensed Balance Sheets.

In December 2014, the Company entered into a Series Seed Preferred Stock Purchase Agreement with GoMoto in which the Company paid $100,000 for 317,460 shares of Series Seed Preferred Stock, $0.001 par value per share. The $100,000 investment in GoMoto was recorded at cost because the Company does not have significant influence over GoMoto. In October 2015 and May 2016, the Company invested an additional $375,000 and $375,000, respectively, in GoMoto in the form of convertible promissory notes (" **GoMoto Notes** "). The GoMoto Notes accrue interest at an annual rate of 4.0% and are due and payable in full on or after October 28, 2017 upon demand or at GoMoto's option ten days' written notice unless converted prior to the maturity date. The GoMoto Notes will be converted into preferred stock of GoMoto in the event of a preferred stock financing by GoMoto of at least $1.0 million prior to the maturity date of the convertible note. As of March 31, 2017, the Company maintains a reserve of $0.8 million related to the GoMoto Notes and related interest receivable because the Company believes the amounts may not be recoverable.

8. Selected Balance Sheet Accounts

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

	March 31, 2017	December 31, 2016
	(in thousands)	
Computer software and hardware	$ 12,189	$ 12,027
Capitalized internal use software	5,360	5,359
Furniture and equipment	1,332	1,332
Leasehold improvements	1,139	1,139
	20,020	19,857
Less—Accumulated depreciation and amortization	(15,880)	(15,427)
Property and Equipment, net	$ 4,140	$ 4,430

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 the Company's 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 an undiscounted 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 Acura, Audi, Honda, Nissan, Infiniti, Subaru, Toyota, Volkswagen and Volvo), Ford Direct and General Motors. During the first three months of 2017, approximately 29% of the Company's total revenues was derived from these three customers, and approximately 40%, or $11.7 million of gross accounts receivables, related to these three customers at March 31, 2017.

During the first three months of 2016, approximately 26% of the Company's total revenues was derived from General Motors, Urban Science Applications and Jumpstart Automotive, and approximately 41%, or $11.7 million of gross accounts receivables, related to these three customers at March 31, 2016.

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

		March 31, 2017			December 31, 2016		
Definite-lived Intangible Asset	**Estimated Useful Life**	**Gross**	**Accumulated Amortization**	**Net**	**Gross**	**Accumulated Amortization**	**Net**
Trademarks/trade names/licenses/domains	3 – 6 years	$ 5,519	$ (3,152)	$ 2,367	$ 9,294	$ (6,756)	$ 2,538
Software and publications	3 years	1,300	(1,300)	—	1,300	(1,300)	—
Customer relationships	2 - 10 years	19,563	(8,229)	11,334	19,563	(7,454)	12,109
Employment/non-compete agreements	1-5 years	1,510	(1,375)	135	1,510	(1,273)	237
Developed technology	5-7 years	8,955	(2,596)	6,359	8,955	(2,256)	6,699
		$ 36,847	$ (16,652)	$ 20,195	$ 40,622	$ (19,039)	$ 21,583

		March 31, 2017			December 31, 2016		
Indefinite-lived Intangible Asset	**Estimated Useful Life**	**Gross**	**Accumulated Amortization**	**Net**	**Gross**	**Accumulated Amortization**	**Net**
Tradename	Indefinite	$ 2,200	$ —	$ 2,200	$ 2,200	$ —	$ 2,200

Amortization expense is included in "Depreciation and amortization" in the Unaudited Consolidated Condensed Statements of Operations. Amortization expense was $1.4 million for both the three months ended March 31, 2017 and 2016, respectively.

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

Year	Amortization Expense
	(in thousands)
2017	$ 3,978
2018	5,028
2019	3,655
2020	2,224
2021	2,116
2022	1,518
Thereafter	1,676
	$ 20,195

Goodwill. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or earlier, when events or circumstances indicate that the carrying value of such assets may not be recoverable. The Company did not record impairment related to goodwill as of March 31, 2017 and December 31, 2016.

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

	March 31, 2017	December 31, 2016
	(in thousands)	
Accrued employee-related benefits	$ 2,246	$ 4,530
Other accrued expenses and other current liabilities:		
Other accrued expenses and current liabilities	7,197	7,849
Amounts due to customers	544	466
Total other accrued expenses and other current liabilities	7,741	8,315
Total accrued expenses and other current liabilities	$ 9,987	$ 12,845

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

9. Credit Facility

On June 1, 2016, the Company entered into a Fourth Amendment to Loan Agreement (“ **Credit Facility Amendment** ”) with MUFG Union Bank, N.A., formerly Union Bank, N.A. (“ **Union Bank** ”), amending the Company’s existing Loan Agreement with Union Bank initially entered into on February 26, 2013, as amended on September 10, 2013, January 13, 2014 and May 20, 2015 (the existing Loan Agreement, as amended to date, is referred to collectively as the “ **Credit**

Facility Agreement "). The Credit Facility Agreement provided for a $9.0 million term loan (" **Term Loan 1** "). The Credit Facility Amendment provides for (i) a $15.0 million term loan (" **Term Loan 2** "); (ii) the amendment of certain financial covenants in the Credit Facility Agreement; and (iii) amendments to the Company's existing $8.0 million working capital revolving line of credit (" **Revolving Loan** ").

Term Loan 1 is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under Term Loan 1 bear interest at either (i) the bank's Reference Rate (prime rate) minus 0.50% or (ii) the London Interbank Offering Rate (" **LIBOR** ") plus 2.50%, at the option of the Company. Interest under Term Loan 1 adjusts (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. Borrowings under Term Loan 1 are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 1 matures on December 31, 2017. Borrowing under Term Loan 1 was limited to use for the acquisition of AutoUSA, and the Company drew down the entire $9.0 million of Term Loan 1, together with $1.0 million under the Revolving Loan, in financing this acquisition. The outstanding balance of Term Loan 1 as of March 31, 2017 was $1.7 million and is classified as a current liability on the Unaudited Consolidated Condensed Balance Sheets.

Term Loan 2 is amortized over a period of five years, with fixed quarterly principal payments of $750,000. Borrowings under Term Loan 2 bear interest at either (i) LIBOR plus 3.00% or (ii) the bank's Reference Rate (prime rate), at the option of the Company. Borrowings under the Revolving Loan bear interest at either (i) the LIBOR plus 2.50% or (ii) the bank's Reference Rate (prime rate) minus 0.50%, at the option of the Company. Interest under both Term Loan 2 and the Revolving Loan adjust (i) at the end of each LIBOR rate period (1, 2, 3, 6 or 12 months terms) selected by the Company, if the LIBOR rate is selected; or (ii) with changes in Union Bank's Reference Rate, if the Reference Rate is selected. The Company paid an upfront fee of 0.10% of the Term Loan 2 principal amount upon drawing upon Term Loan 2 and also pays a commitment fee of 0.10% per year on the unused portion of the Revolving Loan, payable quarterly in arrears. Borrowings under Term Loan 2 and the Revolving Loan are secured by a first priority security interest on all of the Company's personal property (including, but not limited to, accounts receivable) and proceeds thereof. Term Loan 2 matures June 30, 2020, and the maturity date of the Revolving Loan was extended from March 31, 2017 to April 30, 2018. Borrowings under the Revolving Loan may be used as a source to finance working capital, capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under Term Loan 2 was limited to use for the acquisition of Dealix/Autotegrity, and the Company drew down the entire $15.0 million of Term Loan 2, together with $2.75 million under the Revolving Loan and $6.76 million from available cash on hand, in financing this acquisition. The outstanding balances of Term Loan 2 and the Revolving Loan as of March 31, 2017 were $9.8 million and $8.0 million, respectively.

The Credit Facility Agreement contains certain customary affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain specified levels of minimum consolidated liquidity and quarterly and annual earnings before interest, taxes and depreciation and amortization, which the Company was in compliance with as of March 31, 2017.

10. 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.

11. Income Taxes

We have adopted the provisions of ASU 2016-09 as of January 1, 2017 which requires recognition through opening retained earnings of any pre-adoption date net operating loss (" **NOL** ") carryforwards from nonqualified stock options and other employee share-based payments (e.g., restricted shares and share appreciation rights), as well as recognition of all income tax effects from share-based payments arising on or after January 1, 2017 in income tax expense. As a result, we recognized through opening retained earnings $18.4 million of pre-adoption date NOL carryforwards with remaining carryforward periods of at least seven years (the corresponding deferred tax asset is $6.5 million). No valuation allowance is needed as the newly recognized NOL is considered more likely than not realizable given that we have sufficient positive sources of taxable income including continued profitability and utilization of NOLs, taxable reversing temporary differences and reliable forecast of income. In addition, we realized shortfall tax deficiencies in the interim period of adoption of $0.2 million, which we recognized as a discrete period income tax expense as required by the ASU. This detriment resulted in increasing our effective tax rate for the interim period by 18.39%.

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 (benefit) 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.

The Company's effective tax rate for the three months ended March 31, 2017 differed from the U.S. federal statutory rate primarily due to state income taxes and tax deficiencies from stock-based compensation.

The total amount of unrecognized tax benefits, excluding associated interest and penalties, was $0.5 million as of March 31, 2017, all of which, if subsequently recognized, would have affected the Company's tax rate.

As of March 31, 2017 and December 31, 2016, the total balance of accrued interest and penalties related to uncertain tax positions was zero. 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 (benefit) for the three months ended March 31, 2017 and March, 31, 2016.

The Company is subject to taxation in the U.S. and in various foreign and state jurisdictions. Due to expired statutes of limitation, the Company's federal income tax returns for years prior to calendar year 2013 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 2012 are no longer subject to examination. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

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

Cautionary Note Concerning Forward-Looking Statements

The Securities and Exchange Commission (" **SEC** ") encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This 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, 2016 (" **2016 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 2016 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 on Form 10-Q. 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.

Unless the context otherwise requires, the terms "we", "us", "our", "Autobytel" and "Company" refer to Autobytel Inc. and its consolidated subsidiaries.

Basis of Presentation and Critical Accounting Policies

See Note 2, *Basis of Presentation* , to the accompanying unaudited consolidated condensed financial statements.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America (" **GAAP** "), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and our actual results, our financial condition or results of operations may be affected. For a detailed discussion of the application of our critical accounting policies, see Note 2 of the "Notes to Consolidated Financial Statements" in Part II, Item 8 "Financial Statements and Supplementary Data" in the 2016 Form 10-K. Except for the accounting pronouncements adopted by the Company that are described in Note 3 included in Part I, Item 1 of this Quarterly Report on Form 10-Q, there have been no changes to our critical accounting policies since we filed our 2016 Form 10-K.

Recent Disposal

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

For additional information concerning this disposal, see Note 4, *Disposal of Specialty Finance Leads Product* , Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Overview

We are an automotive marketing services company that assists automotive retail dealers (" **Dealers** ") and automotive manufacturers (" **Manufacturers** ") market and sell new and used vehicles to consumers through our programs for online lead referrals (" **Leads** "), Dealer marketing products and services, online advertising and consumer traffic referral programs and mobile products.

Our consumer-facing automotive websites (" **Company Websites** "), including our flagship website Autobytel.com®, provide consumers with information and tools to aid them with their automotive purchase decisions and the ability to submit inquiries requesting Dealers to contact the consumers regarding purchasing or leasing vehicles (" **Vehicle 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.

We measure Lead quality by the conversion of Leads to actual vehicle sales, which we refer to as the "buy rate." Buy rate is the percentage of the consumers submitting Leads that we delivered to our customers represented by the number of these consumers who purchased vehicles within ninety days of the date of the Lead submission. We rely on detailed feedback from Manufacturers and wholesale customers to confirm the performance of our Leads. Our Manufacturer and wholesale customers each match the Leads we deliver to our customers against vehicle sales to provide us with information about vehicle purchases by the consumers who submitted Leads that we delivered to these customers. Autobytel also obtains vehicle registration data from a third party provider. This information, together with our internal analysis allows us to estimate the buy rates for the consumers who submitted the Internally Generated Leads and Non-Internally Generated Leads that we delivered to our customers, and based on these estimates, to estimate an industry average buy rate. Based on the most current information and our internal analysis, we have estimated that, on average, consumers who submit Internally-Generated Leads that we deliver to our customers have an estimated buy rate of approximately 18%. Buy rates that individual Dealers may achieve can be impacted by factors such as the strength of processes and procedures within the dealership to manage communications and follow up with consumers.

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

For the three months ended March 31, 2017 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 effect of unemployment on the number of vehicle purchasers;
- Pricing and purchase incentives for vehicles;
- The expectation that consumers will be purchasing fewer vehicles overall during their lifetime as a result of better quality vehicles and longer warranties;
- The impact of fuel prices on demand for the number and types of vehicles;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale customers in our customer base;
- The effect of changes in search engine algorithms and methodologies on our Lead generation and website advertising activities and margins;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations;
- The competitive impact of consolidation in the online automotive referral industry; and
- The effect of changes in transportation policy, including the potential increase of transportation options.

In addition, our future business, results of operations and financial condition will be affected by our acquisition of AutoWeb, discussed above in the Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016

The following table sets forth certain statement of operations data for the three-month periods ended March 31, 2017 and 2016 (certain amounts may not calculate due to rounding):

	2017	% of total revenues	2016	% of total revenues	$ Change	% Change
	(Dollar amounts in thousands)					
Revenues:						
Lead fees	$ 29,092	78%	$ 31,996	88%	$ (2,904)	(9)%
Advertising	7,969	21	3,766	11	4,203	112
Other revenues	280	1	485	1	(205)	(42)
Total revenues	37,341	100	36,247	100	1,094	3
Cost of revenues	24,430	66	22,612	62	1,818	8
Gross profit	12,911	34	13,635	38	(724)	(5)
Operating expenses:						
Sales and marketing	3,763	10	5,677	16	(1,914)	(34)
Technology support	3,253	9	4,188	12	(935)	(22)
General and administrative	3,482	9	3,373	9	109	3
Depreciation and amortization	1,229	3	1,286	3	(57)	(4)
Litigation settlements	(25)	—	(5)	—	(20)	400
Total operating expenses	11,702	31	14,519	40	(2,817)	(19)
Operating income (loss)	1,209	3	(884)	(2)	2,093	237
Interest and other income (expense), net	(100)	—	(224)	(1)	124	(55)
Income (loss) before income tax provision (benefit)	1,109	3	(1,108)	(3)	2,217	200
Income tax provision (benefit)	625	2	(432)	(1)	1,057	245
Net income (loss)	$ 484	1%	$ (676)	(2)%	$ 1,160	172%

Leads. Lead fees revenues decreased $2.9 million, or 9%, in the first quarter of 2017 compared to the first quarter of 2016 primarily as a result of the disposal of our specialty finance leads product and the effects of the elimination of poor quality traffic during 2016 from the Dealix/Autotegrity acquisition in May 2015.

Advertising. Advertising revenues increased $4.2 million, or 112%, in the first quarter of 2017 compared to the first quarter of 2016 as a result of an increase in click revenue due to increased click volume and pricing.

Other Revenues. Other revenues consist primarily of revenues from our mobile products and revenues from our Reseller Agreement with SaleMove. Other revenues decreased to $0.3 million in the first quarter of 2017 from $0.5 million in the first quarter of 2016 primarily due to the discontinuation of a Manufacturer's brand utilizing other Company products.

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 online automotive information providers. Other cost of revenues consists of search engine marketing (" **SEM** ") and fees paid to third parties for data and content, including search engine optimization (" **SEO** ") activity, included on our 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 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 $1.8 million, or 8%, in the first quarter of 2017 compared to the first quarter of 2016 primarily due to increased traffic acquisition costs associated with both lead and click volume offset by a decrease in cost of revenues associated with the specialty finance divestiture effective December 31, 2016.

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 first quarter of 2017 decreased $1.9 million, or 34%, compared to the first quarter of 2016 due primarily to non-recurring severance related expenses in the first quarter of 2016.

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 first quarter of 2017 decreased by $0.9 million, or 22%, compared to the first quarter of 2016 due primarily to non-recurring severance related expenses in the first quarter of 2016.

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 first quarter of 2017 was relatively flat from the first quarter of 2016.

Depreciation and Amortization. Depreciation and amortization expense in the first quarter of 2017 decreased $57,000 to $1.2 million compared to $1.3 million in the first quarter of 2016 primarily due to normal amortization.

Litigation Settlements. Payments received primarily from 2010 settlements of patent infringement claims against third parties relating to the third parties' methods of Lead delivery were $25,000 for the first quarter of 2017 compared to $5,000 in the first quarter of 2016.

Interest and Other Income (Expense), Net. Interest and other expense was $0.1 million for the first quarter of 2017 compared to $0.2 million in the first quarter of 2016. Interest expense decreased to $203,000 in the first quarter of 2017 from $230,000 in the first quarter of 2016 primarily due to a decreased balance on our term loans.

Income Taxes. Income tax expense was $0.6 million in the first quarter of 2017 compared to income tax benefit of $0.4 million in the first quarter of 2016. Income tax expense for the first quarter of 2017 differed from the federal statutory rate primarily due to state income taxes and discrete items.

Liquidity and Capital Resources

The table below sets forth a summary of our cash flows for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	**2016**
	(in thousands)	
Net cash provided by operating activities	$ 3,462	$ 1,560
Net cash used in investing activities	(163)	(899)
Net cash used in financing activities	(2,168)	(627)

Our principal sources of liquidity are our cash and cash equivalents balances. Our cash and cash equivalents totaled $39.6 million as of March 31, 2017 compared to $38.5 million as of December 31, 2016.

For information concerning the Company's previously announced share repurchase authorization, see Note 5, Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Credit Facility and Term Loan . For information concerning our term and revolving bank loans, see Note 9, Notes to Unaudited Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Net Cash Provided by Operating Activities . Net cash provided by operating activities in the three months ended March 31, 2017 of $3.5 million resulted primarily from net income of $0.5 million, as adjusted for non-cash charges. We also had net decreases in working capital, driven by a decrease in accounts payable of $2.5 million and cash used to reduce accrued liabilities of $2.9 million primarily related to the payment of annual incentive compensation amounts accrued in 2016 and paid in the first three months of 2017 offset by a decrease in our accounts receivable balance related to the timing of payments received.

Net cash provided by operating activities in the three months ended March 31, 2016 of $1.6 million resulted primarily from adjustments for non-cash charges to earnings offset by a net loss of $0.7 million. This was offset by net decreases in working capital, driven by cash used to reduce accrued liabilities of $3.0 million primarily related to the payment of annual incentive compensation amounts accrued in 2015 and paid in the first three months of 2016.

Net Cash Used in Investing Activities . Net cash used in investing activities was $0.2 million in the three months ended March 31, 2017 which primarily related to purchases of property and equipment and expenditures related to capitalized internal use software.

Net cash used in investing activities was $0.9 million in the three months ended March 31, 2016 which primarily related to purchases of property and equipment and expenditures related to capitalized internal use software.

Net Cash Used In Financing Activities . Net cash used in financing activities of $2.2 million primarily related to payments of $2.6 million made against the term loan borrowings in the first three months of 2017. In addition, stock options for 58,959 shares of the Company's common stock were exercised in the first three months of 2017 resulting in $0.5 million cash inflow.

Net cash used in financing activities primarily related to payments of $1.3 million made against the term loan borrowings in the first three months of 2016. In addition, stock options for 53,839 shares of the Company's common stock were exercised in the first three months of 2016 resulting in $0.7 million cash inflow.

Off-Balance Sheet Arrangements

At March 31, 2017, 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 three months ended March 31, 2017 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 2016 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 are (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 errors 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.

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PART II. OTHER INFORMATION

Item 6. Exhibits

2.1‡	Asset Purchase and Sale Agreement dated as of December 19, 2016 by and among Autobytel, Car.com, Inc., a Delaware corporation, and Internet Brands, Inc., a Delaware corporation, incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on December 21, 2016 (SEC File No. 001-34761)
3.1	Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. (formerly Autobytel.com Inc.) certified by the Secretary of State of Delaware (filed December 14, 1998), as amended by Certificate of Amendment dated March 1, 1999, Second Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. dated July 22, 1999, Third Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. dated August 14, 2001, and Amended Certificate of Designation of Series A Junior Participating Preferred Stock dated April 24, 2009, which are incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 filed with the SEC on April 24, 2009 (SEC File No. 000-22239); Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. dated July 10, 2012, which is incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on July 12, 2012 (SEC File No. 001-34761); and Fifth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. dated July 3, 2013, which is incorporated herein by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed with the SEC on August 1, 2013 (SEC File No. 001-34761); and Certificate of Designations of Series B Junior Participating Convertible Preferred Stock of Autobytel Inc. dated October 1, 2015, which is incorporated herein by reference to Exhibit 3.1 to the October 2015 Form 8-K
3.2	Sixth Amended and Restated Bylaws of Autobytel Inc. dated April 13, 2017, which is incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on April 14, 2017 (SEC File No. 001-34761)
4.1	Form of Common Stock Certificate of Autobytel Inc., which is incorporated herein by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 filed with the SEC on November 14, 2001 (SEC File No. 000-22239)
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., which is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on June 2, 2010 (SEC File No. 000-22239), as amended by Amendment No. 1 to Tax Benefit Preservation Plan dated as of April 14, 2014, between Autobytel Inc. and Computershare Trust Company, N.A., as rights agent, which is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 16, 2014 (SEC File No. 001-34761), and as amended by Amendment No. 2 to Tax Benefit Preservation Plan dated as of April 13, 2017, between Autobytel Inc. and Computershare Trust Company, N.A., as rights agent, which is incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 14, 2017 (SEC File No. 001-34761)
4.3	Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan dated July 12, 2012, which 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 ‡	Transitional License and Linking Agreement, made as of January 1, 2017, by and among Internet Brands, Inc., a Delaware corporation, Car.com, Inc., a Delaware corporation, and Autobytel, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 6, 2017 (SEC File No. 001-34761)
10.2	Amended and Restated Stockholder Agreement dated as of October 1, 2015 by and among Autobytel, Auto Holdings Ltd., a British Virgin Islands business company, Manatee Ventures Inc., a British Virgin Islands business company, Galeb3 Inc., a Florida corporation, Matías de Tezanos, and José Vargas, and the other parties set forth on the signature pages thereto, which is incorporated herein by reference to Exhibit 10.2 to the October 2015 Form 8-K, as amended by Second Amended and Restated Stockholder Agreement dated as of October 19, 2016, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 21, 2016 (SEC File No. 001-34761), as amended by Third Amended and Restated Stockholder Agreement dated as of November 30, 2016, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 2, 2016 (SEC File No. 001-34761), and as amended by Fourth Amended and Restated Stockholder Agreement dated as of March 1, 2017, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 2, 2017 (SEC File No. 001-34761)
10.3 *	Amendment No. 17 dated April 14, 2017 to the Lease Agreement dated April 3, 1997 between GFE MacArthur Investments, LLC, as successor-in-interest to TFP Partners, and Autobytel

10.4	Memorandum dated January 31, 2017, amending Letter Agreement dated October 10, 2006 between Autobytel and Glenn E. Fuller, which is incorporated herein by reference to Exhibit 10.13 to the Annual Report on Form 10-K for the Year Ended of December 31, 2016 filed with the SEC on March 9, 2017 (SEC File No. 001-34761) **("2016 Form 10-K")**
10.5	Stock Memorandums dated January 22, 2016 and January 31, 2017, amending Letter Agreement dated August 6, 2004 between Autobytel and Wesley Ozima, which is incorporated herein by reference to Exhibit 10.16 to the 2016 Form 10-K
10.6	Employment Offer Letter dated February 14, 2014 between Autobytel and Taren Peng, as amended by Memorandum dated January 31, 2017, which is incorporated herein by reference to Exhibit 10.49 to the 2016 Form 10-K
10.7	Amended and Restated Letter Agreement dated April 24, 2013 between Autobytel and John Skocilic Jr., as amended by Memorandum dated January 22, 2016 and Memorandum dated January 31, 2017, which is incorporated herein by reference to Exhibit 10.16 to the 2016 Form 10-K
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 or furnished 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.

AUTOBYTEL INC.

Date: May 4, 2017

By: /s/ Kimberly S. Boren
Kimberly S. Boren
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Date: May 4, 2017

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

EXHIBIT INDEX

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10.3 *	Amendment No. 17 dated April 14, 2017 to the Lease Agreement dated April 3, 1997 between GFE MacArthur Investments, LLC, as successor-in-interest to TFP Partners, and Autobytel

10.4	Letter Agreement dated October 10, 2006 between Autobytel and Glenn E. Fuller, as amended by Memorandum dated April 18, 2008, Memorandum dated as of December 8, 2008, and Memorandum dated as of March 1, 2009, which are incorporated herein by reference to Exhibit 10.77 to the Annual Report on Form 10-K for the Year Ended December 31, 2008 filed with the SEC on March 13, 2009 (SEC File No. 000-22239) (" **2008 Form 10-K** "); and Memorandum dated January 31, 2017, amending Letter Agreement dated October 10, 2006 between Autobytel and Glenn E. Fuller, which is incorporated herein by reference to Exhibit 10.13 to the Annual Report on Form 10-K for the Year Ended of December 31, 2016 filed with the SEC on March 9, 2017 (SEC File No. 001-34761) **("2016 Form 10-K")**
10.5	Stock Letter Agreement dated August 6, 2004 between Autobytel and Wesley Ozima, as amended by Memorandum dated March 1, 2009, which are incorporated herein by reference to Exhibit 10.81 to the 2008 Form 10-K; and Memorandums dated January 22, 2016 and January 31, 2017, amending Letter Agreement dated August 6, 2004 between Autobytel and Wesley Ozima, which is incorporated herein by reference to Exhibit 10.16 to the 2016 Form 10-K
10.6	Employment Offer Letter dated February 14, 2014 between Autobytel and Taren Peng, as amended by Memorandum dated January 31, 2017, which is incorporated herein by reference to Exhibit 10.49 to the 2016 Form 10-K
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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.

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AMENDMENT NO. 17 TO LEASE

This Amendment No. 17 to Lease ("Amendment No. 17") is entered into as of the 14th day of April 2017 between GFE MacArthur Investments, LLC, a Delaware limited liability company ("Landlord"), as successor-in-interest to TPF Partners, a California general partnership, and Autobytel Inc., a Delaware corporation ("Tenant").

RECITALS

A. Tenant is the current Tenant, and Landlord is the current Landlord, under that certain Lease dated April 3, 1997 as amended in Amendment No. 1 to Lease dated July 9, 1998, Amendment No. 2 to Lease dated May 16, 2001, Amendment No. 3 to Lease dated May 16, 2001, Amendment No. 4 to Lease dated August 8, 2002, Amendment No. 5 to Lease dated September 12, 2003, Amendment No. 6 to Lease dated January 6, 2005, Amendment No. 7 to Lease dated March 14, 2005, Amendment No. 8 to Lease dated July 7, 2005, Amendment No. 9 to Lease dated July 26, 2005, Amendment No. 10 to Lease dated December 1, 2005, Notice of Lease Term Dates dated January 11, 2006, Amendment No. 11 to Lease dated January 19, 2006, Lease Surrender and Termination Agreement dated March 31, 2008, Amendment No. 12 to Lease dated February 6, 2009, Amendment No. 13 to Lease dated March 5, 2009, Amendment No. 14 to Lease dated November 29, 2010, Amendment No. 15 dated October 31, 2012, and Amendment No. 16 dated August 7, 2015 (collectively the "Lease") covering certain Premises located at the second (2^{nd}), third (3^{rd}) and 4^{th} floors at 18872 MacArthur Blvd., City of Irvine, County of Orange, State of California (collectively the “Premises”) consisting of approximately 39,361 rentable square feet, all as more particularly set forth in the Lease.

B. Landlord and Tenant desire to further amend the Lease on the terms and conditions set forth here in this Amendment No. 17.

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

1. **Extension of Lease Term:** The Term of the Lease is hereby extended for a period of Thirty-Six (36) months commencing August 1, 2017 and expiring July 31, 2020 (the "Extended Term").

2. **Base Rent:** Base Rent for the Premises during the Extended Term shall be as follows:

Period	Base Rent PSF*	Monthly
August 1, 2017 - July 31, 2018	$2.00	$65,518.00
August 1, 2018 - July 31, 2019	$2.06	$67,483.54
August 1, 2019 - July 31, 2020	$2.12	$69,508.05

* Landlord and Tenant acknowledge and agree that during the Extended Term Tenant shall not be obligated to pay Base Rent or any Additional Rent with respect to any of the Recapture Premises (as defined in Section 6, below) and, accordingly, Base Rent and Tenant's Proportionate Share shall be calculated based on 32,759 rentable square feet (rather than the 39,361 rentable square feet currently comprising the Premises). Such 32,759 rentable square feet used to calculate Base Rent and Tenant' Proportionate Share during the Extended Term shall not be subject to adjustment except for a potential downward adjustment as described in Section 6, below.

3. **Base Year:** Commencing August 1, 2017, Tenant’s Base Year shall be reset to calendar year 2017, and Tenant shall have no obligation to pay Operating Costs, Operating Expenses or other expense pass throughs for the initial twelve (12) months of the Extended Term. Additionally, during the Extended Term, Tenant shall not be obligated to pay for any Operating Costs, Operating Expenses or other expense pass throughs related to 1) Taxes, or 2) capital improvements or other Major Expenditures. Tenant’s Proportionate Share during the Extended Term shall be 65.38% (which shall not be subject to adjustment except for a possible downward adjustment as described in Section 6, below).

4. **Security Deposit:** Landlord acknowledges that it is currently holding a security deposit from Tenant in the amount of $48,912.00. No any additional security deposit shall be required in connection with this Amendment No. 17.

5. **Condition of Premises:** Tenant acknowledges that Landlord has made no representation and has given no warranty to Tenant regarding the fitness of the Leased Premises for Tenant’s continued use, and Tenant accepts the Premises in its “AS-IS” condition and “WITH ALL FAULTS”. The foregoing shall not limit Landlord’s obligations set forth in the Lease, including, without limitation, Landlord's obligations with respect to repair, maintenance, restoration and the provision of services and utilities.

6. **Recapture Premises on 4 th Floor** :

(a) Effective as of August 1, 2017, Landlord shall have the right (but not the obligation) to market up to ½ of the 4 th floor (approx. 6,603 RSF), as generally depicted on Exhibit A attached hereto (the "Recapture Premises"), for lease. The exact location and configuration of the Recapture Premises shall be determined by Landlord and Tenant using good faith efforts promptly following Landlord's design plan for multi-tenanting the 4 th floor (i.e. , location of demising wall(s), multi-tenant corridor(s), exiting, access controls, HVAC segregation, etc.). In that regard, the parties agree that the Recapture Premises shall (i) be horizontally contiguous, (ii) not render any of the remaining space on the 4th floor inaccessible from a normally configured multi-tenant corridor, and (iii) not adversely affect Tenant's occupancy, access or use of the remainder of the Premises on the 4 th floor or cause any violations thereof with applicable laws (including, without limitation, fire, life-safety and access codes). Any marketing to or site visits by prospective tenants of the Recapture Premises will be conducted in cooperation with Tenant to minimize any disruption of or interference with Tenant's business and use of the Premises.

(b) From and after August 1, 2017, and provided that the design plan as described above has been completed and Landlord has commenced negotiations (as evidenced by the receipt by or submittal from Landlord of a bona fide draft letter of intent, term sheet, proposal or specifically prepared and tailored lease document that Landlord is willing to accept) with a prospective tenant or tenants for the Recapture Premises, Landlord may, by written notice to Tenant (the "Recapture Notice"), recapture the Recapture Premises on the date set forth in the Recapture Notice (the "Recapture Date"), which Recapture Date shall be not less than sixty (60) days after Tenant's receipt of the Recapture Notice.

(c) If Landlord elects to recapture the Recapture Premises as described above, (i) the Lease shall terminate as to the Recapture Premises on the Recapture Date (and the Lease, as amended by this Amendment No. 17, shall continue thereafter in full force and effect as the remainder of the Premises), and upon the request of either party, the parties shall execute written confirmation of the same, (ii) on or before the Recapture Date, Tenant shall remove its furniture and equipment from the Recapture Premises and surrender the same to Landlord in substantially the same condition as existing as of commencement of the Extended Term, ordinary wear and tear, casualty, condemnation and matters that are Landlord's obligation excepted, and (iii) Landlord shall install, on a commercially reasonable basis, and at Landlord's sole cost and expense, the corridor(s), demising wall(s), access controls, HVAC segregation and other multi-tenanting improvements contemplated by the design plan and as otherwise necessary to create a multi-tenant floor and to separate the Recapture Premises from the rest of the Premises (collectively, the "Multi-Tenant Floor Work"). Landlord shall use commercially reasonable efforts to minimize interference with Tenant's business operations during or resulting from the Multi-Tenant Floor Work. Any necessary relocation of Tenant's phone, data, cabling, utility or other lines currently located in the Recapture Premises or affected by the Multi-Tenant Floor Work shall be performed by Landlord at its sole cost and expense pursuant to a schedule mutually acceptable to Landlord and Tenant so that Tenant's operations during normal business hours are not adversely affected.

(d) After Landlord has completed the Multi-Tenant Floor Work, Landlord shall, at Tenant's request, have the usable and rentable square feet of the Recapture Premises and the remainder of the Premises on the 4 th floor measured by a qualified office space measurement firm in accordance with BOMA and provide a copy of such measurement to Tenant. If such measurement indicates that the remainder of the Premises on the 4 th floor is less than 6,603 rentable square feet, the Base Rent and Tenant's Proportionate Share shall be adjusted to reflect such reduction. In no event shall such measurement, however, result in any increase in the Base Rent or Tenant's Proportionate Share.

7. **Parking:** In common surface parking shall be provided to Tenant at a ratio of four (4) stalls per 1,000 rentable square feet, at no charge, in the existing parking area for the Premises. Such parking shall be based on the rentable square footage of the entire current Premises including the Recapture Premises. Subject to the conditions in Section 6, in the event that Landlord elects to take possession of the Recapture Premises, as of the Recapture Date Tenant's allocation of parking stalls shall be reduced to a ratio of four (4) stalls per 1,000 rentable square feet, at no charge. Such reduced parking shall be based on the rentable square footage of the entire current Premises, not including the Recapture Premises. Any redevelopment, demolition or construction in areas of Colton Plaza shall not reduce the number of parking spaces available to Tenant as set forth in this Section 7, and shall not impair Tenant's access or egress to or from, nor use of, such existing parking area in any material way.

8. **Options:** Upon acceptance and execution of this Amendment No. 17, Tenant shall have no further options to extend the lease. Any references in the Master Lease or prior amendments to an option to extend are hereby rescinded by this Amendment No. 17.

9. **Landlord's Right to Terminate:** Upon acceptance and execution of this Amendment No. 17, Landlord shall have no ongoing right to terminate the Lease prior to the natural expiration on July 31, 2020. Any references in the Master Lease or prior amendments to a Landlord right to terminate are hereby rescinded by this Amendment No. 17.

10. **Authority** . Each individual executing this Amendment No. 17 on behalf of Tenant hereby represents and warrants (without any personal liability) that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Amendment No. 17 and that each person signing on behalf of Tenant is authorized to do so. Tenant shall, promptly following Landlord's request therefor, deliver to Landlord evidence of such formation, existence, qualification and authority. Likewise, each individual executing this Amendment No. 17 on behalf of Landlord hereby represents and warrants (without any personal liability) that Landlord is a duly formed and existing entity qualified to do business in California and that Landlord has full right and authority to execute and deliver this Amendment No. 17 and that each person signing on behalf of Landlord is authorized to do so. Landlord shall, promptly following Tenant's request therefor, deliver to Tenant evidence of such formation, existence, qualification and authority.

11. **Attorneys' Fees.** If either party commences litigation against the other for the specific performance of this Amendment No. 17, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred, whether at trial or on any appeal therefrom, including any and all costs incurred in enforcing, perfecting and executing such judgment.

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

13. **Brokers**. Tenant represents and warrants to Landlord that Tenant has not dealt with any real estate broker or agent in connection with this Amendment No. 17 or its negotiation except for Landlord, Lee & Associates, Inc. - Irvine, ("Landlord's Agent") and CBRE ("Tenant's Agent"). Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any and all cost, expenses, claims, and liabilities (including costs of suit and reasonable attorneys' fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Amendment or its negotiation by reason of any act of Tenant. Landlord shall indemnify, defend, protect and hold Tenant harmless from and against any and all cost, expenses, claims, and liabilities (including costs of suit and reasonable attorneys' fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Amendment or its negotiation by reason of any act of Landlord. Landlord shall be solely responsible for payment of a commission to Landlord's Agent and Tenant's Agent pursuant to the terms of a separate written agreement.

14. **Confidentiality**. Tenant and Landlord shall keep confidential and shall not intentionally and voluntarily disclose the terms and conditions set forth in this Lease (except to disclose the location and size of the Premises and the term of the Lease), including, without limitation, the basic rent and additional rent and all other financial terms, without the prior written consent of the other, except: (1) to its directors, officers, partners, members, managers, legal counsel, accountants, financial advisors and similar professionals and consultants to the extent that Tenant or Landlord deems it necessary or appropriate in connection with the transactions contemplated hereunder (and each party shall inform each of the foregoing parties of its obligations under this Section and use reasonable efforts to secure the agreement of such parties to be bound by the confidentiality terms hereof), (2) to prospective assignees, sublessees, purchasers, lenders and/or investors, or (3) as otherwise required by law or regulation, including filings required (as determined by the filing party) by applicable government agencies.

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

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

Except as modified by Amendment No. 17, all terms set forth in the Lease, as amended, continue to be in full force and effect.

[Signature Page Follows]

IN WITNESS WHEREOF , the parties have entered into this Amendment No. 17 as of the day and year first written above.

LANDLORD:

GFE MacArthur Investments, LLC,
a Delaware limited liability company

By: /s/Sean Cao

Print Name: Sean Cao

Title: Manager

Date: 4/17/17

TENANT:

Autobytel Inc.,
a Delaware corporation

By: /s/Jeffrey H. Coats

Print Name: Jeffrey H. Coats

Title: President & Chief Executive Officer

Date: April 14, 2017

By: /s/Glenn E. Fuller

Print Name: Glenn E. Fuller

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

Date: April 14, 2017

Exhibit A

General Location and Configuration of Recapture Premises

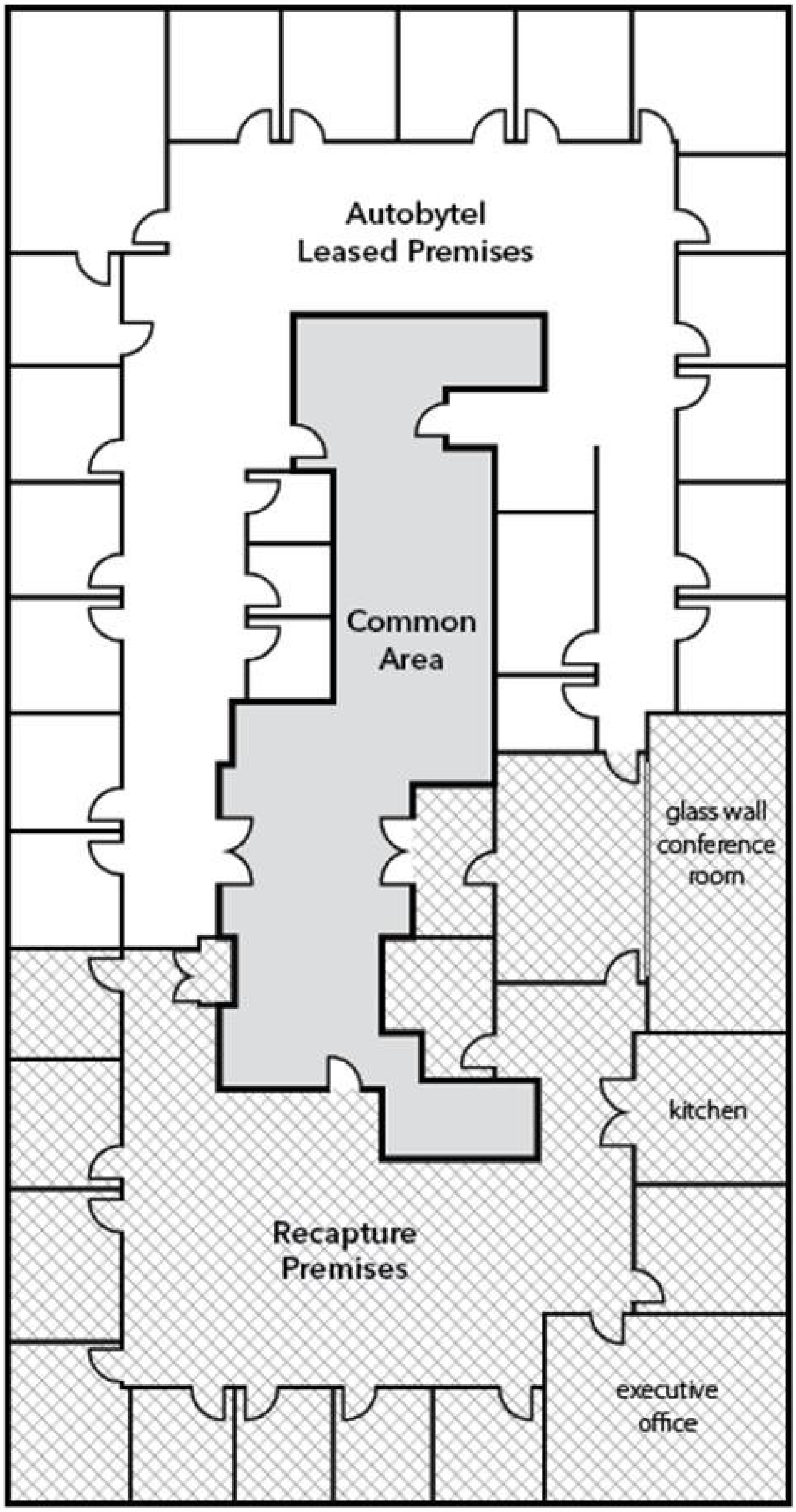

Exhibit 31.1

CERTIFICATION

I, Jeffrey H. Coats, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Autobytel Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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: May 4, 2017

/s/ Jeffrey H. Coats
Jeffrey H. Coats
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Kimberly S. Boren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Autobytel Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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: May 4, 2017

/s/ Kimberly S. Boren
Kimberly S. Boren,
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Autobytel Inc. (the " *Company* ") on Form 10-Q for the period ended March 31, 2017 (the " *Report* "), we, Jeffrey H. Coats, President and Chief Executive Officer of the Company, and Kimberly S. Boren, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Jeffrey H. Coats
Jeffrey H. Coats
President and Chief Executive Officer
May 4, 2017

/s/ Kimberly S. Boren
Kimberly S. Boren
Executive Vice President and
Chief Financial Officer
May 4, 2017

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to Autobytel Inc. and will be retained by Autobytel Inc. and furnished to the Securities and Exchange Commission or its staff upon request.