AUTOBYTEL INC

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

Or

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

For the transition period from _____ to

Commission File Number 1-34761

Autobytel Inc.

(Exact Name of Registrant as Specified in Its Charter)

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

18872 MacArthur Boulevard, Suite 200
Irvine, California 92612-1400
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code (949) 225-4500
Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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

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

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

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

Based on the closing sale price of $4.77 for our common stock on The NASDAQ Capital Market on June 28, 2013, the aggregate market value of outstanding shares of common stock held by non-affiliates was approximately $42 million.

As of February 18, 2014, 8,909,737 shares of our common stock were outstanding.

Documents Incorporated by Reference

Portions of our Definitive Proxy Statement for the 2014 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Autobytel Inc.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. *Business*

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

Overview

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

Available Information

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

Significant Business Developments

Acquisitions

On January 13, 2014, Autobytel and AutoNation, Inc., a Delaware corporation (" **Seller Parent** "), and AutoNationDirect.com, Inc., a Delaware corporation and subsidiary of Seller Parent (" **Seller** "), entered into and consummated a Membership Interest Purchase Agreement by which Autobytel acquired all of the issued and outstanding membership interests in AutoUSA, LLC, a Delaware limited liability company and a subsidiary of Seller (" **AutoUSA** "). AutoUSA, a competitor to the Company, is a (i) Lead aggregator purchasing internet-generated automotive consumer leads from third parties and reselling those consumer Leads to automotive vehicle Dealers; and (ii) reseller of third party products and services to automotive Dealers. See Note 10 of the "Notes to Consolidated Financial Statements" in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Effective October 1, 2013 (" **Advanced Mobile Acquisition Date** "), the Company acquired substantially all of the assets of privately-held Advanced Mobile, LLC, a Delaware limited liability company, and Advanced Mobile Solutions Worldwide, Inc., a Delaware corporation (collectively referred to in this Annual Report on Form 10-K as " **Advanced Mobile** "). Advanced Mobile, now Autobytel Mobile, provides mobile marketing solutions (e.g., mobile applications, mobile portals, mobile websites, text-chat, mobile text marketing, self-service mobile messaging, quick response codes, text messaging, short message service and multimedia service) for the automotive industry. Text chat provides a web-based portal that allows Dealers to centrally manage text communications. The acquired assets consisted primarily of customer contracts, technology license rights and rights in domain names and short codes used for SMS texting. As a result of the acquisition, the Company offers Manufacturers and Dealers the ability to connect with consumers using text communication via a secure platform. In addition, Autobytel now offers Dealers a comprehensive suite of mobile products, including mobile apps, mobile websites, Send2Phone capabilities and text message marketing. See Note 3 of the "Notes to Consolidated Financial Statements" in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Strategic Investments

In September 2013 we entered into a Contribution Agreement with privately-held AutoWeb, Inc., a Delaware corporation (" **AutoWeb** "), in which we contributed to AutoWeb $2.5 million and assigned to AutoWeb all our ownership interests in the autoweb.com domain name and two registered trademarks related to the AutoWeb name and related recognition in exchange for 8,000 shares of AutoWeb Series A Preferred Stock, $0.01 par value per share. The 8,000 shares of AutoWeb Series A Preferred Stock are convertible into AutoWeb common stock on a one-for-one basis (subject to adjustments for stock splits, stock dividends, combinations and recapitalizations) and represented 16% of all issued and outstanding common stock of AutoWeb as of September 18, 2013, on a fully diluted basis. The Company also obtained an option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock at a per share exercise price of $500, which option expires September 2015. In connection with this investment, the Company also entered into arrangements with AutoWeb to use the AutoWeb pay-per-click, auction-driven automotive marketplace technology platform as both a publisher and as an advertiser.

In September 2013 we invested $150,000 in SaleMove, Inc. (" **SaleMove** ") in the form of a convertible promissory note. The convertible promissory note accrues interest an annual rate of 6.0% and is due and payable in full on August 14, 2015 unless converted prior to the maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note. In October 2013 the Company entered into an agreement with SaleMove to become the exclusive provider to the automotive industry of SaleMove's technology for enhancing communications with consumers. SaleMove's patent-pending technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. 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 committed to advance SaleMove up to $1.0 million to fund SaleMove's fifty percent 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.

Industry Background

The internet has been rapidly adopted by consumers engaged in the vehicle purchasing process, primarily because the internet has become the best method to easily find the information necessary to make informed buying decisions. Additionally, the internet has become a primary tool for consumers to begin communicating with local automotive Dealers regarding vehicle pricing, availability, options, and financing. J.D. Power and Associates reported in 2013 that nearly 80% of all U.S. new light vehicle consumer buyers have moved to the internet as a primary vehicle research and shopping tool . In addition, many Dealers and all Manufacturers use the internet as an efficient way to reach those consumers through marketing programs.

According to a 2014 press release by LMC Automotive, formerly J.D. Power and Associates, U.S. light vehicle sales increased 7.6% in 2013 compared to 2012, or 15.6 million for 2013 from 14.5 million for 2012. The U.S automotive market continues recovery with R.L. Polk & Co. and J.D. Power and Associates forecasting 2014 U.S. light vehicle sales at 16.0 million and 16.2 million. We believe this recovery should result in increased use of the internet for consumers engaged in the vehicle purchasing process and increased submission of Leads by consumers in 2014.

Products and Services

Leads are internally-generated from our Company Websites (" **Internally-Generated Leads** ") or acquired from third parties (" **Non-Internally-Generated Leads** ") that generate Leads from their websites (" **Non-Company Websites** "). We sell Internally-Generated Leads and Non-Internally-Generated Leads directly to Dealers and indirectly to Dealers through a wholesale market consisting of Manufacturers and other third parties in the automotive Lead distribution industry. In conjunction with our Lead programs, we also offer Dealers and Manufacturers other products and services, including our iControl by Autobytel ®, WebLeads+, Email Marketing Manager, and Lead Call products and services, to assist them in capturing online, in-market customers and selling more vehicles by improving conversion of Leads to sale transactions.

Vehicle Lead Programs

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

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

Our Leads are subject to a quality verification that is designed to maintain the high quality of our Leads and increase the Lead closing rates for our Lead customers. Quality verification includes the validation of name, phone number, email address, and postal address. Our quality verification also involves proprietary systems as well as partnerships with vendors specializing in customer validation. After a Lead has been subjected to quality verification, if we have placement coverage for the Lead within our own Dealer network, we send the Lead to Dealers that sell the type of vehicle requested in the consumer's geographic area. We also send an email message to the consumer with the Dealer's name and phone number and if the Dealer has a dedicated internet manager, the name of that manager. Dealers contact the consumer, generally within 24 hours of receiving the Lead, with a price quote and availability information for the requested vehicle. In addition to sales of Leads direct to Dealers in our network, we also sell Leads wholesale to Manufacturers for delivery to their Dealers and to third parties that have placement coverage for the Lead with their own customers.

Dealers participate in our retail new Vehicle Lead program by entering into contracts directly with us or through major Dealer groups. Generally, our Dealer contracts may be terminated by either party on 30 days' notice and are non-exclusive. The majority of our retail new Vehicle Lead revenues consists of either a monthly subscription or a per Lead fee paid by Dealers in our network; however, under our recently introduced Pay-per-Sale program, we offer a limited number of Dealers in states where we are permitted to charge on a per transaction basis the opportunity to pay a flat per transaction fee for a Lead that results in a vehicle sale. We reserve the right to adjust our fees to retail Dealers upon 30 days' prior notice at any time during the term of the contract. Manufacturers (directly or through their marketing agencies) and other third parties participate in our wholesale new Vehicle Lead programs generally by entering into agreements where either party has the right to terminate upon prior notice, with the length of the time for notice varying by contract. Revenues from retail new Vehicle Leads accounted for 28% and 31% of total revenues in 2013 and 2012, respectively. Revenues from wholesale Leads accounted for 51% and 47% of total revenues in 2013 and 2012, respectively.

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

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

Also during 2013, we continued to focus our Dealer acquisition and retention strategies on dealerships to which we could deliver a higher percentage of our Internally-Generated Leads and that are more cost effective for us to support. We believe this will result in increased vehicle sales for our Dealers and ultimately stronger relationships with us because, based on our evaluation of the third party performance data discussed above, we believe our Internally-Generated Leads are of high quality. We believe that this strategy should allow us to have more profitable relationships with our Dealers both in terms of cost to supply Leads and to support the Dealers. For 2013, we increased the number of our Dealers and ended the year with 2% more Dealers compared to the number of Dealers at year-end 2012. Dealer count is the sum of the number of Dealer franchises subscribing to our new vehicle Purchase Request programs and the number of Dealer franchises and independent Dealers subscribing to our used vehicle Purchase Request program, with Dealers participating in more than one of these programs counted by the number of programs in which they participate.

Used Vehicle Lead Program. Our used Vehicle Lead program allows consumers to search for used vehicles according to specific search parameters, such as the price, make, model, mileage, year and location of the vehicle. The consumer is able to locate and display the description, price, and, if available, digital images of vehicles that satisfy the consumer's search parameters. The consumer can then submit a Lead for additional information regarding a specific vehicle that we then deliver to the Dealer offering the vehicle. In addition to sending Leads directly to Dealers through our Lead delivery system, consumers may choose to contact the Dealer using a toll free number posted next to the vehicle search results. We charge each Dealer that participates in the used Vehicle Lead program a monthly subscription or per Lead fee. Revenues from used Vehicle Leads accounted for 8% and 7% of total revenues in 2013 and 2012, respectively.

Finance Lead Program

Our Finance Lead program is designed to provide consumers who may not be able to secure loans through conventional lending sources the opportunity to obtain vehicle financing and other services from Dealers or finance institutions offering vehicle financing to these consumers. Consumers can submit a request for vehicle financing or submit a credit questionnaire for a credit report or other credit services that are provided by third party providers. Finance Leads are forwarded to the nearest participating Dealer that offers financing or, if a Dealer is not available, to an automotive finance institution. We charge each Dealer and finance institution that participates in the Finance Lead program a monthly subscription or per Lead fee. Revenues from Finance Leads accounted for 8% and 9% of total revenues in 2013 and 2012, respectively. We have a call center program that consists of telephone surveys of Finance Lead consumers. The purpose of this program is to evaluate consumer experience with our Dealers and other financing customers and our Finance Lead program and to determine whether or not the consumers purchased a vehicle. In addition, we inquire about the consumer's interest in obtaining information or quotes for relevant products and services, including credit report repair and vehicle loan refinancing, offered by third parties. If the consumer expresses an interest, we refer the consumer to the third party and obtain a referral fee.

Other Dealer Products and Services

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

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

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

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

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

Mobile Products and Services. Our mobile technologies facilitate communication between Dealers and car buyers on smart phones and tablets at the time, place and in a manner preferred by consumers. This advanced platform will be the core of a wide array of mobile services Autobytel will offer to its Dealer and Manufacturer customers, and will also be available to consumers through our websites. At the center of this platform is Autobytel's unique TextShield product that offers Dealers the ability to connect with consumers using text communication via a secure platform that protects the consumer's privacy. In addition, we will offer dealers tactical mobile websites designed to drive consumer engagement with dealers as well as mobile apps, text message marketing and the ability for a consumer to send information to their mobile devices using our "send to phone" product.

SaleMove Products and Services. Our exclusive arrangement with SaleMove allows Autobytel to provide the automotive industry with innovative technology for enhancing communications with consumers. SaleMove's patent-pending technology allows auto dealers and manufacturers to enhance the online shopping experience by interacting with consumer in real time using the method most comfortable to them including live video, audio and text based chat or by phone.

Advertising Programs

Our Company Websites attract an audience of prospective automotive buyers that advertisers can target through display advertising. A primary way advertisers use our Company Websites to reach consumers is through vehicle content targeting . This allows automotive marketers to reach consumers while they are researching one of our comprehensive automotive segments such as mini-vans or SUVs and offer Manufacturers sponsorship opportunities to assist in their efforts both in terms of customer retention and conquest strategies. Our Company Websites also offer Manufacturers the opportunity to feature their makes and models within highly contextual content. Through their advertising placements, Manufacturers can direct consumers to their respective websites for further information. We believe this transfer of consumers from our Company Websites to Manufacturer sites is the most significant action measured by Manufacturers in evaluating our performance and value as a marketing partner. In September 2013, we entered into an agreement with Jumpstart Automotive Group (" **Jumpstart** ") whereby Jumpstart sells our fixed placement advertising across our Company Websites to automotive advertisers. Jumpstart currently reaches 26.0 million unique visitors per month and works with every major automotive Manufacturer across its portfolio of digital publishers. We also have a direct marketing platform that enables Manufacturers to selectively target in-market consumers during the often-extended vehicle shopping process. Designed to keep a specific automotive brand in consideration, our direct marketing programs allow automotive marketers to deliver specific communication through either email or direct mail formats to in-market consumers during their purchase cycle. Advertising revenues including direct marketing accounted for 4% and 5% of total revenues in 2013 and 2012, respectively.

Data Licensing

We have developed, internally or in partnership with others, data and market analytics products utilizing information from users of our Company Websites. These products provide marketing insights to advertisers and agencies demanding better performance from their advertising dollars across online and offline sources. We license the use of our aggregated Lead data to third parties for the purposes of advertising targeting and optimization. We also license our audience (i.e., website cookie) data to various advertising targeters to add to their existing cookie pools that they offer to advertisers. We sell our data direct to advertisers and other users of our data without the use of third party advertising targeters.

Strategy

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

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

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

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

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

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

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

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

Further Increasing Vehicle Lead Sales to New and Existing Manufacturer Customers. We have existing relationships with most Manufacturers that market their vehicles in the U.S. We sell Vehicle Leads to our Manufacturer customers that they in turn provide to their Dealers to help them market and sell new and used vehicles. Our goal is to increase our sales to these existing customers, as well as new customers, primarily by increasing the quality of the Leads we deliver to them.

Increasing Advertising Revenues. As traffic to and time spent on our Company Websites by consumers increases, we will seek to increase our advertising revenues. We have partnered with Jumpstart in order to leverage their relationships with every major automotive Manufacturer and/or their advertising agencies to garner higher rates for our traditional display advertising. It is our belief that if the volume of our traffic and performance of the advertisements placed by Manufacturers continue to increase (as measured by the click through rates and other metrics typically monitored by online marketers), existing and prospective advertisers will recognize this increased value by agreeing to purchase additional advertising space available on our Company Websites.

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

Focus on Mobile Products. With the acquisition of Advanced Mobile, we can now provide the automotive industry with a full range of advanced mobile technologies. These technologies facilitate communication between Dealers and car buyers on smart phones and tablets at the time, place and in a manner preferred by consumers. This advanced platform will be the core of a wide array of mobile services Autobytel will offer to its Dealer and Manufacturer customers, and will also be available to consumers through our websites. At the center of this platform is Autobytel's unique TextShield product that offers Dealers the ability to connect with consumers using text communication via a secure platform that protects the consumer's privacy. In addition, we will offer dealers mobile websites designed to drive consumer engagement with dealers as well as mobile apps, text message marketing and the ability for a consumer to send information to their mobile devices using our "send to phone" product.

Leverage the SaleMove enhanced online shopping experience. Our exclusive arrangement with SaleMove allows Autobytel to provide the automotive industry with innovative technology for enhancing communications with consumers. SaleMove's patent-pending technology allows auto dealers and manufacturers to enhance the online shopping experience by interacting with consumer in real time using the method most comfortable to them including live video, audio and text based chat or by phone. Utilizing SalesMove's "guided tour" capabilities, dealers can take advantage of a new line of high touch communication with consumers by browsing the Dealer's website with consumers, creating a virtual extension of the dealer's physical showroom. Additionally, SaleMove's technology helps Dealers and Manufacturers improve the online consumer experience and identify potential buyers by better understanding visitor preferences gathered through real-time viewing of how consumers are interacting with a website. Using this technology, our customers will be able to interact directly with consumers on a deeper and more personal level, providing a highly customized experience for car buyers.

Work with AutoWeb to create a targeted pay-per-click ("PPC") marketplace for online automotive advertisers. Our investment in AutoWeb has allowed us to become the first automotive publisher to benefit from AutoWeb's PPC platform which uses proprietary technology and a unique PPC business model which analyzes web traffic and adjusts advertiser costs accordingly based on traffic quality. This traffic network is targeted to attract high intent, high volume publishers and will allow them to monetize traffic that previously been under-monetized. In market car shoppers are presented with highly relevant display advertisements and benefit from an online experience that delivers the information that consumers need. Auto Manufacturers benefit from this high quality traffic of serious in market car buyers. AutoWeb's platform enables Manufacturers to optimize their advertising campaigns and generates revenue for every click on the ads it delivers and shares a portion of that revenue with its publisher partners.

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

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

Seasonality

Our quarterly revenue and operating results have fluctuated in the past and may fluctuate in the future due to consumer buying trends, changing economic conditions, vehicle Manufacturer incentive programs and actual or threatened severe weather events. Historically, volume was highest in the spring (second quarter) and summer (third quarter) months, with lower volume in the fall (fourth quarter) and winter (first quarter) months. However, in recent years, it has shifted to where volume is now highest in summer (third quarter) and winter (first quarter) months, followed by spring (second quarter) and fall (fourth quarter) months.

Intellectual Property

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

In August 2001, we were issued U.S. Patent Numbers 6,282,517 (" ' **517 Patent** ") which is directed toward an innovative method and system for forming and submitting a Lead over the internet and other computer networks from consumers to suppliers of goods and services and the communication system used to bring consumers and suppliers closer together. The '517 Patent expires on January 14, 2019. We have previously sought to enforce our '517 Patent through litigation and negotiated licenses. In February 2013, we transferred ownership of the '517 Patent and related patents to a special purpose entity formed by a third party for the purpose of pursuing further monetization of the '517 and related patents. We do not hold any ownership interest in the special purpose entity. In exchange for the transfer of these patents, we received a royalty interest equal to 50% of net revenues (revenues less legal fees and expenses and operating expenses of the special purpose entity) that may be obtained by the special purpose entity from litigation judgments or settlements or other licensing of the patents by the special purpose entity. We retained rights to license and enforce the patents in the automotive and related industries and markets.

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

Competition

In the automotive-related Lead marketing services and advertising marketplace we compete for Dealer and Manufacturer customers. Competition with respect to our core Lead referral programs continued to be impacted by changing industry conditions in 2013. We continue to compete with several companies that maintain business models similar to ours, some with greater resources, and competition has increased from larger competitors that traditionally have competed only in the used vehicle market. Dealers continue to invest in their proprietary websites and traffic acquisition activities, and we expect this trend to continue as Dealers strive to own and control more Lead generating assets under their captive brands. Additionally, all major Manufacturers that market their vehicles in the U.S. have their own websites that market their vehicles direct to consumers and generate Leads for delivery direct to the Manufacturers' Dealers.

We continue to observe new and emerging business models, including pay per sale and consumer pay models, relating to the generation and delivery of Leads. Although these emerging models have garnered attention from Dealers and consumers, it is still to be determined whether these new and emerging revenue models will take hold or comply with applicable regulatory or licensing requirements.

In the advertising marketplace, we compete with major internet portals, transaction based websites, automotive related companies and numerous lifestyle websites. We also compete with traditional marketing channels such as print, radio and television.

Customers

We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with AutoNation, General Motors and Urban Science Applications (which represents several Manufacturer programs). During 2013, approximately 30% of our total revenues were derived from these three customers, and approximately 40% or $5.8 million of gross accounts receivable related to these three customers at December 31, 2013. In 2013, Urban Science Applications accounted for 18% of total revenues and 23% of the total accounts receivable as of December 31, 2013.

Operations and Technology

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

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

Government Regulation

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

Employees

As of February 18, 2014 we had 159 employees, which include 21 short-term transitional employees from the acquisition of AutoUSA. None of our employees are represented by labor unions.

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

The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, results of operations and financial condition. See also the discussion of "Forward-Looking Statements" immediately preceding Part I of this Annual Report on Form 10-K.

Our ability to increase Vehicle Lead revenues is dependent on a mix of interrelated factors, including our ability to provide high quality Vehicle Leads to our customers.

We derive more than 90% of our revenues from Vehicle Lead fees paid by Dealers and Manufacturers participating in our Lead programs. Our ability to increase revenues from sales of Vehicle Leads is dependent on a mix of interrelated factors that include increasing Vehicle Lead revenues by attracting and retaining Dealers and Manufacturers, increasing the number of high quality Vehicle Leads we sell to individual Dealers and Manufacturers, and improving margins by increasing the number of Internally-Generated Leads that we sell to our customers. In 2013 we continued to focus our Dealer acquisition and retention strategies on dealerships where we could deliver a higher percentage of our Internally-Generated Leads. We are also focused on higher revenue Dealers, which purchase more of our Internally-Generated Leads and are more cost-effective to support. These changes in our sales strategy are intended to result in more profitable relationships with our Dealers both in terms of cost to supply Leads and to support the Dealers. For 2013, we increased the number of our Dealers and ended the year with 2% more Dealers compared to the number of Dealers at year-end 2012. If Dealer attrition were to occur and our new sales focus does not mitigate the loss in revenues by maintaining the overall number of Leads sold by increasing sales to other Dealers or Manufacturers while maintaining the overall margins we receive from the Leads sold, our revenues would decrease. We cannot provide any assurances that we will be able to prevent Dealer attrition or to offset the revenues lost due to Dealer attrition by other means, and our failure to do so could materially and adversely affect our business, results of operations and financial condition.

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

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

Our business, results of operations and financial condition are affected by general economic and market factors, conditions in the automotive industry, and the market for automotive marketing services, including, but not limited to, the following:

- The adverse effect of unemployment on the number of vehicle purchasers;
- Pricing and purchase incentives for vehicles;
- Disruption in the available inventory of automobiles;
- The expectation that consumers will be purchasing fewer vehicles overall during their lifetime as a result of better quality vehicles and longer warranties;
- The impact of gasoline prices on demand for vehicles;
- Increases or decreases in the number of retail Dealers or in the number of Manufacturers and other wholesale customers in our customer base;
- Volatility in spending by Manufacturers and others in their marketing budgets and allocations; and
- The effect of changes in search engine algorithms and methodologies on our Lead generation and website advertising activities and margins.

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

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

- We may not fully realize all of the anticipated benefits of an acquisition or may not realize them in the timeframe expected, including due to acquisitions where we expand into product and service offerings or enter or expand into markets in which we are not experienced.

- In order to complete acquisitions, we may issue common stock or securities convertible into or exercisable for common stock, potentially creating dilution for existing stockholders. Issuance of equity securities may also restrict utilization of net operating loss carryforwards because of an annual limitation due to ownership change limitations under the Internal Revenue Code.
- We may borrow to finance acquisitions, and the amount and terms of any potential future acquisition-related or other borrowings may not be favorable to the Company and could affect our liquidity and financial condition.
- Acquisitions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans.
- Our due diligence process may fail to identify significant issues with an acquired company that may result in unexpected or increased costs, expenses or liabilities that could make an acquisition less profitable or unprofitable.
- The failure to further our strategic objectives that may require us to expend additional resources to develop products, services and technology internally.

- An announced business combination and investment transaction may not close timely or at all, which may cause our financial results to differ from expectations in a given quarter.

- Business combination and investment transactions may lead to litigation that can be costly to defend or settle, even if no actual liability exists.

Integration of acquisitions are often complex, time-consuming and expensive and if not successfully integrated could materially and adversely affect our business, operating results and financial condition. The challenges involved with integration of acquisitions include:

- Diversion of ma nagement attention to assimilating the acquired business from other business operations and concerns.

- Integration of management information and accounting systems of the acquired business into our systems; and the failure to fully realize all of the anticipated benefits of an acquisition.

- Difficulties in assimilating the operations and personnel of an acquired business into our own business

- Difficulties in integrating management information and accounting systems of an acquired business into our current systems.

- Convincing our customers and suppliers and the customers and suppliers of the acquired business that the transaction will not diminish client service standards or business focus, that they should not defer purchasing decisions or switch to other suppliers.

- Consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes.

- Persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, integrating employees into the Company.

- Coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and

procedures.

- Managing integration issues shortly after or pending the completion of other independent transactions.

Concentration of credit risk and risks due to significant customers could materially and adversely affect our business, results of operations and financial condition .

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are primarily maintained with two financial institutions in the United States. Deposits held by banks exceed the amount of insurance provided for such deposits. Generally these deposits may be redeemed upon demand. Accounts receivable are primarily derived from fees billed to automotive Dealers and Manufacturers. We have a concentration of credit risk with our automotive industry related accounts receivable balances, particularly with AutoNation, General Motors and Urban Science Applications (which represents several Manufacturer programs). During 2013 approximately 30% of the Company's total revenues were derived from these customers, and approximately 40% or $5.8 million of gross accounts receivable are receivable from them at December 31, 2013. No collateral is required to support our accounts receivables and we maintain an allowance for bad debts for potential credit losses. If there is a decline in the general economic environment that negatively affects the financial condition of our customers or an increase in the number of customers that are dissatisfied with their services, additional estimated allowances for bad debts and customer credits may be required and the adverse impact on the our business, results of operations or financial condition could be material.

We depend on Manufacturers for substantially all of our advertising revenues and we may not be able to maintain or grow these relationships.

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

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

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

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

We may be considered to "operate" or "do business" in states where our customers conduct their business, resulting in regulatory action. In the event any state's regulatory requirements impose state specific requirements on us or include us within an industry-specific regulatory scheme, we may be required to modify our marketing programs in that state in a manner that may undermine the program's attractiveness to consumers or Dealers. In the alternative, if we determine that the licensing and related requirements are overly burdensome, we may elect to terminate operations in that state. In each case, our business, results of operations and financial condition could be materially and adversely affected. We have identified below areas of government regulation, which if changed or interpreted to apply to our business, we believe could be costly for us.

Automotive Dealer/ Broker and Vehicle Advertising Laws. All states comprehensively regulate vehicle sales and lease transactions, including strict licensure requirements for Dealers (and, in some states, brokers) and vehicle advertising. Most of these laws and regulations, we believe, specifically address only traditional vehicle purchase and lease transactions, not internet-based Lead referral programs such as our programs. We do not believe that our marketing services programs qualify as automobile brokerage activity in most states and, therefore, we do not believe that state motor vehicle Dealer or broker licensing requirements apply to us in most states. If we determine that the licensing or other regulatory requirements in a given state are applicable to us or to a particular marketing services program, we may elect to obtain required licenses and comply with applicable regulatory requirements. However, if licensing or other regulatory requirements are overly burdensome, we may elect to terminate operations or particular marketing services programs in that state or elect to not operate or introduce particular marketing services programs in that state. In some states we have modified our marketing programs or pricing models to reduce uncertainty regarding our compliance with local laws. As we introduce new services, we may need to incur additional costs associated with additional licensing regulations and regulatory requirements. If any state's licensing or other regulatory requirements relating to motor vehicle Dealers or brokers are deemed applicable to us or to any particular marketing services program and we do not comply with those regulatory requirements, we may become subject to fines, penalties or other requirements and may be required to modify our marketing programs or pricing models in those states in a manner that undermines the attractiveness of the program to consumers or Dealers.

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

Insurance Broker Laws. We provide links on our websites and referrals from call centers enabling consumers to be referred to third parties to receive quotes for insurance and extended warranty coverage from such third parties. All online applications for quotes are completed on the respective insurance carriers' or other third party websites, and all applications for quotes obtained through call center referrals are conducted by the insurance carrier or other third party. We receive marketing fees from participants in connection with this marketing activity. We do not receive any premiums from consumers nor do we charge consumers fees for our services. We do not believe that these activities require us to be licensed under state insurance laws. However, if any state insurance licensing laws were determined to be applicable to us, and if we are required to be licensed and we are unable to do so, or we are otherwise unable to comply with laws or regulations, we could be subject to fines or other penalties or be compelled to discontinue operations in those states.

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

Because our business is dependent on the internet, the adoption of new local, state or federal tax laws or regulations or new interpretations of existing laws or regulations by governmental authorities may subject us to additional local, state or federal sales, use or income taxes and could decrease the growth of internet usage or marketing or the acceptance of internet commerce which could, in turn, decrease the demand for our services and increase our costs. As a result, our business, results of operations and financial condition could be materially and adversely affected. Tax authorities in a number of states are currently reviewing and re-evaluating the tax treatment of companies engaged in internet commerce, including the application of sales taxes to internet marketing businesses similar to ours. We accrue for tax contingencies based upon our estimate of the taxes ultimately expected to be paid, which we update over time as more information becomes available, new legislation or rules are adopted or taxing authorities interpret their existing statutes and rules to apply to internet commerce, including internet marketing businesses similar to ours. The amounts ultimately paid in resolution of reviews or audits by taxing authorities could be materially different from the amounts we have accrued and result in additional tax expense, and our business, results of operations and financial condition could be materially and adversely affected. We were audited in June 2013 by the New York State Department of Taxation and Finance for income tax for the years 2009 through 2011. The State of New York accepted the returns for the audit years as filed and no further amounts were due. The audit is now closed.

Data Security and Privacy Risks

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

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

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

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

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

Telemarketing Risks. We are subject to various federal and state laws, rules, regulations and orders regarding telemarketing and privacy, including restrictions on the use of unsolicited emails and restrictions on marketing activities conducted through the use of telephonic communications (including text messaging to mobile telephones). Our business, operating results and financial condition can be adversely affected by newly-adopted or amended laws, rules, regulations and orders relating to telemarketing and increased enforcement of such laws, rules, regulations or orders by governmental agencies or by private litigants. One example of recent regulatory changes that may affect our business, operating results and financial condition are the regulations under the Telephone Consumer Protection Act (" **TCPA** "). New regulations adopted by the Federal Communications Commission that became effective October 16, 2013 require the prior express written consent of the called party before a caller can initiate telemarketing calls (i) to wireless numbers (including text messaging) using an automatic telephone dialing system or an artificial or prerecorded voice; or (ii) to residential lines using an artificial or prerecorded voice. Failure to comply with the TCPA can result in significant penalties, including statutory damages. Our efforts to comply with the new regulations may negatively affect conversion rates of leads, and thus, our revenue or profitability.

Technology Risks

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

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

We are exposed to risks associated with outsourcing of software development overseas. We currently outsource software development and maintenance for some of our systems to overseas contractors. Overseas outsourcing is subject to many inherent risks, including but not limited to:

- political, social and economic instability;
- exposure to different business practices and legal standards, particularly with respect to intellectual property;
- continuation of overseas conflicts and the risk of terrorist attacks and resulting heightened security;
- the imposition of governmental controls and restrictions and unexpected changes in regulatory requirements;
- nationalization of business and blocking of cash flows;
- changes in taxation and tariffs; and
- difficulties in staffing and managing international operations.

Securities Market Risks

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

- Actual or anticipated variations in our quarterly operating results;
- Historical and anticipated operating metrics such as the number of participating Dealers, volume of Lead deliveries to Dealers, the number of visitors to Company Websites and the frequency with which they interact with Company Websites;
- Announcements of new product or service offerings;
- Technological innovations;
- Low trading volumes;
- Concentration of holdings in our common stock resulting in low public float for our shares;
- Decisions by holders of large blocks of our stock to sell their holdings on accelerated time schedules, including by reason of their decision to liquidate investment funds that hold our stock;
- Limited analyst coverage of the Company;
- Competitive developments, including actions by Manufacturers;
- Changes in financial estimates by securities analysts or our failure to meet such estimates;
- Conditions and trends in the internet, electronic commerce and automotive industries;
- Adoption of new accounting standards affecting the technology or automotive industry;
- The impact of open market repurchases of our common stock; and
- General market or economic conditions and other factors.

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

For our common stock to continue to be listed on The Nasdaq Capital Market, the Company must satisfy various continued listing requirements established by The Nasdaq Stock Market LLC (" **Nasdaq** "). In the event the Company were not able to satisfy these continued listing requirements, we expect that our common stock would be quoted on the OTC Bulletin Board or a market maintained by OTC Markets Group Inc. (formerly the "pink sheets"). These electronic quotation systems are generally considered to be less efficient and less broad than The Nasdaq Capital Market. Neither of these electronic quotation systems is a stock exchange, and investors may be reluctant to invest in the common stock if it is not listed on The Nasdaq Capital Market or another stock exchange. Delisting of our common stock could have a material adverse effect on the price of our common stock and would also eliminate our ability to rely on the preemption of state securities registration and qualification requirements afforded by Section 18 of the Securities Act of 1933 for "covered securities." The loss of this preemption could result in higher costs for capital raising and could adversely impact our ability to issue equity-based compensation to Company employees.

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

Risks Associated with Litigation

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

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

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

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

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

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

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

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

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

Under our Tax Benefit Preservation Plan, rights to purchase capital stock of the Company (" **Rights** ") have been distributed as a dividend at the rate of five Rights for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $8.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company's outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company's outstanding common stock. If a person or group acquires 4.90% or more of our common stock, all Rights holders, except the acquirer, will be entitled to acquire at the then exercise price of a Right that number of shares of our common stock which, at the time, has a market value of two times the exercise price of the Right. The Tax Benefit Preservation Plan authorizes our Board of Directors to exercise discretionary authority to deem a person acquiring common stock in excess of 4.90% not to be an "Acquiring Person" under the Tax Benefit Preservation Plan, and thereby not trigger the Rights, if the Board finds that the beneficial ownership of the shares by the person acquiring the shares will not be likely to directly or indirectly limit the availability to the Company of the net operating loss carryovers and other tax attributes that the plan is intended to preserve or is otherwise in the best interests of the Company.

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

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In making its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013, management used the criteria described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (" **COSO** "). A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Management determined that we had no material weaknesses in our internal control over financial reporting as of December 31, 2013. Our internal controls may not prevent all potential errors and fraud, because any control system, no matter how well designed, can only provide reasonable and not absolute assurance that the objectives of the control system will be achieved. We have had material weaknesses in our internal control over financial reporting in the past and there is no assurance that we will not have one or more material weaknesses in the future resulting from failure of our internal controls and procedures.

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

If we cease to be a "smaller reporting company" in the future, we will be required to obtain an auditor's attestation on the effectiveness of our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002. Complying with this requirement will increase our accounting costs, and any delay or difficulty in satisfying this requirement could adversely affect our future results of operations and our stock price.

As a smaller reporting company, we are exempt from Section 404(b) of the Sarbanes-Oxley Act of 2002, which requires an independent registered public accounting firm to test the internal control over financial reporting of public companies, and to report on the effectiveness of such controls. If our status as a smaller reporting company changes, we expect to be required to comply with this auditor attestation requirement. We anticipate that compliance with this requirement would increase our financial compliance costs and make our audit process more time consuming and costly. In addition, we may in the future discover areas of our internal controls that need improvement, particularly with respect to businesses that we may acquire. If so, we cannot be certain that any remedial measures we take will ensure that we have adequate internal controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal control over financial reporting, or if it becomes necessary for our independent registered public accounting firm to provide us with an unqualified report regarding the effectiveness of our internal control over financial reporting and it is unable to do so, investors could lose confidence in the reliability of our financial statements. Any failure to implement required new or improved controls, or difficulties or significant costs encountered in the implementation or operation of these controls, could harm our results of operations and cause us to fail to meet our financial reporting obligations, which could adversely affect our business and reduce our stock price.

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

Not applicable.

Item 2. ***Properties***

Our headquarters are located in Irvine, California. Our headquarters consist of approximately 26,000 square feet of leased office space. The headquarters lease expires on July 31, 2017, but we retain rights to terminate the lease for the lease years beginning August 1, 2015 and 2016. Our Finance Leads operations are located in an office building in Troy, Michigan and occupy approximately 5,400 square feet. This lease expires on July 31, 2015, with an option to extend the lease for an additional one-year term. We also have offices located in Tampa, Florida, which consist of approximately 2,800 square feet under a lease that expires on May 31, 2015; and King of Prussia, Pennsylvania, which consists of 2,600 square feet of leased office space under a lease that expires January 1, 2019. We believe that our existing facilities are adequate to meet our needs and that existing needs and future growth can be accommodated by leasing alternative or additional space.

Item 3. ***Legal Proceedings***

From time to time, we may be involved in litigation matters arising from the normal course of our business activities. Such litigation, even if not meritorious, could result in substantial costs and diversion of resources and management attention, and an adverse outcome in litigation could materially adversely affect its business, results of operations, financial condition and cash flows. As of February 18, 2014, we were not the subject of any litigation as a defendant in any action or proceeding.

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

Not applicable.

PART II

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

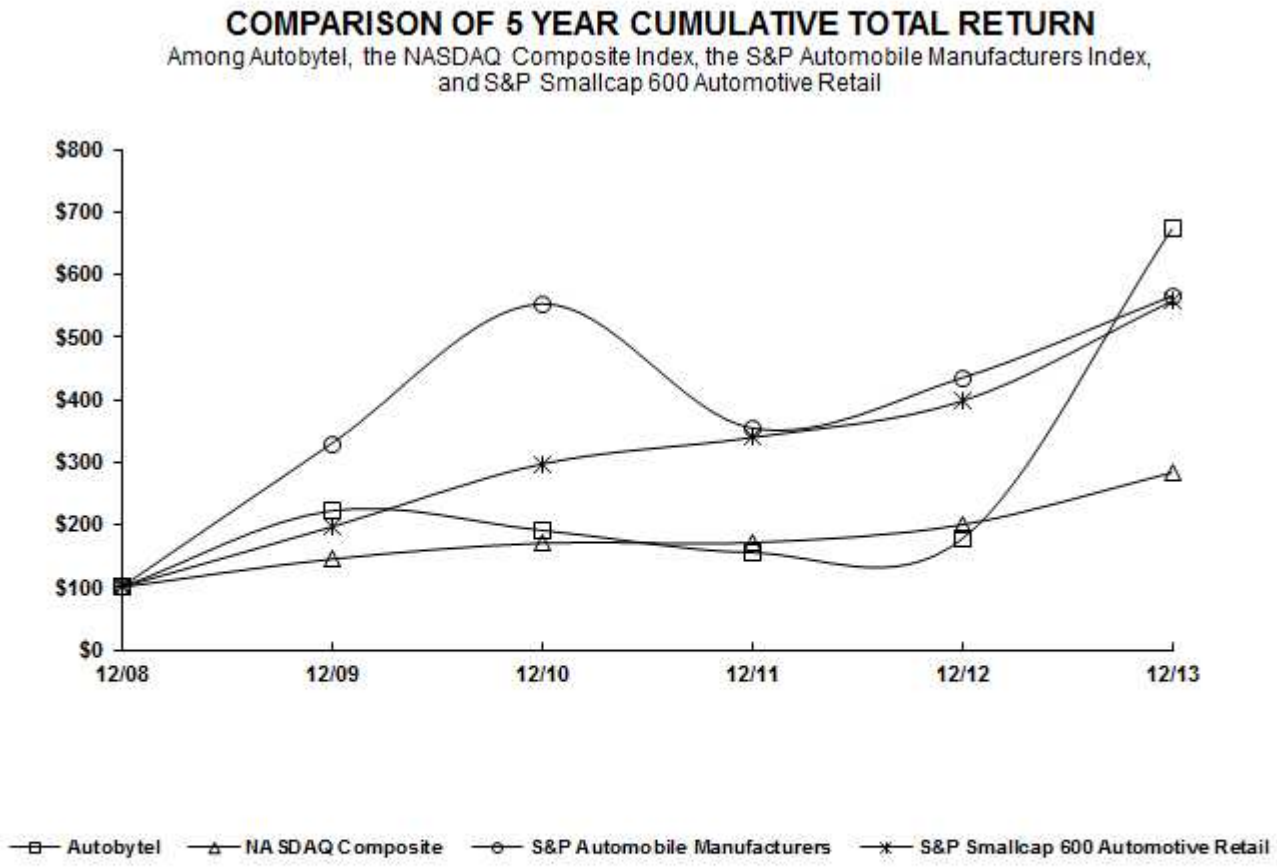
Our common stock, par value $0.001 per share, is listed on The Nasdaq Capital Market and trades under the symbol "ABTL." The following table sets forth, for the calendar quarters indicated, the range of high and low sales prices of our common stock. All per share amounts have been adjusted for all periods presented to reflect a reverse stock split effective as of July 11, 2012. A description of the reverse stock split can be found in Note 1 of the "Notes to Consolidated Financial Statements" in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K:

Year	High	Low
2012		
First Quarter	$ 5.25	$ 3.70
Second Quarter	$ 4.85	$ 3.55
Third Quarter	$ 4.00	$ 3.43
Fourth Quarter	$ 4.29	$ 3.73
2013		
First Quarter	$ 4.56	$ 3.94
Second Quarter	$ 5.05	$ 4.12
Third Quarter	$ 7.60	$ 4.70
Fourth Quarter	$ 15.38	$ 7.17

As of February 18, 2014, there were 79 holders of record of our common stock. We have never declared or paid any cash dividends on our common stock and we do not expect to pay any cash dividends in the foreseeable future. Payment of any future dividends will depend on our earnings, cash flows and financial condition and will be subject to legal and contractual restrictions. As of February 18, 2014, our common stock closing price was $17.85 per share.

Performance Graph

The following graph shows a comparison of cumulative total stockholder returns for our common stock, the NASDAQ Composite, the S&P Automobile Manufacturers Index, and the S&P Smallcap 600 Automotive Retail Index. The comparisons reflected in the graph and table below are not intended to predict the future performance of our stock and may not be indicative of our future performance. The data regarding our common stock assume an investment in our common stock at the closing price of $2.25 per share of our common stock on December 31, 2008.



	Cumulative Total Return					
	12/08	12/09	12/10	12/11	12/12	12/13
Autobytel	**100.00**	**222.22**	**191.11**	**155.56**	**176.89**	**672.44**
NASDAQ Composite	**100.00**	**144.88**	**170.58**	**171.30**	**199.99**	**283.39**
S&P Automobile Manufacturers	**100.00**	**329.47**	**553.18**	**354.51**	**434.63**	**565.45**
S&P Smallcap 600 Automotive Retail	**100.00**	**196.34**	**296.97**	**339.37**	**397.53**	**557.36**

Sale of Unregistered Securities

In connection with our acquisition of Advanced Mobile, we granted 88,641 performance-based inducement options to a new employee with an exercise price of $7.17. The options are subject to two vesting requirements and conditions: (i) percentage achievement of 2014, 2015 and 2016 revenues and profit goals for the Advanced Mobile business and (ii) time vesting. We relied upon the exception set forth in Section 4(2) of the Securities Act in awarding these options.

Item 6. *Selected Financial Data*

Not applicable.

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

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

For the year ended December 31, 2013, our business, results of operations and financial condition were affected and may continue to be affected in the future by the events that occurred during or subsequent to the year end that are described in Part I, Item 1 – Business – *Significant Business Developments* of this Annual report on Form 10-K and the $37.5 million valuation allowance reversal described in Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – *Critical Accounting Policies and Estimates* of this Annual Report on Form 10-K.

Results of Operations

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

	Years Ended December 31,	
	2013	2012
Revenues:		
Lead fees	95.4%	94.5%
Advertising	4.2	5.3
Other	0.4	0.2
Total revenues:	100.0	100.0
Cost of revenues	61.1	60.7
Gross margin	38.9	39.3
Operating expenses:		
Sales and marketing	12.2	12.8
Technology support	9.3	10.2
General and administrative	12.2	11.7
Depreciation and amortization	1.9	2.6
Litigation settlements	(0.4)	(0.4)
Total operating expenses	35.2	36.9
Operating income	3.7	2.4
Interest and other income	0.3	0.2
Income tax provision (benefit)	(44.7)	0.5
Net income	48.7%	2.1%

Revenues by groups of similar services and gross profits are as follows:

	Years Ended December 31,		2013 vs. 2012 Change	
	2013	2012	$	%
	(dollar amounts in thousands)			
Revenues:				
Lead fees	$ 74,732	$ 63,109	$ 11,623	18%
Advertising	3,289	3,524	(235)	(7)
Other revenues	340	169	171	101
Total revenues	78,361	66,802	11,559	17
Cost of revenues (excludes depreciation of $76 in 2013 and $118 in 2012)	47,915	40,530	7,385	18
Gross profit	$ 30,446	$ 26,272	$ 4,174	16%

Lead fees. Lead fees increased $11.6 million or 18% in 2013 compared to 2012. The increase in Lead fees was primarily due to a 27% increase in OEM/wholesale lead volume with strong demand across nearly all programs coupled with a major OEM starting a Lead program with Autobytel as a primary supplier. Retail Lead fees increased 12% as a result of increased Lead volume coming from the investment in internal Lead generation activities coupled with general improvement in the automotive industry marketplace.

Advertising. The $0.2 million or 7% decrease in advertising revenues in 2013 compared to 2012 was primarily due to a reduction in data licensing revenue.

Other revenues. Other revenues increased $0.2 million or 101% in 2013 compared to 2012. The increase in other revenues was due to an increase in mobile product sales as a result of the Advanced Mobile acquisition in the fourth quarter of 2013.

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

The $7.4 million or 18% increase in the cost of revenues in 2013 compared to 2012 was primarily due to the 23% increase in automotive Lead volume, offset by favorable mix as the percentage of internally generated leads grew in 2013.

Operating expenses were as follows:

	Years Ended December 31,		2013 vs. 2012 Change	
	2013	2012	$	%
	(dollar amounts in thousands)			
Operating expenses:				
Sales and marketing	$ 9,612	$ 8,536	$ 1,076	13%
Technology support	7,303	6,848	455	7
General and administrative	9,554	7,852	1,702	22
Depreciation and amortization	1,450	1,717	(267)	(16)
Litigation settlements	(316)	(273)	(43)	16
Total operating expenses	$ 27,603	$ 24,680	$ 2,923	12%

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

Sales and marketing expense for the year ended December 31, 2013 increased by $1.1 million or 13% compared to the prior year, due principally to SEM, advertising and media spending.

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

Technology support expense for the year ended December 31, 2013 increased by $0.5 million or 7% compared to the prior year, primarily due to an increase in headcount related costs and professional fees, partially offset by computer and maintenance expenses.

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

General and administrative expense for the year ended December 31, 2013 increased by $1.7 million or 22% compared to the prior year. The increase was primarily due to headcount related costs ($0.7 million), travel and lodging ($0.1 million), professional fees ($0.6 million), one-time relocation expense ($0.2 million) and a reduction in contingent payments related to the Cyber acquisition ($0.2 million) recognized in the prior year that was not repeated in the current year.

Depreciation and amortization. Depreciation and amortization expense for the year ended December 31, 2013 decreased by $0.3 million or 16% from the year ended December 31, 2012 primarily due to intangible assets associated with the Cyber acquisition becoming fully amortized in 2013.

Litigation Settlements . Litigation settlements remained flat for the years ended December 31, 2013 and 2012 at $0.3 million. This represented payments primarily from settlement of patent infringement claims against third parties relating to the third party's method of Lead delivery

Interest and Other Income. Interest and other income increased by $97,000 or 71% to $0.2 million for the year ended December 31, 2013, compared to $0.1 million for the prior year. Interest and other income increased for 2013 primarily due to receipt of a $0.5 million final payment related to early termination of a license agreement pursuant to which the Company, as licensor, had licensed certain rights in the Company's proprietary software, business procedures and brand.

Income tax provision (benefit). Income tax benefit was $35.1 million for the year ended December 31, 2013 compared to income tax provision of $0.3 million for the year ended December 31, 2012. Due to overall cumulative losses incurred over the years, the Company maintained a full valuation allowance against its deferred tax assets as of September 30, 2013 and December 31, 2012. Historically, the Company has been in a position of overall cumulative losses over the trailing twelve quarters. However, ending with the quarter ended September 30, 2013, the Company had achieved a position of overall cumulative income in the trailing twelve quarters. While this factor did not in and of itself indicate that the valuation allowance or a portion of the allowance should be removed, cumulative three year income was an indicator that was considered in the evaluating the need to maintain or release the valuation allowance. Other factors that were assessed included the future projections of income and the Company's ability to accurately project such income. As such, the Company prepared updated projections of future years income during the quarter ended December 31, 2013. Based on the projections, the Company determined that it was appropriate to release $37.5 million of the valuation allowance in the quarter ended December 31, 2013. The only valuation allowance remaining is $1.6 million related to California net operating losses that will likely expire unutilized and $4.8 million related to stock option deductions that will be realized in the future years once the deductions reduce income taxes payable. This reversal is a one-time benefit to the financial statements and the Company will begin recognizing a tax provision on its pre-tax income prospectively, commencing with the quarter ending March 31, 2014.

Segment Information

We conduct our business within one business segment, which is defined as providing automotive marketing services. Our operations are aggregated into a single reportable operating segment based upon similar economic and operating characteristics as well as similar markets. We do not have revenues or assets generated in foreign jurisdictions.

Liquidity and Capital Resources

The table below sets forth a summary of our cash flow for the years ended December 31, 2013 and 2012:

	Years Ended December 31,	
	2013	2012
	(in thousands)	
Net cash provided by operating activities	$ 4,332	$ 5,806
Net cash used in investing activities	(5,052)	(46)
Net cash provided by (used in) financing activities	4,354	(1,673)

Our principal sources of liquidity are our cash and cash equivalents and accounts receivable balances. Our cash and cash equivalents totaled $18.9 million as of December 31, 2013 compared to cash and cash equivalents of $15.3 million as of December 31, 2012.

On February 13, 2012, we announced that the Board of Directors had approved a stock repurchase program that authorized the repurchase of up to $1.5 million of Company common stock. The Board of Directors authorized us to repurchase an additional $2.0 million of Company common stock on June 7, 2012. Under these repurchase programs, we may repurchase common stock from time to time on the open market or in private transactions. This authorization does not require us to purchase a specific number of shares, and the Board of Directors may suspend, modify or terminate the programs at any time. We would fund repurchases through the use of available cash. We began repurchasing Company common stock on March 7, 2012. During the year ended December 31, 2012, 379,811 shares were repurchased for an aggregate price of $1.5 million. The average price paid for all shares repurchased during the year was $3.83. No shares were repurchased during the year ended December 31, 2013. The shares repurchased during 2012 were cancelled by the Company and returned to authorized and unissued shares.

On January 13, 2014, we entered into a Second Amendment to Loan Agreement (" **Credit Facility Amendment** ") with Union Bank, N.A. (" **Union Bank** "), amending our existing Loan Agreement with Union Bank initially entered into on February 26, 2013, and amended on September 10, 2013 (the existing Loan Agreement, as amended to date, is referred to herein collectively as the " **Credit Facility Agreement** "). The Credit Facility Amendment provides for (i) a new $9.0 million term loan (" **Term Loan** "); and (ii) amendments to the existing $8.0 million working capital revolving line of credit (" **Revolving Loan** ").

The Term Loan is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under the Term Loan or under the Revolving Loan will 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% (an increase under the existing Revolving Loan from 1.50%), at the option of the Company. Interest under both the Term Loan 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 also pays a commitment fee of 0.10% per year on the unused portion of the Revolving Loan payable quarterly in arrears. Borrowings under the Term Loan 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. The Term Loan matures December 31, 2017, and the maturity date of the Revolving Loan was extended from February 28, 2015 to March 31, 2017. Borrowings under the Revolving Loan may be used as a source to finance capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under the Term Loan is limited to use for the acquisition described in Note 10 of the "Notes to Consolidated Financial Statements", and the Company drew down the entire $9.0 million of the Term Loan, together with $1.0 million under the Revolving Loan, in financing this acquisition. As of February 20, 2014, there was $5,250,000 in borrowings outstanding under the Revolving Loan after giving effect to the foregoing $1.0 million draw down.

The Credit Facility Agreement contains certain customary affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain a minimum consolidated liquidity, quarterly and annual EBITDA and tangible net worth, with which the Company was in compliance as of February 20, 2014.

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

Net Cash Provided by Operating Activities. Net cash provided by operating activities in 2013 of $4.3 million resulted primarily from net income of $38.1 million, as adjusted for non-cash charges to earnings (including the one-time reversal of the deferred tax valuation allowance of $37.5 million), offset by a decrease in working capital, which was the result of a year-over-year increase in our accounts receivable balance of $4.6 million offset by an increase in our accounts payable balance of $1.4 million.

Net cash provided by operating activities in 2012 of $5.8 million resulted primarily from net income of $1.4 million, as adjusted for non-cash charges to earnings, in addition to an increase in working capital, which was the result of a year-over-year increase in our accounts receivable balance of $0.5 million offset by an increase in our accounts payable balance of $0.8 million.

Net Cash Used in Investing Activities. Net cash used in investing activities of $5.1 million in 2013 primarily consisted of $1.8 million used to acquire Advanced Mobile, a $2.5 million investment in AutoWeb, $0.7 million in purchases of property and equipment, $0.2 million related to the investment in SaleMove offset by proceeds received from a long-term strategic investment in Driverside, Inc..

Net cash used in investing activities of $46,000 in 2012 consisted of proceeds received from a long-term strategic investment as well as redemption of a $0.4 million certificate of deposit to secure the processing of certain SEM activity offset by $0.8 million of purchases of property and equipment.

Net Cash (Used in) Provided by Financing Activities. Net cash provided by financing activities of $4.4 million in 2013 consisted of $4.25 million in borrowings under our credit facility. 54,337 stock options were exercised during 2013 resulting in $0.2 million of cash inflow. We also made payments in 2013 of $0.1 million related to contingent consideration of the acquisition of Autotropolis, Inc. and Cyber Ventures Inc. (collectively referred to in this Annual Report on Form 10-K as " **Cyber** ").

During 2012, 10,982 stock options were exercised resulting in $27,000 of cash inflow. We also made payments in 2012 of $0.2 million related to contingent consideration of the Cyber acquisition. We also used $1.5 million to repurchase 379,811 shares of our common stock.

Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations as of December 31, 2013:

	Years Ending December 31, (in thousands)					
	2014	2015	2016	2017	2018 and thereafter	Total
Operating leases (a)	$ 498	$ 133	$ 57	$ 57	$ 58	$ 803
Long-term debt obligations (b)	—	9,250	—	—	—	9,250
Commitments	800	—	—	—	—	800
Total	$ 1,298	$ 9,383	$ 57	$ 57	$ 58	$ 10,853

(a) Operating lease obligations as defined by FASB Topic, "Accounting for Leases," and disclosed in Note 4 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(b) Long-term debt obligations as defined by FASB Topic, "Debt," and disclosed in Note 3 of the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

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

Investments . In August 2010 we acquired less than a 5% equity interest in privately-held Driverside, Inc. (" **Driverside** ") for $1.0 million. Driverside provides consumers with a broad set of content, features, tools, technology, systems, products, services and programs related to the efficient ownership of motor vehicles. We received 1,352,082 shares of Series C Preferred Stock in Driverside for our investment. We made an additional investment in Driverside in 2011 for $16,737. The Company recorded the investments in Driverside at cost because we do not have significant influence over Driverside. In 2011, Driverside merged with another entity, and we received a cash payment of $823,000, representing our pro rata share of the initial merger consideration. The $823,000 received at closing of the transaction was recorded as a reduction to the Driverside investment on the consolidated balance sheet. In 2012, we received $326,000, which represented our pro rata share of contingent payments upon achievement of milestones by Driverside. Of the $326,000 received in 2012, $194,000 was recorded as a complete reduction to our investment in Driverside and $132,000 was recorded as other income. In 2013, we received $108,000 from Driverside, which represented our pro rata share of amounts released from an escrow account established to satisfy post-closing indemnification claims. We recorded the $108,000 as other income. There are no further amounts due associated with the Driverside investment.

In September 2013 we entered into a Contribution Agreement with AutoWeb, in which the Company contributed to AutoWeb $2.5 million and assigned to AutoWeb all of our ownership interests in the autoweb.com domain name and two registered trademarks related to the AutoWeb name and related goodwill in exchange for 8,000 shares of AutoWeb Series A Preferred Stock, $0.01 par value per share. The 8,000 shares of AutoWeb Series A Preferred Stock represents 16% of all issued and outstanding capital stock of AutoWeb as of September 18, 2013. The investment in AutoWeb was recorded at cost because the Company does not have significant influence over AutoWeb.

In September 2013 we entered into a Convertible Note Purchase Agreement in which Autobytel advanced $150,000 in the form of a convertible promissory note to SaleMove. Interest is payable by SaleMove at an annual rate of 6.0%.

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

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

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

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

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

On October 30, 2013, the Company entered into an agreement with SaleMove to become the exclusive provider to the automotive industry of SaleMove's technology for enhancing communications with consumers. SaleMove's patent-pending technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. We agreed to advance costs and expenses up to a total of $1.0 million. Of this $1.0 million, $0.2 million was advanced in the year ended December 31, 2013.

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

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

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

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

The total consideration paid as part of the acquisition of Cyber on September 17, 2010 (" **Cyber Acquisition Date** ") included contingent consideration of up to $1.0 million. On the Cyber Acquisition Date, a liability was recognized for an estimate of the Cyber Acquisition Date fair value of the contingent consideration based on the probability of achieving the targets and the probability weighted discount on cash flows. The fair value of the contingent consideration arrangement as of the Cyber Acquisition Date was $526,000. We paid a total of $689,000 in contingent consideration as of December 31, 2013. The fair value of the contingent consideration was estimated using a Monte Carlo Simulation. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. The key assumptions in applying the Monte Carlo Simulation consisted of minimum, maximum and modal values for the expected quarterly incremental Lead volume, close rate index and gross margin growth rate as well as a triangular distribution assumption. Future changes in fair value of the contingent consideration, as a result of changes in significant inputs, could have a material effect on the statement of income in the period of the change.

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

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

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

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

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

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

As of December 31, 2013, we had $0.6 million of unrecognized tax benefits. There were no material changes to our uncertain tax positions during the current period. Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2013, we accrued $20,000 of interest associated with our unrecognized tax benefits, and $7,000 of interest expense was recognized in 2013.

Goodwill. Goodwill represents the excess of the purchase price for business acquisitions over the fair value of identifiable assets and liabilities acquired. We evaluate the carrying value of enterprise goodwill for impairment. Testing for impairment of goodwill is a two-step process. The first step requires us to compare the enterprise's carrying value to its fair value. If the fair value is less than the carrying value, enterprise goodwill is potentially impaired and we then complete the second step to measure the impairment loss, if any. The second step requires the calculation of the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying amount of enterprise goodwill, an impairment loss is recognized equal to the difference. We evaluate enterprise goodwill, at a minimum, on an annual basis, in the fourth quarter of each year or whenever events or changes in circumstances suggest that the carrying amount of goodwill may be impaired. During 2010 and 2013 we recognized $11.7 million and $1.9 million, respectively, in goodwill related to the acquisitions of Cyber and Advanced Mobile and as of December 31, 2013, there were no changes in the recognized amount of goodwill.

Impairment of Long-Lived Assets and Other Intangible Assets. We periodically review long-lived assets to determine if there is any impairment of these assets. We assess the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our long-lived assets and other intangibles. Future events could cause us to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. We assess the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, we will write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on our financial condition and results of operations. We did not record any impairment in 2013 but recorded a $68,000 impairment charge in 2012 related to a long-lived asset.

Recent Accounting Pronouncements

Accounting Standards Codification "Addition to the Master Glossary." In December 2013, Accounting Standards Update (" **ASU** ") No. 2013-12, "Definition of a Public Business Entity" was issued. The objective of this ASU is to minimize the inconsistency and complexity of having multiple definitions of, or a diversity in practice as to what constitutes, a nonpublic entity and a public entity within U.S. GAAP on a going-forward basis. The definition of a public business entity will be used in considering the scope of new financial guidance and will identify whether the guidance does or does not apply to public business entities. There is no actual effective date for the amendment in this update.

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

Not applicable.

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

Our Consolidated Balance Sheets as of December 31, 2013 and 2012 and our Consolidated Statements of Income and Comprehensive Income, Stockholders' Equity and Cash Flows for each of the years in the two-year period ended December 31, 2013, together with the report of our independent registered public accounting firm, begin on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

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

Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as of December 31, 2013. Based on this evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2013.

Management's Report on Internal Control Over Financial Reporting

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

Changes in Internal Control Over Financial Reporting

There have been no changes in internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 of the Exchange Act that have occurred during the fourth quarter of fiscal year 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Not applicable.

PART III

Information called for by the Items included under this Part III is incorporated by reference to the sections listed below of our definitive Proxy Statement for our 2014 Annual Meeting of Stockholders that will be filed not later than 120 days after December 31, 2013 (" **2014 Proxy Statement** ").

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

The information called for by this Item 10 is incorporated by reference to the following sections of the 2014 Proxy Statement: "Proposal 1- Nomination and Election of Directors;" "Board of Directors;" "Executive Officers;" "Section 16(a) Beneficial Ownership Reporting Compliance;" and the following paragraphs under the section "Corporate Governance Matters" "--Committees of the Board of Directors—Audit Committee," and "--Code of Conduct

Item 11 ***Executive Compensation***

The information called for in this Item 11 is incorporated by reference to the following sections of the 2014 Proxy Statement: "Executive Compensation," "Corporate Governance Matters--Compensation Committee Interlocks and Insider Participation," and "Executive Compensation--Compensation Committee Report."

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

The information called for in this Item 12 is incorporated by reference to the following sections of the 2014 Proxy Statement: "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation-- Equity Compensation Plans."

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

The information called for in this Item 13 is incorporated by reference to the following sections of the 2014 Proxy Statement: "Corporate Governance Matters--Certain Relationships and Related Party Transactions" and "--Director Independence."

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

The information called for in this Item 14 is incorporated by reference to the following sections of the 2014 Proxy Statement: "Independent Registered Public Accounting Firm and Audit Committee Report--Principal Accountant Fees and Services," "--Audit Fees," "--Audit Related Fees," "--Tax Fees," "--All Other Fees," and "--Pre-Approval Policy for Services."

PART IV

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

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

(1) *Financial Statements:*

(2) *Financial Statement Schedules:*

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

(3) *Exhibits:*

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 20th day of February, 2014.

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By: /s/ J EFFREY H. C OATS
Jeffrey H. Coats
President, Chief Executive Officer and Director

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ M ICHAEL J. F UCHS **Michael J. Fuchs**	Chairman of the Board and Director	February 20, 2014
/s/ J EFFREY H. C OATS **Jeffrey H. Coats**	President, Chief Executive Officer and Director (Principal Executive Officer)	February 20, 2014
/s/ C URTIS E. D EWALT **Curtis E. DeWalt**	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 20, 2014
/s/ W ESLEY O ZIMA **Wesley Ozima**	Vice President and Controller (Principal Accounting Officer)	February 20, 2014
/s/ M ICHAEL A. C ARPENTER **Michael A. Carpenter**	Director	February 20, 2014
/s/ M ARK N. K APLAN **Mark N. Kaplan**	Director	February 20, 2014
/s/ J EFFREY M. S TIBEL **Jeffrey M. Stibel**	Director	February 20, 2014
/s/ J ANET M. T HOMPSON **Janet M. Thompson**	Director	February 20, 2014

AUTOBYTEL INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Autobytel Inc.

We have audited the accompanying consolidated balance sheet of Autobytel, Inc. (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended. Our audits also included the financial statement schedule listed in the index at Item 15 for the year ended December 31, 2013. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autobytel, Inc. as of December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 8 to the consolidated financial statements, the Company has reversed $37.5 million of the valuation allowance recorded for deferred tax assets as of December 31, 2013. Our opinion is not modified with respect to this matter.

/s/ MOSS ADAMS LLP

Los Angeles, CA
February 20, 2014

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

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 18,930	$ 15,296
Accounts receivable, net of allowances for bad debts and customer credits of $405 and $426 at December 31, 2013 and 2012, respectively	14,178	10,081
Deferred tax asset	3,517	-
Prepaid expenses and other current assets	506	504
Total current assets	37,131	25,881
Property and equipment, net	1,548	1,593
Long-term strategic investment	2,500	-
Intangible assets, net	1,821	1,539
Goodwill	13,602	11,677
Long-term deferred tax asset	31,135	-
Other assets	456	77
Total assets	$ 88,193	$ 40,767
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,267	$ 3,837
Accrued expenses and other current liabilities	7,649	5,377
Deferred revenues	(1)	168
Total current liabilities	12,915	9,382
Convertible note payable	5,000	5,000
Borrowings under credit facility	4,250	-
Other non-current liabilities	1,200	620
Total liabilities	23,365	15,002
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 11,445,187 shares authorized; none outstanding	-	-
Common stock, $0.001 par value; 55,000,000 shares authorized; 8,909,737 and 8,855,400 shares issued and outstanding at December 31, 2013 and 2012, respectively	9	9
Additional paid-in capital	307,171	306,252
Accumulated deficit	(242,352)	(280,496)
Total stockholders' equity	64,828	25,765
Total liabilities and stockholders' equity	$ 88,193	$ 40,767

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

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

	Years Ended December 31,	
	2013	**2012**
Revenues:		
Lead fees	$ 74,732	$ 63,109
Advertising	3,289	3,524
Other revenues	340	169
Total revenues	78,361	66,802
Cost of revenues (excludes depreciation of $76 in 2013 and $118 in 2012)	47,915	40,530
Gross profit	30,446	26,272
Operating expenses:		
Sales and marketing	9,612	8,536
Technology support	7,303	6,848
General and administrative	9,554	7,852
Depreciation and amortization	1,450	1,717
Litigation settlements	(316)	(273)
Total operating expenses	27,603	24,680
Operating income	2,843	1,592
Interest and other income, net	237	139
Income tax provision (benefit)	(35,064)	344
Net income and comprehensive income	$ 38,144	$ 1,387
Basic earnings per common share	$ 4.29	$ 0.15
Diluted earnings per common share	$ 3.61	$ 0.15

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

AUTOBYTEL INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Additional		
	Number of Shares	Amount	Paid-In Capital	Accumulated Deficit	Total
Balance, December 31, 2011	9,224,345	$ 46	$ 306,733	$ (281,883)	$ 24,896
Repurchase of common stock	(379,811)	(2)	(1,453)	-	(1,455)
Share-based compensation	-	-	915	-	915
Reduction in par due to reverse stock split	-	(35)	35	-	-
Issuance of common stock upon exercise of stock options	10,866	-	22	-	22
Net income	-	-	-	1,387	1,387
Balance, December 31, 2012	8,855,400	9	306,252	(280,496)	25,765
Share-based compensation	-	-	705	-	705
Issuance of common stock upon exercise of stock options	54,337	-	214	-	214
Net income	-	-	-	38,144	38,144
Balance, December 31, 2013	8,909,737	$ 9	$ 307,171	$ (242,352)	$ 64,828

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

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

	Years Ended December 31,	
	2013	**2,012**
Cash flows from operating activities:		
Net income	$ 38,144	$ 1,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,875	2,162
Provision for bad debt	92	164
Provision for customer credits	511	391
Share-based compensation	704	910
Gain on long-term strategic investment	(108)	(132)
Change in deferred tax assets	(35,495)	-
Changes in assets and liabilities:		
Accounts receivable	(4,610)	(492)
Prepaid expenses and other current assets	6	67
Other non-current assets	(246)	-
Accounts payable	1,416	756
Accrued expenses and other current liabilities	1,620	628
Deferred revenues	(175)	(48)
Non-current liabilities	598	13
Net cash provided by operating activities	4,332	5,806
Cash flows from investing activities:		
Purchase of Advanced Mobile	(1,824)	-
Investment in AutoWeb	(2,500)	-
Investment in SaleMove	(150)	-
Purchase of intangible assets	(16)	-
Change in short-term investment	-	400
Change in long-term strategic investment	108	326
Purchases of property and equipment	(670)	(772)
Net cash used in investing activities	(5,052)	(46)
Cash flows from financing activities:		
Repurchase of common stock	-	(1,455)
Borrowings under credit facility	4,250	-
Net proceeds from stock option exercises	215	27
Payment of contingent fee arrangement	(111)	(245)
Net cash provided by (used in) financing activities	4,354	(1,673)
Net increase in cash and cash equivalents	3,634	4,087
Cash and cash equivalents, beginning of period	15,296	11,209
Cash and cash equivalents, end of period	$ 18,930	$ 15,296
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 135	$ 24
Cash paid for interest	$ 324	$ 300

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

1. Organization and Operations of Autobytel

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

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

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

On July 11, 2012, the Company implemented a 1-for-5 reverse split of the Company's common stock, $0.001 par value per share (" **Reverse Stock Split** "). Trading of the common stock on a post-Reverse Stock Split adjusted basis on The NASDAQ Capital Market began on July 12, 2012. Since there was no change in the par value of the common shares, the stock split was effective as a reverse stock dividend. All share and per share amounts and all options and other common stock derivatives, including their exercise/conversion prices, for all periods presented have been adjusted to reflect the Reverse Stock Split as though it had occurred as of the earliest period presented.

Effective October 1, 2013 (" **Advanced Mobile Acquisition Date** "), the Company acquired substantially all of the assets of privately-held Advanced Mobile, LLC, a Delaware limited liability company, and Advanced Mobile Solutions Worldwide, Inc., a Delaware corporation (collectively referred to in this Annual Report on Form 10-K as " **Advanced Mobile** "). Advanced Mobile provides mobile marketing solutions (e.g., mobile applications, mobile portals, mobile websites, text-chat, mobile text marketing, self-service mobile messaging, quick response codes, text messaging, short message service and multimedia service) for the automotive industry. Text chat provides a web-based portal that allows Dealers to centrally manage text communications. The acquired assets consisted primarily of customer contracts, technology license rights and rights in domain names and short codes used for SMS texting. As a result of the acquisition, the Company will offer Manufacturers and Dealers the ability to connect with consumers using text communication via a secure platform. In addition, Autobytel will offer Dealers a comprehensive suite of mobile products, including mobile apps, mobile websites, Send2Phone capabilities and text message marketing. Advanced Mobile's results of operations are included in the Company's consolidated financial statements beginning October 1, 2013 .

On January 13, 2014 (" **AutoUSA Closing Date** "), Autobytel and AutoNation, Inc., a Delaware corporation (" **Seller Parent** "), and AutoNationDirect.com, Inc., a Delaware corporation and subsidiary of Seller Parent (" **Seller** "), entered into and consummated a Membership Interest Purchase Agreement in which Autobytel acquired all of the issued and outstanding membership interests in AutoUSA, LLC, a Delaware limited liability company and a subsidiary of Seller (" **AutoUSA** "). AutoUSA, a competitor to the Company, is a (i) lead aggregator purchasing internet-generated automotive consumer leads from third parties and reselling those consumer leads to automotive vehicle dealers; and (ii) reseller of third party products and services to automotive Dealers. See Note 10 of the "Notes to Consolidated Financial Statements" of this Annual Report on Form 10-K.

2. Summary of Significant Accounting Policies

Beginning with the quarter ended September 30, 2013, the Company achieved a position of overall cumulative income in the trailing twelve quarters. Additionally, the Company has achieved three consecutive years of income. With these positive trends, along with the Company's updated future projections prepared in the fourth quarter, the Company determined that it was appropriate to release $37.5 million of the valuation allowance in the quarter ended December 31, 2013. The only valuation allowance remaining is $1.6 million related to California net operating losses that will likely expire unutilized and $4.8 million related to stock option deductions that will be realized in the future years once the deductions reduce income taxes payable. This reversal is a one-time benefit to the consolidated financial statements as of December 31, 2013 and the Company will begin utilizing the deferred tax assets against its pre-tax income prospectively, commencing with the quarter ending March 31, 2014.

Basis of Presentation . The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

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

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

Investments. In August 2010, the Company acquired less than a 5% equity interest in Driverside, Inc. (" **Driverside** "), a non-publicly traded company, for $1.0 million. Driverside provides consumers with a broad set of content, features, tools, technology, systems, products, services and programs related to the efficient ownership of motor vehicles. The Company received 1,352,082 shares of Series C preferred stock in Driverside for its investment. The Company made an additional investment in Driverside in 2011 for $16,737. The Company recorded the investments in Driverside at cost because the Company does not have significant influence over Driverside. In 2011, Driverside merged with another entity and the Company received a cash payment of $823,000, representing the Company's pro rata share of the initial merger consideration. The $823,000 received at closing of the transaction was recorded as a reduction to the Driverside investment on the Company's consolidated balance sheet. In 2012 the Company received $326,000, which represented its pro rata share of contingent payments upon milestones achieved by Driverside. Of the $326,000 received in 2012, $194,000 was recorded as a complete reduction to the investment in Driverside and $132,000 was recorded as other income. In 2013 the Company received $108,000 from Driverside, which represented its pro rata share of amounts released from an escrow account established to satisfy post-closing indemnification claims. The Company recorded the $108,000 as other income. There are no further amounts due associated with the Driverside investment.

In September 2013 the Company entered into a Contribution Agreement with privately-held AutoWeb, Inc., a Delaware corporation (" **AutoWeb** "), in which Autobytel contributed to AutoWeb $2.5 million and assigned to AutoWeb all the ownership interests in the autoweb.com domain name and two registered trademarks related to the AutoWeb name and related goodwill in exchange for 8,000 shares of AutoWeb Series A Preferred Stock, $0.01 par value per share. The 8,000 shares of AutoWeb Series A Preferred Stock are convertible into AutoWeb common stock on a one-for-one basis (subject to adjustments for stock splits, stock dividends, combinations and recapitalizations) and represented 16% of all issued and outstanding common stock of AutoWeb as of September 18, 2013, on a fully diluted basis, as of this date. The Company also obtained an option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock at a per share exercise price of $500, which option expires September 2015. In connection with this investment, the Company also entered into arrangements with AutoWeb to use the AutoWeb pay-per-click, auction-driven automotive marketplace technology platform as both a publisher and as an advertiser. Upon the occurrence of a liquidation event (i.e., a liquidation, dissolution or winding up of AutoWeb; a consolidation or merger where AutoWeb is not the surviving entity; a consolidation or merger where AutoWeb is the surviving entity and either (i) the rights of the Series A Preferred Stock are changed, or (ii) the Series A Preferred Stock is exchanged for cash, securities or property; or a sale or transfer of all or substantially all of AutoWeb's assets), the Series A Preferred Stock is entitled to a liquidation preference of the greater of (i) $1,000 per share (subject to adjustments for stock splits, stock dividends, combinations and recapitalizations); and (ii) the amount that would be distributed with respect to AutoWeb's common stock, assuming full conversion of the Series A Preferred Stock into common stock.

In September 2013 the Company invested $150,000 in SaleMove, Inc., a Delaware corporation, (" **SaleMove** ") in the form of a convertible promissory note. The convertible promissory note accrues interest an annual rate of 6.0% and is due and payable in full on August 14, 2015 unless converted prior to the maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note. The Company recorded the $150,000 note as an other long-term asset on the Consolidated Balance Sheet as of December 31, 2013.

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

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

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

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

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

In October 2013 the Company entered into an agreement with SaleMove to become the exclusive provider to the automotive industry of SaleMove's technology for enhancing communications with consumers. SaleMove's patent-pending technology allows Dealers and Manufacturers to enhance the online shopping experience by interacting with consumers in real-time, including live video, audio and text-based chat or by phone. 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 committed to advance SaleMove up to $1.0 million to fund SaleMoves' fifty percent 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.

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

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

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

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

The total consideration paid as part of the acquisition of privately-held Autotropolis, Inc., a Florida corporation, and Cyber Ventures, Inc., a Florida corporation (collectively referred to in this Annual Report on Form 10-K as " **Cyber** ") on September 17, 2010 (" **Cyber Acquisition Date** ") included contingent consideration of up to $1.0 million. On the Cyber Acquisition Date, a liability was recognized for an estimate of the Cyber Acquisition Date fair value of the contingent consideration based on the probability of achieving the targets and the probability weighted discount on cash flows. The fair value of the contingent consideration arrangement as of the Cyber Acquisition Date was $526,000. We paid a total of $689,000 in contingent consideration as of December 31, 2013. Differences beyond the initial value of $526,000 were expensed to general and administrative expense on the Company's Consolidated Statement of Income and Comprehensive Income. There are no further contingent consideration payments due. The fair value of the contingent consideration was estimated using a Monte Carlo Simulation. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. The key assumptions in applying the Monte Carlo Simulation consisted of minimum, maximum and modal values for the expected quarterly incremental Lead volume, close rate index and gross margin growth rate as well as a triangular distribution assumption. Future changes in fair value of the contingent consideration, as a result of changes in significant inputs, could have a material effect on the Statement of Income in the period of the change.

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

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

The Company has a concentration of credit risk with its automotive industry related accounts receivable balances, particularly with AutoNation, General Motors and Urban Science Applications (which represents several Manufacturer programs). During 2013, approximately 30% of the Company's total revenues was derived from these three customers, and approximately 40% or $5.8 million of gross accounts receivable related to these three customers at December 31, 2013.

During 2012, approximately 26% of the Company's total revenues was derived from these three customers, and approximately 33% or $3.5 million of gross accounts receivable related to these three customers at December 31, 2012. In 2012, Urban Science Applications accounted for 14% of total revenues and 10% of the total accounts receivable as of December 31, 2012.

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

Operating Leases. The Company leases office space and certain office equipment under operating lease agreements which expire on various dates through 2019, with options to renew on expiration of the original lease terms.

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

Capitalized Internal Use Software and Website Development Costs. The Company capitalizes costs to develop internal use software in accordance with the Internal-Use Software and the Website Development Costs Topics, which require the capitalization of external and internal computer software costs and website development costs, respectively, incurred during the application development stage. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training and maintenance costs are expensed as incurred while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized internal use software development costs are amortized using the straight-line method over an estimated useful life of three to five years. Capitalized website development costs, once placed in service are amortized using the straight-line method over the estimated useful life of the related websites. The Company capitalized $82,000 and $193,000 of such costs for the years ended December 31, 2013 and 2012, respectively.

Impairment of Long-Lived Assets. The Company periodically reviews long-lived assets to determine if there is any impairment of these assets. The Company assesses the impairment of these assets, or the need to accelerate amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of the long-lived assets and other intangibles. Future events could cause the Company to conclude that impairment indicators exist and that the assets should be reviewed to determine their fair value. The Company assesses the assets for impairment based on the estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. Fair value is generally determined based on a valuation process that provides an estimate of a fair value of these assets using a discounted cash flow model, which includes many assumptions and estimates. Once the valuation is determined, the Company will write-down these assets to their determined fair value, if necessary. Any write-down could have a material adverse effect on the Company's financial condition and results of operations. The Company did not record any impairment in 2013 but recorded a $68,000 impairment charge in 2012 related to a long-lived asset.

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

Revenue Recognition. Lead fees consist of vehicle buying lead fees for new and used vehicles, and finance request fees. Fees paid by customers participating in the Company's Lead programs are comprised of monthly transaction and/or subscription fees. Advertising revenues represent fees for display advertising on the Company's websites.

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

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

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

As of December 31, 2013, the Company had $0.6 million of unrecognized tax benefits. There were no material changes to our uncertain tax positions during the current period. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2013, the Company accrued $20,000 of interest associated with our unrecognized tax benefits, and $7,000 of interest expense was recognized in 2013.

Computation of Basic and Diluted Net Earnings per Share. Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common shares, and if dilutive, potential common shares outstanding, as determined under the treasury stock and if-converted method, during the period. Potential common shares consist of common shares issuable upon the exercise of stock options, common shares issuable upon the exercise of warrants described below and common shares issuable upon conversion of the note described in Note 4.

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

	2013	2012
Basic Shares:		
Weighted average common shares outstanding	8,883,357	9,229,817
Weighted average common shares repurchased	-	(233,998)
Basic Shares	8,883,357	8,995,819
Diluted Shares:		
Basic Shares	8,883,357	8,995,819
Weighted average dilutive securities	1,732,596	207,709
Dilutive Shares	10,615,953	9,203,528

For the year ended December 31, 2013, weighted average dilutive securities included dilutive options, warrants and convertible debt. For the year ended December 31, 2012, weighted average dilutive securities included dilutive options.

Potentially dilutive securities representing approximately 1.1 million and 2.5 million shares of common stock for the years ended December 31, 2013 and 2012, respectively, were excluded from the computation of diluted income per share for these periods because their effect would have been anti-dilutive.

Share-Based Compensation. The Company grants restricted stock and stock option awards (the " **Awards** ") under several of its share-based compensation Plans (the " **Plans** "), that are more fully described in Note 7. The Company recognizes share-based compensation based on the Awards' fair value, net of estimated forfeitures on a straight line basis over the requisite service periods, which is generally over the awards' respective vesting period, or on an accelerated basis over the estimated performance periods for options with performance conditions.

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

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

Advertising Expense. Advertising costs are expensed in the period incurred. Advertising expense in 2013 and 2012 was $1.8 million and $1.2 million, respectively.

Recent Accounting Pronouncements

Accounting Standards Codification "Addition to the Master Glossary." In December 2013, Accounting Standards Update (" **ASU** ") No. 2013-12, "Definition of a Public Business Entity" was issued. The objective of this ASU is to minimize the inconsistency and complexity of having multiple definitions of, or a diversity in practice as to what constitutes, a nonpublic entity and a public entity within U.S. GAAP on a going-forward basis. The definition of a public business entity will be used in considering the scope of new financial guidance and will identify whether the guidance does or does not apply to public business entities. There is no actual effective date for the amendment in this update.

3. Acquisition of Advanced Mobile

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

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

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

The contingent consideration arrangement (" **Contingent Consideration** ") requires the Company to pay up to $1.5 million (representing quarterly payments of up to $125,000 beginning first quarter 2014 and ending fourth quarter 2016) of additional consideration to Advanced Mobile if certain revenue and gross profit targets are met. The fair value of the contingent consideration as of the Advanced Mobile Acquisition Date was $825,000. The fair value of the contingent consideration was estimated using a Monte Carlo Simulation. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820, Fair Value Measurements and Disclosures. The key assumptions in applying the Monte Carlo Simulation consisted of volatility inputs for both revenue and gross profit, forecasted gross margin, and a weighted-average cost of capital assumption used to adjust forecasted revenue and gross margin for risk.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the Advanced Mobile Acquisition Date. Because the transaction was completed subsequent to the end of the third quarter of 2013, we have not yet finalized the fair values of the assets and liabilities assumed in connection with the acquisition.

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

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

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

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

(2)The non-compete agreement fair values were derived by calculating the difference between the present value of the Company's forecasted cash flows with the agreements in place and without the agreements in place.

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

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of the identifiable purchased intangible assets include all assumptions associated with forecasting cash flows and profitability. The primary assumptions used for the determination of the preliminary fair value of the purchased intangible assets were generally based upon the present value of anticipated cash flows discounted at a rate of 26%. Estimated years of projected earnings generally follow the range of estimated remaining useful lives for each intangible asset class.

The goodwill recognized of $1.9 million is attributable primarily to expected synergies and the assembled workforce of Advanced Mobile. The full amount is amortizable for income tax purposes. As of December 31, 2013, there were no changes in the recognized amounts of goodwill resulting from the acquisition of Advanced Mobile.

The Company incurred $0.3 million of acquisition related costs related to Advanced Mobile through December 31, 2013, all of which was expensed.

The following unaudited pro forma information presents the consolidated results of the Company and Advanced Mobile for the twelve months ended December 31, 2013 and 2012, respectively, with adjustments to give effect to pro forma events that are directly attributable to the acquisition and have a continuing impact, but exclude the impact of pro forma events that are directly attributable to the acquisition and are one-time occurrences. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods, the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results of operations that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur as a result of the acquisition and combining the operations of the companies.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2013 and 2012, respectively, are as follows:

	Twelve Months Ended December 31, 2013	Twelve Months Ended December 31, 2012
	(in thousands)	*(in thousands)*
Unaudited pro forma consolidated results:		
Revenue	$79,083	$67,691
Net income	$38,038	$1,267

4. Selected Balance Sheet Accounts

Property and Equipment

Property and equipment consists of the following:

	As of December 31,	
	2013	2012
	(in thousands)	
Computer software and hardware and capitalized internal use software	$ 11,924	$ 11,729
Furniture and equipment	1,256	1,252
Leasehold improvements	937	892
	14,117	13,873
Less—Accumulated depreciation and amortization	(12,569)	(12,280)
Property and Equipment, net	$ 1,548	$ 1,593

As of December 31, 2013 and 2012, capitalized internal use software, net of amortization, was $0.6 million and $0.8 million, respectively. Depreciation and amortization expense related to property and equipment was $0.7 million for the year ended December 31, 2013. Of this amount, $0.2 million was recorded in cost of revenues and $0.5 million was recorded in operating expenses. Depreciation and amortization expense related to property and equipment was $0.8 million for the year ended December 31, 2012. Of this amount, $0.2 million was recorded in cost of revenues and $0.6 million was recorded in operating expenses.

Investments. In August 2010, the Company acquired less than a 5% equity interest in Driverside, Inc. (" **Driverside** "), a non-publicly traded company, for $1.0 million. Driverside provides consumers with a broad set of content, features, tools, technology, systems, products, services and programs related to the efficient ownership of motor vehicles. The Company received 1,352,082 shares of Series C preferred stock in Driverside for its investment. The Company made an additional investment in Driverside in 2011 for $16,737. The Company recorded the investments in Driverside at cost because the Company does not have significant influence over Driverside. In 2011, Driverside merged with another entity and the Company received a cash payment of $823,000, representing the Company's pro rata share of the initial merger consideration. The $823,000 received at closing of the transaction was recorded as a reduction to the Driverside investment on the Company's consolidated balance sheet. In 2012 the Company received $326,000, which represented its pro rata share of contingent payments upon milestones achieved by Driverside. Of the $326,000 received in 2012, $194,000 was recorded as a complete reduction to the investment in Driverside and $132,000 was recorded as other income. In 2013 the Company received $108,000 from Driverside, which represented its pro rata share of amounts released from an escrow account established to satisfy post-closing indemnification claims. The Company recorded the $108,000 as other income. There are no further amounts due associated with the Driverside investment.

In September 2013 the Company entered into a Contribution Agreement with AutoWeb, in which Autobytel contributed to AutoWeb $2.5 million and assigned to AutoWeb all the ownership interests in the autoweb.com domain name and two registered trademarks related to the AutoWeb name and related goodwill in exchange for 8,000 shares of AutoWeb Series A Preferred Stock, $0.01 par value per share. The 8,000 shares of AutoWeb Series A Preferred Stock represented 16% of all issued and outstanding common stock of AutoWeb as of September 18, 2013, assuming conversion of the Series A Preferred Stock into AutoWeb common stock as of this date. The Company also obtained an option to acquire an additional 5,000 shares of AutoWeb Series A Preferred Stock at a per share exercise price of $500.00, which option expires September 2015. In connection with this investment, the Company also entered into arrangements with AutoWeb to use the AutoWeb pay-per-click, auction-driven automotive marketplace technology platform as both a publisher and as an advertiser. Upon the occurrence of a liquidation event (i.e., a liquidation, dissolution or winding up of AutoWeb; a consolidation or merger where AutoWeb is not the surviving entity; a consolidation or merger where AutoWeb is the surviving entity and either (i) the rights of the Series A Preferred Stock are changed, or (ii) the Series A Preferred Stock is exchanged for cash, securities or property); or a sale or transfer of all or substantially all of AutoWeb's assets), the Series A Preferred Stock is entitled to a liquidation preference of the greater of (i) $1,000 per share (subject to adjustments for stock splits, stock dividends combinations and recapitalizations); and (ii) the amount that would be distributed with respect to AutoWeb's common stock, assuming full conversion of the Series A Preferred Stock into common stock.

In September 2013 the Company entered into a Convertible Note Purchase Agreement in which Autobytel invested $150,000 in SaleMove in the form of a convertible promissory note. The convertible promissory note accrues interest an annual rate of 6.0% and is due and payable in full on August 14, 2015 unless converted prior to the maturity date. The convertible note will be converted into preferred stock of SaleMove in the event of a preferred stock financing by SaleMove of at least $1.0 million prior to the maturity date of the convertible note.

Intangible Assets. The Company amortizes specifically identified intangible assets using the straight-line method over the estimated useful lives of the assets. In connection with the acquisitions of Cyber and Advanced Mobile, the Company identified $5.9 million of intangible assets. The Company's intangible assets will be amortized over the following estimated useful lives (in thousands):

		December 31, 2013			December 31, 2012		
Intangible Asset	Estimated Useful Life	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trademarks/trade names/licenses/domain	5 years	$ 5,582	$ (5,209)	$ 373	$ 5,540	$ (5,023)	$ 517
Software and publications	3 years	1,300	(1,300)	-	1,300	(992)	308
Customer relationships	3 years	2,320	(1,926)	394	1,870	(1,427)	443
Employment/non-compete agreements	5 years	610	(335)	275	500	(229)	271
Developed technology	5 years	820	(41)	779	-	-	-
		$ 10,632	$ (8,811)	$ 1,821	$ 9,210	$ (7,671)	$ 1,539

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

Year	Amortization Expense (in thousands)
2014	$ 700
2015	567
2016	195
2017	191
2018	144
	$ 1,797

Goodwill. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized and is assessed annually for impairment or whenever events or circumstances indicate that the carrying value of such assets may not be recoverable. The Company did not record any impairment related to goodwill as of December 31, 2013 and 2012.

As of December 31, 2013 and 2012, goodwill consisted of the following:

	(in thousands)
Goodwill as of December 31, 2012	$ 11,677
Acquisition of Advanced Mobile	1,925
Goodwill as of December 31, 2013	$ 13,602

Accrued Expenses and Other Current Liabilities

As of December 31, 2013 and 2012, accrued expenses and other current liabilities consisted of the following:

	As of December 31,	
	2013	**2012**
	(in thousands)	
Compensation and related costs and professional fees	$ 3,540	$ 2,006
Other accrued expenses	3,209	2,847
Amounts due to customers	208	149
Other current liabilities	692	375
Total accrued expenses and other current liabilities	$ 7,649	$ 5,377

Long-term debt . In connection with the acquisition of Cyber in September 2010, the Company issued a convertible subordinated promissory note for $5.0 million (" **Convertible Note** ") to the sellers. The fair value of the Convertible Note as of the Acquisition Date was $5.9 million. This valuation was estimated using a binomial option pricing method. Key assumptions used in valuing the Convertible Note included a market yield of 15.0% and stock price volatility of 77.5%. As the Convertible Note was issued with a substantial premium, the Company recorded the premium as additional paid-in capital. Interest is payable at an annual interest rate of 6% in quarterly installments. The entire outstanding balance of the Convertible Note is to be paid in full on September 30, 2015. At any time after September 30, 2013, the holders of the Convertible Note may convert all or any part of, but in 40,000 minimum share increments, the then outstanding and unpaid principal of the Convertible Note into fully paid shares of the Company's common stock at a conversion price of $4.65 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The right to convert the Convertible Note into common stock of the Company is accelerated in the event of a change in control of the Company. In the event of default, the entire unpaid balance of the Convertible Note will become immediately due and payable and will bear interest at the lower of 8% per year and the highest legal rate permissible under applicable law.

Credit Facility . The Company entered into an $8.0 million revolving credit facility (" **Facility** ") in February 2013 with Union Bank, N.A. The Facility may be used as a source to finance capital expenditures, acquisitions, stockholder buyback, and other general corporate purposes. Borrowings under the Facility will bear interest at either the bank's Reference Rate (prime rate) minus 0.50% or the London Interbank Offering Rate (LIBOR) plus 1.50%, at the option of the Company. The Company will also pay a commitment fee on the unused Facility of 0.10% payable quarterly in arrears. The outstanding balance as of December 31, 2013 was $4.25 million. The Facility contains certain customary representations and warranties, affirmative and negative covenants and restrictive and financial covenants, including that the Company maintain a minimum consolidated net liquidity, profitability, EBITDA and tangible net worth, with which the Company was in compliance with as of December 31, 2013. Borrowings under the Facility are secured by a first priority security interest on our accounts receivable and proceeds thereof. The Facility matures in February 2015.

5. Commitments and Contingencies

Operating Leases

The Company leases its facilities and certain office equipment under operating leases which expire on various dates through 2019. The Company's headquarters are located in Irvine, California. The Company's headquarters consist of approximately 26,000 square feet of leased office space. The headquarters lease expires July 31, 2017, but the Company retains rights to terminate the lease for the lease years beginning August 1, 2015 and 2016. The Company also maintains offices located in Troy, Michigan, which consist of approximately 5,400 square feet of leased office space under a lease that expires July 31, 2015, with an option to extend the term for an additional one-year term; Tampa, Florida, which consists of approximately 2,800 square feet of leased office space under a lease that expires May 31, 2015; and King of Prussia, Pennsylvania, which consists of approximately 2,600 square feet of leased office space under a lease that expires January 1, 2019. The Company's future minimum lease payments on leases with non-cancelable terms in excess of one year were as follows (in thousands):

Years Ending December 31,	
2014	$ 498
2015	133
Thereafter	172
	$ 803

Rent expense included in operating expenses was $0.7 million for both of the years ended December 31, 2013 and 2012.

Employment Agreements

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

Litigation

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

6. Retirement Savings Plan

The Company has a retirement savings plan which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code (" **IRC** ") (the " **401(k) Plan** ".) The 401(k) Plan covers all employees of the Company who are over 21 years of age and is effective on the first day of the month following date of hire. Under the 401(k) Plan, participating employees are allowed to defer up to 100% of their pretax salaries not to exceed the maximum IRC deferral amount. The Company contributions to the 401(k) Plan are discretionary. The Company did not make a contribution in the years ended December 31, 2013 and December 31, 2012.

7. Stockholders' Equity

Stock-Based Incentive Plans

The Company has established several plans that provide for stock-based awards (" **Awards** ") primarily in the form of stock options and restricted stock awards (" **RSAs** "). Certain of these Plans provide for awards to employees, the Company's Board of Directors, and independent consultants. The Awards were granted under the 1996 Stock Incentive Plan, the 1998 Stock Option Plan, the 1999 Stock Option Plan, the 1999 Employee and Acquisition Related Stock Option Plan, the 2000 Stock Option Plan, the Amended and Restated 2001 Restricted Stock and Option Plan, the 2004 Restricted Stock and Option Plan, the 2006 Inducement Stock Option Plan and the 2010 Equity Incentive Plan. As of June 24, 2010, awards may only be granted under the 2010 Equity Incentive Plan. An aggregate of 0.4 million shares of Company common stock are reserved for future issuance under the 2010 Equity Incentive Plan at December 31, 2013.

In addition to Awards under the foregoing plans, during the year December 31, 2013 in connection with the acquisition of Advanced Mobile, the Company granted 88,641 performance-based inducement stock options (" **2013 Advanced Mobile Inducement Options** ") to a new employee.

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

	Years Ended December 31,	
	2013	2012
	(in thousands)	
Share-based compensation expense:		
Cost of revenues	$ 50	$ 46
Sales and marketing	153	225
Technology support	206	288
General and administrative	297	356
Share-based compensation expense	706	915
Amount capitalized to internal use software	2	5
Total share-based compensation expense	$ 704	$ 910

As of December 31, 2013 and December 31, 2012, there was approximately $0.6 million and $0.8 million, respectively, of unrecognized compensation expense related to unvested stock options. This expense is expected to be recognized over a weighted average period of approximately 1.5 years.

Stock Options

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

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

Awards granted under the Company's stock option plans and the 2013 Advanced Mobile Inducement Options were estimated to have a weighted average grant date fair value per share of $2.57 and $2.37 for the years ended December 31, 2013 and 2012, respectively, based on the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

	Years Ended December 31,	
	2013	2012
Expected volatility	65%	84%
Expected risk-free interest rate	0.8%	0.6%
Expected life (years)	4.3	4.2

A summary of the Company's outstanding stock options as of December 31, 2013, and changes during the year then ended is presented below:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (thousands)
Outstanding at December 31, 2012	1,559,339	$ 6.12	5.6	
Granted	289,258	5.22		
Exercised	(54,337)	3.92		
Forfeited or expired	(162,457)	10.60		
Outstanding at December 31, 2013	1,631,803	$ 5.59	4.9	$ 16,453
Vested and expected to vest at December 31, 2013	1,599,601	$ 5.59	4.9	$ 16,142
Exercisable at December 31, 2013	1,247,384	$ 5.78	4.5	$ 12,541

Service-Based Options. During the years ended December 31, 2013 and 2012, the Company granted 113,500 and 80,900 service-based stock options, with weighted average grant date fair values of $2.37 and $2.31, respectively.

Performance-Based Options. During the year ended December 31, 2013, the Company granted 87,117 performance-based stock options (" **2013 Performance-Based Options** ") to certain employees with a weighted average grant date fair value and exercise price of $2.19 and $4.00, respectively, using a Black-Scholes option pricing model. The 2013 Performance-Based Options are subject to two vesting requirements and conditions: i) percentage achievement of 2013 revenues and earnings before interest, taxes, depreciation and amortization (" **EBITDA** ") goals and ii) time vesting. Based on the Company's 2013 revenues and EBITDA performance, 83,398 Performance Options vested under the performance vesting condition, and one-third of these options vested on the first anniversary of the grant date and the remainder will vest ratably over twenty four months, thereafter.

During the year ended December 31, 2013, the Company also granted the 2013 Advanced Mobile Inducement Options, with a weighted average grant date fair value of $3.21, using a Black-Scholes option pricing model and weighted average exercise price of $7.17. The 2013 Inducement Options are subject to two vesting requirements and conditions: (i) percentage achievement of 2014, 2015 and 2016 revenues and gross profit goals for the Advanced Mobile business and (ii) time vesting.

During the year ended December 31, 2012, the Company granted 249,199 performance-based stock options (" **2012 Performance-Based Options** ") to certain employees with a weighted average grant date fair value and exercise price of $2.39 and $3.90, respectively, using a Black-Scholes option pricing model. The 2012 Performance-Based Options are subject to two vesting requirements and conditions: i) percentage achievement of 2012 revenues and EBITDA goals and ii) time vesting. Based on the Company's 2012 revenues and EBITDA performance, 161,394 Performance Options vested under the performance vesting condition, and one-third of these options vested on the first anniversary of the grant date and the remainder will vest ratably over twenty four months, thereafter.

Market Condition Options

In 2009 the Company granted 213,650 stock options to substantially all employees at exercise prices equal to the price of the stock on the grant date of $1.75, with a fair market value per option granted of $0.97, using a Black-Scholes option pricing model. One-third of these options cliff vest on the first anniversary following the grant date and the remaining two-thirds vest ratably over twenty-four months thereafter. In addition, the remaining two-thirds of the awards must meet additional conditions in order to be exercisable. One-third of the remaining options must also satisfy the condition that the closing price of Autobytel's common stock over any 30 consecutive trading days is at least two times the option exercise price to be exercisable (" **Market Condition A** "). The final one-third of the remaining options must also satisfy the condition that the closing price of Autobytel's common stock over any 30 consecutive trading days is at least three times the option exercise price to be exercisable (" **Market Condition B** "). Certain of these options will accelerate vesting upon a change in control of the Company. Market Condition A was achieved during 2009 and Market Condition B was achieved in 2010. During 2013, 5,879 stock options were exercised related to these market condition options.

During 2013, 54,337 options were exercised (inclusive of 5,879 market condition stock options exercised during 2013), with an aggregate weighted average exercise price of $3.92. During 2012, 10,982 options were exercised (inclusive of the 9,206 market condition stock options exercised during 2012), with an aggregate weighted average exercise price of $1.97. The total intrinsic value of options exercised during 2013 and 2012 was $60,000 and $21,000, respectively.

Employee Stock Purchase Plan

The Company's 1996 Employee Stock Purchase Plan (" **ESPP** ") was suspended by the Company's Board of Directors during 2008 and was terminated in 2012. The ESPP permitted eligible employees to purchase shares of the Company's common stock at 85% of the lower of the fair market value of the common stock on the first or last day of each six month purchase period.

Tax Benefit Preservation Plan

On May 26, 2010, the Board of Directors of the Company approved, and the Company entered into, a Tax Benefit Preservation Plan, between the Company and Computershare Trust Company, N.A., as rights agent (the " **Tax Benefit Preservation Plan** "). The Tax Benefit Preservation Plan was approved by stockholders at the Company's annual meeting of stockholders held June 23, 2011. The Board of Directors of the Company adopted the Tax Benefit Preservation Plan to protect stockholder value by preserving important tax assets. Under the Tax Benefit Preservation Plan, rights to purchase capital stock of the Company (" **Rights** ") have been distributed as a dividend at the rate of five Rights for each share of common stock. Each Right entitles its holder, upon triggering of the Rights, to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at a price of $8.00 (as such price may be adjusted under the Tax Benefit Preservation Plan) or, in certain circumstances, to instead acquire shares of common stock. The Rights will convert into a right to acquire common stock or other capital stock of the Company in certain circumstances and subject to certain exceptions. The Rights will be triggered upon the acquisition of 4.90% or more of the Company's outstanding common stock or future acquisitions by any existing holders of 4.90% or more of the Company's outstanding common stock. If a person or group acquires 4.90% or more of the Company's common stock, all rights holders, except the acquirer, will be entitled to acquire at the then exercise price of a right that number of shares of the Company common stock which, at the time, has a market value of two times the exercise price of the Right. The Rights will expire upon the earliest of: (i) the close of business on May 26, 2014 unless that date is advanced or extended, (ii) the time at which the Rights are redeemed or exchanged under the Tax Benefit Preservation Plan, (iii) the repeal of Section 382 or any successor statute if the Board determines that the Tax Benefit Preservation Plan is no longer necessary for the preservation of the Company's Tax Benefits, (iv) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, or (v) such time as the Board determines that a limitation on the use of the Tax Benefits under Section 382 would no longer be material to the Company.

Warrant

As part of the acquisition of Cyber on the Acquisition Date, the Company issued a warrant to purchase 400,000 shares of Company common stock (" **Warrant** ") at an exercise price of $4.65 per share (as adjusted for stock splits, stock dividends, combinations and other similar events). The Warrant became exercisable on September 16, 2013 and expires on the eighth anniversary of the issuance date. The right to exercise the Warrant is accelerated in the event of a change in control of the Company. The Warrant was valued at $3.15 per share for a total value of $1,260,000, which is recorded as additional paid-in-capital. The Company used an option pricing model with the following key assumptions: risk-free rate of 2.3%, stock price volatility of 77.5% and a term of 8.04 years.

Shares Reserved for Future Issuance

The Company had the following shares of common stock reserved for future issuance upon the exercise or issuance of equity instruments as of December 31, 2013:

	Number of Shares
Stock options outstanding	1,631,803
Authorized for future grants under stock-based incentive plans	388,971
Reserved for exercise of Warrant	400,000
Reserved for conversion of promissory note	1,075,268
Total	3,496,042

8. Income Taxes

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

	2013	2012
	(in thousands)	
Current:		
Federal	$ 95	$ 12
State	113	66
	208	78
Deferred:		
Federal	1,353	225
State	902	41
	2,255	266
Valuation Allowance Release	(37,527)	-
Total income tax expense (benefit)	$ (35,064)	$ 344

The reconciliations of the U.S. federal statutory rate to the effective income tax rate for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Tax provision at U.S. federal statutory rates	34.0%	35.0%
State taxes	3.5	5.9
Federal rate adjustment	34.6	-
State rate adjustment	0.5	8.8
Deferred tax asset adjustments	5.9	-
Non-deductible permanent items	0.6	0.7
Stock options	0.4	3.4
Other	0.5	(0.7)
Change in valuation allowance	(1219.1)	(33.2)
Effective income tax rate	(1139.1%)	19.9%

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes as of December 31, 2013 and 2012 are as follows:

	2013	2012
	(in thousands)	
Deferred tax assets:		
Allowance for doubtful accounts	$ 149	$ 160
Accrued liabilities	832	248
Net operating loss carry-forwards	37,426	40,350
Fixed assets	111	144
Intangible assets	2,006	1,991
Share-based compensation expense	1,143	944
Deferred revenue	-	2
Other	184	44
Total gross deferred tax assets	41,851	43,883
Valuation allowance	(6,356)	(43,883)
	35,495	-
Deferred tax liabilities:		
Tax deductible goodwill	(843)	(620)
Total gross deferred tax liabilities	(843)	(620)
Net deferred income taxes	$ 34,652	$ (620)

During 2013 management assessed the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Significant pieces of objective positive evidence evaluated were the cumulative earnings generated over the three-year period ended December 31, 2013 and the Company's strong future earnings projections. Based on this evaluation, as of December 31, 2013, the Company reversed $37.5 million of its valuation allowance.We believe, however, that it is more likely than not that $1.6 million in state net operating loss carryforwards will not be realized. Accordingly, a valuation allowance has been placed on these state net operating losses. In addition, included in the NOL deferred tax asset above is approximately $13.5 million and $6.7 million for federal and state, respectively, of deferred tax asset attributable to excess stock option deductions. Due to a provision within ASC Topic 718, Compensation – Stock Compensation (" **ASC 718** "), concerning when tax benefits related to excess stock option deduction can be credited to paid-in-capital, the related valuation allowance of $4.8 million cannot be reversed, even if the facts and circumstances indicate that it is more likely than not that the deferred tax asset can be realized. The valuation allowance will only be reversed as the related deferred tax asset is applied to reduce taxes payable. The Company follows ASC 740 ordering to determine when such NOL has been realized.

At December 31, 2013, the Company had federal and state net operating loss carry-forwards (" **NOLs** ") of approximately $100.9 million and $66.1 million, respectively. The federal NOLs expire through 2031 as follows (in millions):

2021	$	21.6
2022		1.7
2023		-
2024		4.1
2025		7.7
2026		25.5
2027		15.5
2028		5.2
2029		7.7
2030		10.6
2031		1.3
	$	100.9

The state NOLs expire through 2031 as follows (in millions):

2014	$	4.6
2015		6.6
2016		20.6
2017		3.2
2028		2.6
2029		5.8
2030		11.0
2031		1.3
California NOLs		55.7
Other State NOLs		10.4
Total State NOLs	$	66.1

Utilization of the net operating loss and tax credit carry-forwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the " **Code** "), as well as similar state provisions. These ownership changes may limit the amount of NOL carry-forwards that can be utilized annually to offset future taxable income and tax, respectively. A Section 382 ownership change occurred in 2006 and any changes have been reflected in the NOLs presented above as of December 31, 2013. As a result of an acquisition in 2001, approximately $9.9 million of the NOLs are subject to an annual limitation of approximately $0.5 million per year.

The federal and state net operating losses begin to expire in 2021 and 2014, respectively. Approximately $10.8 million and $5.0 million, respectively, of the federal and state net operating loss carry-forwards were incurred by subsidiaries prior to the date of the Company's acquisition of such subsidiaries. The Company established a valuation allowance of $4.1 million at the date of acquisitions related to these subsidiaries. During 2013, the valuation allowance has been reversed. The tax benefits associated with the realization of such net operating losses will be credited to the provision for income taxes. In addition, federal and state net operating losses of approximately $13.5 million and $6.7 million, respectively, relate to stock option deductions. Therefore, once the stock option deductions reduce income taxes payable in the future in accordance with ASC 718, approximately $4.6 million and $0.2 million, respectively, will be credited to stockholders' equity rather than to income tax benefit.

At December 31, 2013, deferred tax assets exclude approximately $0.6 million and $0.1 million of tax-effected federal and state net operating losses pertaining to tax deductions from stock-based compensation. Upon future realization of these benefits, the Company expects to increase additional paid-in capital and reduce income taxes payable. The benefit of excess stock option deductions is not recorded until such time that the deductions reduce income taxes payable. For purposes of determining when the stock options reduce income taxes payable, the Company has adopted the "with and without" approach whereby the Company considers net operating losses arising from continuing operations prior to net operating losses attributable to excess stock option deductions.

At December 31, 2013, the Company has federal and state research and development tax credit carry-forwards of $0.3 million and $0.2 million, respectively. The federal credits begin to expire in 2021. The state credits do not expire.

As of December 31, 2013 and 2012, the Company had unrecognized tax benefits of approximately $0.6 million and $0.6 million, respectively, all of which, if subsequently recognized, would have affected the Company's tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2013	2012
	(in thousands)	
Balance at January 1,	$ 636	$ 500
Additions based on tax positions related to prior years	-	136
Balance at December 31,	$ 636	$ 636

The Company files income tax returns in the United States and various state jurisdictions. In general, the Company is no longer subject to U.S. federal and state income tax examinations for years prior to 2008 (except for the use of tax losses generated prior to 2008 that may be used to offset taxable income in subsequent years). The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company accrued $20,000 and $13,000 of interest, respectively, associated with its unrecognized tax benefits in the years ended December 31, 2013 and 2012.

9. Quarterly Financial Data (Unaudited)

Below is a summary table of the Company's quarterly data for the years ended December 31, 2013 and December 31, 2012.

	Quarter Ended							
	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
	(in thousands, except per-share amounts)							
Total net revenues	$ 20,693	$ 21,635	$ 17,771	$ 18,261	$ 16,911	$ 17,454	$ 15,731	$ 16,705
Gross profit	$ 8,089	$ 8,809	$ 6,956	$ 6,592	$ 6,385	$ 6,715	$ 6,335	$ 6,836
Net income (loss)	$ 36,150	$ 1,273	$ 386	$ 334	$ 351	$ 551	$ 231	$ 253
Basic earnings (loss) per share	$ 4.06	$ 0.14	$ 0.04	$ 0.04	$ 0.04	$ 0.06	$ 0.03	$ 0.01
Diluted earnings (loss) per share	$ 3.26	$ 0.13	$ 0.04	$ 0.04	$ 0.04	$ 0.06	$ 0.02	$ 0.01

10. Subsequent Event

Credit Facility

On January 13, 2014, the Company entered into a Credit Facility Amendment with Union Bank, amending the Company's existing Loan Agreement with Union Bank initially entered into on February 26, 2013, and amended on September 10, 2013 (the existing Loan Agreement, as amended to date, is referred to herein collectively as the "Credit Facility Agreement"). The Credit Facility Amendment provides for (i) a new Term Loan; and (ii) amendments to the existing Revolving Loan.

The Term Loan is amortized over a period of four years, with fixed quarterly principal payments of $562,500. Borrowings under the Term Loan or under the Revolving Loan will bear interest at either (i) the bank's Reference Rate (prime rate) minus 0.50% or (ii) the LIBOR plus 2.50% (an increase under the existing Revolving Loan from 1.50%), at the option of the Company. Interest under both the Term Loan 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 also pays a commitment fee of 0.10% per year on the unused portion of the Revolving Loan payable quarterly in arrears. Borrowings under the Term Loan 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. The Term Loan matures December 31, 2017, and the maturity date of the Revolving Loan was extended from February 28, 2015 to March 31, 2017. Borrowings under the Revolving Loan may be used as a source to finance capital expenditures, acquisitions and stock buybacks and for other general corporate purposes. Borrowing under the Term Loan is limited to use for the acquisition described below, and the Company drew down the entire $9.0 million of the Term Loan, together with $1.0 million under the Revolving Loan, in financing this acquisition.

Acquisition of AutoUSA

On January 13, 2014 (" **AutoUSA Acquisition Date** "), Autobytel and Seller Parent, and Seller, entered into and consummated a Membership Interest Purchase Agreement in which Autobytel acquired all of the issued and outstanding membership interests in AutoUSA, a competitor of the Company. AutoUSA is a (i) lead aggregator purchasing internet-generated automotive consumer leads from third parties and reselling those consumer leads to automotive vehicle dealers; and (ii) reseller of third party products and services to automotive Dealers. The Company acquired AutoUSA to expand its reach and influence in the industry by increasing its Dealer network.

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

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

As part of the consideration paid for the acquisition, the Company issued a convertible subordinated promissory note for $1.0 million (" **AutoUSA Note** ") to the Seller. The fair value of the AutoUSA Note as of the AutoUSA Acquisition Date was $1.3 million. This valuation was estimated using a binomial option pricing method. Key assumptions used in valuing the Note include a market yield of 1.6% and stock price volatility of 65.0%. As the 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 Note is to be paid in full on January 31, 2019. At any time after January 31, 2017, the holders of the Note may convert all or any part of, but at least 30,600 shares, the then outstanding and unpaid principal of the 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 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 Note will become immediately due and payable and will bear interest at the lower of 8% per year and the highest legal rate permissible under applicable law.

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

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the AutoUSA Acquisition Date. Because the transaction was completed subsequent to December 31, 2013, we have not yet finalized the fair values of the assets and liabilities assumed in connection with the acquisition.

	(in thousands)
Accounts receivable	$ 2,934
Prepaid expenses	43
Net fixed assets and other long-lived assets	431
Total tangible assets acquired	3,408
Accounts payable	2,270
Total liabilities assumed	2,270
Net identifiable assets acquired	1,138
Long-lived intangible assets acquired	3,750
Goodwill	6,966
Net assets acquired	$ 11,854

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

	Valuation Method	**Estimated Fair Value** *(in thousands)*	**Estimated Useful Life (1)** (years)
Non-compete agreements	Discounted cash flow (2)	$90	2
Customer relationships	Excess of earnings (3)	2,660	5
Trademark/tradenames	Relief from Royalty (4)	1,000	5
Total purchased intangible assets		$3,750	

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

(2) The non-compete agreement fair values were derived by calculating the difference between the present value of the Company's forecasted cash flows with the agreements in place and without the agreements in place.

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

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

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of the identifiable purchased intangible assets include all assumptions associated with forecasting cash flows and profitability. The primary assumptions used for the determination of the preliminary fair value of the purchased intangible assets were generally based upon the present value of anticipated cash flows discounted at a rate of 17.5%. Estimated years of projected earnings generally follow the range of estimated remaining useful lives for each intangible asset class.

The goodwill recognized of $7.0 million is attributable primarily to expected synergies and the assembled workforce of AutoUSA. The full amount is expected to be amortizable for income tax purposes.

The Company incurred $0.2 million of acquisition related costs related to AutoUSA through December 31, 2013, all of which was expensed.

The following unaudited pro forma information presents the consolidated results of the Company and AutoUSA for the twelve months ended December 31, 2013 and 2012, respectively, with adjustments to give effect to pro forma events that are directly attributable to the acquisition and have a continuing impact, but exclude the impact of pro forma events that are directly attributable to the acquisition and are one-time occurrences. The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods, the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results of operations that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur as a result of the acquisition and combining the operations of the companies.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2013 and 2012, respectively, are as follows:

	Twelve Months Ended December 31, 2013	**Twelve Months Ended December 31, 2012**
	(in thousands)	*(in thousands)*
Unaudited pro forma consolidated results:		
Revenue	$95,888	$104,461
Net income	$2,722	$39,614

AUTOBYTEL INC.
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	Years Ended December 31,	
	2013	2012
	(in thousands)	
Allowance for bad debts:		
Beginning balance	$ 268	$ 219
Additions	92	163
Write-offs	(66)	(114)
Ending balance	$ 294	$ 268
Allowance for customer credits:		
Beginning balance	$ 158	$ 321
Additions	511	391
Write-offs	(558)	(554)
Ending balance	$ 111	$ 158
Tax valuation allowance:		
Beginning balance	$ 43,883	$ 44,457
Charged (credited) to tax expense	(37,527)	(574)
Ending balance	$ 6,356	$ 43,883

EXHIBIT INDEX

Number	Description
2.1 ‡	Asset Purchase Agreement dated as of September 16, 2010 by and among Autotropolis, Inc., a Florida corporation, Cyber Ventures, Inc., a Florida corporation, William Ferriolo, Ian Bentley and the Ian Bentley Revocable Trust created U/A/D 3/1/2005, Autobytel Inc., a Delaware corporation, and Autobytel Acquisition Subsidiary, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 filed with the Securities and Exchange Commission (" **SEC** ") on November 12, 2010 (SEC File No. 001-34761) (" **3 rd Quarter 2010 Form 10-Q** ")
2.2 ‡	Asset Purchase Agreement dated as of September 30, 2013 by and among Autobytel Inc., a Delaware corporation, Advanced Mobile, LLC, a Delaware limited liability company, and Advanced Mobile Solutions Worldwide, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on October 3, 2013 (SEC File No. 001-34761)
2.3 ‡	Membership Interest Purchase Agreement dated as of January 13, 2014 by and among Autobytel Inc., a Delaware corporation, AutoNation, Inc., a Delaware corporation, and AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on January 17, 2014 (SEC File No. 001-34761) (" **January 2014 Form 8-K** ")
3.1	Fifth Amended and Restated Certificate of Incorporation of Autobytel Inc. (formerly autobytel.com inc.) certified by the Secretary of State of Delaware (filed December 14, 1998), as amended by Certificate of Amendment dated March 1, 1999, Second Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 22, 1999, Third Certificate of Amendment of the Fifth Amended and Restated Certificate of Incorporation of Autobytel dated August 14, 2001, Certificate of Designation of Series A Junior Participating Preferred Stock dated July 30, 2004, and Amended Certificate of Designation of Series A Junior Participating Preferred Stock dated April 24, 2009, which are incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 filed with the SEC on April 24, 2009 (SEC File No. 000-22239); and Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation of Autobytel dated July 10, 2012, which is incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on July 12, 2012 (SEC File No. 001-34761);
3.2	Third Amended and Restated Bylaws of Autobytel dated April 27, 2011, which is incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on April 29, 2011 (SEC File No. 000-22239); and Amendment to Third Amended and Restated Bylaws of Autobytel adopted on September 13, 2012, which is incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on September 14, 2012 (SEC File No. 001-34761)
4.1	Form of Common Stock Certificate of Autobytel, which is incorporated herein by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 filed with the SEC on November 14, 2001 (SEC File No. 000-22239)
4.2	Tax Benefit Preservation Plan dated as of May 26, 2010 between Autobytel and Computershare Trust Company, N.A., as rights agent, together with the following exhibits thereto: Exhibit A – Form of Right Certificate; 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)
4.3	Certificate of Adjustment Under Section 11(m) of the Tax Benefit Preservation Plan, which is incorporated herein by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q filed with the SEC on November 8, 2012 (SEC File No. 001-34761)
10.1**	Form of Amended and Restated Indemnification Agreement between Autobytel and its directors and officers, which is incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on July 22, 2010 (SEC File No. 001-34761)
10.2**	Form of Outside Director Stock Option Agreement pursuant to the 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 14, 2005 (SEC File No. 000-22239) (" **September 2005 Form 8-K** ")
10.3**	Form of Letter Agreement (amending certain stock option agreements with Outside Directors), which is incorporated herein by reference to Exhibit 10.2 to the September 2005 Form 8-K
10.4**	Autobytel.com inc. 1998 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.8 of Amendment No. 1 to the S-1 Registration Statement filed with the SEC on February 9, 1999 (SEC File No. 333-70621) (" **Amendment No. 1 to S-1 Registration Statement** ")
10.5**	Autobytel.com inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.30 of Amendment No.1

to S-1 Registration Statement

10.6** Autobytel.com inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit 10.1 to the Registration Statement on Form S-8 filed with the SEC on November 1, 1999 (SEC File No. 333-90045)

10.7** Amendment No. 1 to the Autobytel.com Inc. 1998 Stock Option Plan dated September 22, 1999, which is incorporated herein by reference to Exhibit 10.2 of Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239)

10.8** Amendment No. 1 to the Autobytel.com Inc. 1999 Stock Option Plan dated September 22, 1999, which is incorporated herein by reference to Exhibit 10.1 of Form 10-Q for the quarterly period ended September 30, 1999 filed with the SEC on November 12, 1999 (SEC File No. 000-22239)

10.9** Auto-By-Tel Corporation 1996 Stock Incentive Plan and related agreements, which are incorporated herein by reference to Exhibit 10.6 of Amendment No. 1 to S-1 Registration Statement

10.10** Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed with the SEC on June 15, 2000 (SEC File No. 333-39396)

10.11** Autobytel.com Inc. 2001 Restricted Stock Plan, which is incorporated herein by reference to Annex D to the Registration Statement on Form S-4 originally filed with the SEC on May 11, 2001 (SEC File No. 333-60798) and amended on July 17, 2001

10.12** Amendment No. 1 to the Auto-by-Tel Corporation 1996 Stock Incentive Plan, which is incorporated herein by reference to Exhibit (d)(2) of Schedule TO filed with the SEC on December 14, 2001 (SEC File No. 005-58067) (" **Schedule TO** ")

10.13** Amendment No. 2 to the Autobytel.com Inc. 1998 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(5) to the Schedule TO

10.14** Amendment No. 2 to the Autobytel.com Inc. 1999 Stock Option Plan is incorporated herein by reference to Exhibit (d)(8) to the Schedule TO

10.15** Amendment No. 1 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(10) to the Schedule TO

10.16** Amendment No. 1 to the Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(12) to the Schedule TO

10.17** Amendment No. 2 to the Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.46 to the Annual Report on Form 10-K for the Year Ended December 31, 2001 filed with the SEC on March 22, 2002 (SEC File No. 000-22239)

10.18** Form of Stock Option Agreement pursuant to Auto-by-Tel Corporation 1996 Stock Incentive Plan, which is incorporated herein by reference to Exhibit (d)(13) to the Schedule TO

10.19** Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1998 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(14) to the Schedule TO

10.20** Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(15) to the Schedule TO

10.21** Form of Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(16) to the Schedule TO

10.22** Form of Stock Option Agreement pursuant to Autobytel.com Inc. 2000 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(17) to the Schedule TO

10.23** Form of Performance Stock Option Agreement pursuant to Autobytel.com Inc. 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit (d)(18) to the Schedule TO

10.24** Form of Non-employee Director Stock Option Agreement pursuant to Auto-by-Tel Corporation 1996 Stock Incentive Plan, which is incorporated herein by reference to Exhibit (d)(19) to the Schedule TO

10.25** Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.7 of Post-Effective Amendment to Registration Statement on Form S-8 filed with the SEC on July 31, 2003 (SEC File No. 333-67692)

10.26** Form of Outside Director Stock Option Agreement pursuant to the Autobytel 1999 Stock Option Plan, which is incorporated

herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on November 3, 2004 (SEC File No. 000-22239) (" **November 3, 2004 Form 8-K** ")

10.27** Form of Outside Director Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.2 to the November 3, 2004 Form 8-K

10.28** Autobytel Inc. 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.8 to the Registration Statement on Form S-8 filed with the SEC on June 28, 2004 (SEC File No. 333-116930) (" **2004 Form S-8** ")

10.29** Form of Employee Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 4.9 to the 2004 Form S-8

10.30** Form of Stock Option Agreement pursuant to the Autobytel 2004 Restricted Stock and Option Plan, which is incorporated herein by reference to Exhibit 10.65 to the Annual Report on Form 10-K for the Year Ended December 31, 2004 filed with the SEC on May 31, 2005 (SEC File No. 000-22239)

10.31** 2006 Inducement Stock Option Plan, which is incorporated herein by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the SEC on June 16, 2006 (SEC File No. 333-135076) (" **2006 Form S-8** ")

10.32** Form of Employee Inducement Stock Option Agreement, which is incorporated herein by reference to Exhibit 4.10 to the 2006 Form S-8

10.33** Letter Agreement dated October 10, 2006 between the Company and Glenn E. Fuller, as amended by Memorandum dated April 18, 2008, Memorandum dated as of December 8, 2008, and Memorandum dated as of March 1, 2009, which are incorporated herein by reference to Exhibit 10.77 to the 2008 Form 10-K

10.34** Amended and Restated Severance Agreement dated as of September 29, 2008 between the Company and Glenn E. Fuller, which is incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239)

10.35** Letter Agreement dated October 4, 2007 between the Company and Curtis E. DeWalt, as amended by Memorandum dated as of December 8, 2008 and Memorandum dated March 1, 2009, which are incorporated herein by reference to Exhibit 10.79 to the 2008 Form 10-K

10.36** Amended and Restated Severance Agreement dated as of September 29, 2008 between the Company and Curtis E. DeWalt, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 9, 2009 (SEC File No. 000-22239)

10.37** Letter Agreement dated August 6, 2004 between the Company and Wesley Ozima, as amended by Memorandum dated March 1, 2009, which are incorporated herein by reference to Exhibit 10.81 to the 2008 Form 10-K

10.38** Amended and Restated Severance Agreement dated as of November 15, 2008 between the Company and Wesley Ozima, which is incorporated herein by reference to Exhibit 10.82 to the 2008 Form 10-K

10.39** Form of Employee Stock Option Agreement pursuant to the 1998 Stock Option Plan, the 1999 Employee and Acquisition Related Stock Option Plan and the 1999 Stock Option Plan, which is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on October 3, 2008 (SEC File No. 000-22239) (" **October 2008 Form 8-K** ")

10.40** Amendment No. 2 to the Autobytel.com Inc. 1999 Employee and Acquisition Related Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.86 to the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009 filed with the SEC on July 24, 2009 (SEC File No. 000-22239) (" **Second Quarter 2009 Form 10-Q** ")

10.41** Amendment No. 3 to the Autobytel.com Inc. 2000 Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.87 to the Second Quarter 2009 Form 10-Q

10.42** Amendment No. 1 to the Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.88 to the Second Quarter 2009 Form 10-Q

10.43** Amendment No. 1 to the Autobytel Inc. 2004 Restricted Stock and Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.89 to the Second Quarter 2009 Form 10-Q

10.44** Amendment No. 1 to the Autobytel Inc. 2006 Inducement Stock Option Plan dated May 1, 2009, which is incorporated herein by reference to Exhibit 10.90 to the Second Quarter 2009 Form 10-Q

10.45** Autobytel Inc. Amended and Restated Employment Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.91 to the Second Quarter 2009 Form 10-Q

10.46**	Autobytel Inc. 2000 Stock Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.92 to the Second Quarter 2009 Form 10-Q
10.47**	Autobytel Inc. Amended and Restated 2001 Restricted Stock and Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.93 to the Second Quarter 2009 Form 10-Q
10.48**	Autobytel Inc. 2004 Restricted Stock and Option Plan, Stock Option Award Agreement dated effective as of April 3, 2009 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.94 to the Second Quarter 2009 Form 10-Q
10.49**	Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on June 25, 2010 (SEC File No. 001-34761) (" **June 2010 Form 8-K** ")
10.50**	Form of Employee Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.58 to the Annual Report on Form 10-K for the Year Ended December 31, 2011 filed with the SEC on March 1, 2012 (SEC File No. 001-34761) (" **2011 Form 10-K** ")
10.51**	Form of 2012 Performance-Based Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.59 to the 2011 Form 10-K
10.52**	Form of Non-Employee Director Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.60 to the 2011 Form 10-K
10.53**	Form of (Management) Employee Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.61 to the 2011 Form 10-K
10.54**	Form of Indemnification Agreement between Autobytel and its directors and officers, which is incorporated herein by reference to Exhibit 10.63 to the Annual Report on Form 10-K filed with the SEC on March 10, 2011 (SEC File No. 001-34761) (**"2010 Form 10-K** ")
10.55**	Amendment No. 1 to Amended and Restated Employment Agreement between Autobytel and Jeffrey H. Coats effective as of December 17, 2010, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 23, 2010 (SEC File No. 001-34761)
10.56	Standstill Agreement between Autobytel, CCM Master Qualified Fund, Ltd., a Cayman Islands exempted company, Coghill Capital Management LLC and Clint Coghill dated January 13, 2009, which is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 15, 2009 (SEC File No. 000-22239)
10.57	Convertible Subordinated Promissory Note dated September 16, 2010 (Principal Amount $5,000,000) issued by Autobytel to Autotropolis, Inc. and Cyber Ventures, Inc., which is incorporated herein by reference to Exhibit 4.5 to the 3 rd Quarter 2010 Form 10-Q
10.58	Warrant to Purchase 2,000,000 Shares of Autobytel Common Stock dated September 16, 2010 issued by Autobytel to Autotropolis, Inc. and Cyber Ventures, Inc., which is incorporated herein by reference to Exhibit 4.6 to the 3 rd Quarter 2010 Form 10-Q
10.59	Shareholders Agreement dated as of September 16, 2010 by and among Autobytel, Autotropolis, Inc., a Florida corporation, Cyber Ventures, Inc., a Florida corporation, William Ferriolo, Ian Bentley and the Ian Bentley Revocable Trust created U/A/D 3/1/2005, which is incorporated herein by reference to Exhibit 4.7 to the 3 rd Quarter 2010 Form 10-Q
10.60**	Letter Agreement dated March 9, 2010 between Autobytel and Kimberly Boren, as amended by Memorandum dated December 21, 2010 and Memorandum dated as of December 1, 2011, which are incorporated herein by reference to Exhibit 10.73 to the 2011 Form 10-K
10.61**	Amended and Restated Severance Benefits Agreement dated as of February 25, 2011 between Autobytel and Kimberly Boren, which is incorporated herein by reference to Exhibit 10.74 to the 2011 Form 10-K
10.62**	Letter Agreement dated as of September 17, 2010 between Autobytel and William Ferriolo, as amended by Memorandum dated as of December 1, 2011, which is incorporated herein by reference to Exhibit 10.75 to the 2011 Form 10-K
10.63**	Severance Benefits Agreement dated as of September 17, 2010 between Autobytel and William Ferriolo, which is incorporated herein by reference to Exhibit 10.76 to the 2011 Form 10-K
10.64**	Letter Agreement dated May 21, 2007 between Autobytel and John Steerman, as amended by Memorandum dated March 20, 2009, Memorandum dated September 30, 2009 and Memorandum dated as of December 1, 2011, which are incorporated herein by reference to Exhibit 10.77 to the 2011 Form 10-K

10.65**	Severance Agreement dated as of October 1, 2009 between Autobytel and John Steerman, which is incorporated herein by reference to Exhibit 10.78 to the 2011 Form 10-K
10.66	Lease Agreement dated April 6, 1997 between The Provider Fund, The Colton Company and Autobytel (" **Irvine Lease** "), as amended by Amendment No. 12 to Lease dated February 6, 2009, Amendment No. 13 to Lease dated March 5, 2009, and Amendment No. 14 to Lease dated November 29, 2010 , which are incorporated herein by reference to Exhibit 10.79 to the 2011 Form 10-K
10.67	Amendment No. 15 to Irvine Lease dated October 31, 2012, which is incorporated herein by reference to Exhibit 10.69 to the Annual Report on Form 10-K for the Year Ended December 31, 2012 filed with the SEC on February 28, 2013 (SEC File No. 001-34761) (" **2012 Form 10-K** ")
10.68**	Amendment No. 1 to Amended and Restated Severance Benefits Agreement dated November 14, 2012 between Autobytel and Kimberly Boren, which is incorporated herein by reference to Exhibit 10.70 to the 2012 Form 10-K
10.69**	Amendment No. 2 to Amended and Restated Employment Agreement dated December 14, 2012 between Autobytel and Jeffrey H. Coats, which is incorporated herein by reference to Exhibit 10.71 to the 2012 Form 10-K
10.70**	Amendment No. 1 to Amended and Restated Severance Agreement dated October 19, 2012 between Autobytel and Curtis E. DeWalt, which is incorporated herein by reference to Exhibit 10.72 to the 2012 Form 10-K
10.71**	Amendment No. 1 to Amended and Restated Severance Agreement dated December 14, 2012 between Autobytel and Glenn E. Fuller, which is incorporated herein by reference to Exhibit 10.73 to the 2012 Form 10-K
10.72**	Amendment No. 1 to Amended and Restated Severance Agreement dated October 16, 2012 between Autobytel and Wesley Ozima, which is incorporated herein by reference to Exhibit 10.74 to the 2012 Form 10-K
10.73**	Amendment No. 1 to Severance Agreement dated September 19, 2012 between Autobytel and John D. Steerman, which is incorporated herein by reference to Exhibit 10.75 to the 2012 Form 10-K
10.74**	Amendment No. 2 to Severance Agreement dated November 7, 2012 between Autobytel and John D. Steerman, which is incorporated herein by reference to Exhibit 10.76 to the 2012 Form 10-K
10.75**	Amendment No. 1 to Severance Benefits Agreement dated November 30, 2012 between Autobytel and William Ferriolo, which is incorporated herein by reference to Exhibit 10.77 to the 2012 Form 10-K
10.76**	Form of 2013 Performance-Based Stock Option Award Agreement pursuant to the Autobytel Inc. 2010 Equity Incentive Plan, which is incorporated herein by reference to Exhibit 10.79 to the 2012 Form 10-K
10.77	Loan Agreement by and between Autobytel Inc., a Delaware corporation, and Union Bank, N.A., a national banking association, dated as of February 26, 2013, as amended by the First Amendment to Loan Agreement dated as of September 10, 2013, and the Second Amendment to Loan Agreement dated as of January 13, 2014, Security Agreement dated January 13, 2014, Commercial Promissory Note dated January 13, 2014 ($9,000,000 Term Loan), and Commercial Promissory Note dated January 13, 2014 ($8,000,000 Revolving Loan), which is incorporated herein by reference to Exhibit 10.4 to the January 2014 Form 8-K
10.78	Assignment Agreement dated February 26, 2013 by and between Autobytel and Lead Relay, LLC, which is incorporated herein by reference to Exhibit 10.81 to the 2012 Form 10-K
10.79	Convertible Subordinated Promissory Note dated as of January 13, 2014 (Principal Amount $1,000,000.00) issued by Autobytel Inc., a Delaware corporation, to AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.1 to the January 2014 Form 8-K
10.80	Warrant to Purchase 69,930 Shares of Autobytel Inc. Common Stock dated as of January 13, 2014 issued by Autobytel Inc., a Delaware corporation, to AutoNationDirect.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.2 to the January 2014 Form 8-K
10.81	Shareholder Registration Rights Agreement dated as of January 13, 2014 by and between Autobytel Inc., a Delaware corporation, and AutoNationDirecet.com, Inc., a Delaware corporation, which is incorporated herein by reference to Exhibit 10.3 to the January 2014 Form 8-K
10.82**	Letter Agreement dated September 30, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on November 7, 2013 (SEC File No. 001-34761) (" **3 rd Quarter 2013 Form 10-Q** ")
10.83**	Severance Benefits Agreement dated October 1, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.2 to the 3 rd Quarter 2013 Form 10-Q

10.84**	Inducement Stock Option Award Agreement dated September 30, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.3 to the 3 rd Quarter 2013 Form 10-Q
10.85**	Inducement Stock Option Award Agreement dated September 30, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.4 to the 3 rd Quarter 2013 Form 10-Q
10.86**	Inducement Stock Option Award Agreement dated September 30, 2013 between Autobytel Inc. and Bret Dunlap, which is incorporated herein by reference to Exhibit 10.5 to the 3 rd Quarter 2013 Form 10-Q
10.87* **	Inducement Stock Option Award Agreement dated January 13, 2014 between Autobytel Inc. and Phillip W. DuPree
10.88* **	Letter Agreement dated January 13, 2014 between Autobytel Inc. and Phillip DuPree
10.89* **	Severance Benefits Agreement dated January 14, 2014 between Autobytel Inc. and Phillip DuPree
21.1*	Subsidiaries of Autobytel Inc.
23.1*	Consent of Independent Registered Public Accounting Firm, Moss Adams LLP
24.1*	Power of Attorney (included in the signature page hereto)
31.1*	Chief Executive Officer Section 302 Certification of Periodic Report dated February 20, 2014
31.2*	Chief Financial Officer Section 302 Certification of Periodic Report dated February 20, 2014
32.1*	Chief Executive Officer and Chief Financial Officer Section 906 Certification of Periodic Report dated February 20, 2014
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.INS	XBRL Instance Document

* Filed herewith.

** Management Contract or Compensatory Plan or Arrangement.

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

Exhibit 10.87

AUTOBYTEL INC.

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

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

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

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

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

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

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

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

4. Exercise of Options.

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

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

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

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

(e) ***Limitation on Number of Resales or Transfers of Shares***. The number of Shares that may be resold or transferred to the public or through any public securities trading market at any time may not exceed (i) for any one sale or transfer order, twenty-five percent (25%) of the Average Daily Volume; and (ii) for all sales or transfer volume in any calendar week, twenty-five percent (25%) of the Weekly Volume. For purposes of this Section 4(e), (i) " **Average Daily Volume** " will be determined once at the beginning of each calendar quarter for application during such quarter based on an averaging of the daily volume of sales of Company Common Stock as reported by The NASDAQ Capital Market (provided that if the Company's Common Stock is not then listed on The NASDAQ Capital Market, as reported by such trading market on which the Common Stock is traded) for each trading day over the 90-trading day

period preceding such determination; and (ii) " **Average Weekly Volume** " is calculated by multiplying the Average Daily Volume by the number of trading days in the calendar week preceding the proposed sale or transfer of Shares.

5. Option Termination and Other Provisions .

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

(b) ***Termination of Employment*** .

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

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

(2) ***Termination of Employment Prior to Determination of Vesting Eligible Performance Options*** . In the event of a termination of Optionee's employment by the Company without Cause or by Optionee for Good Reason before the Vesting Eligible Performance Options Determination Date, the provisions of this Section 5(b)(i)(2) shall apply rather than Section 5(b)(i)(1). Unless otherwise, expired, terminated, forfeited or cancelled prior to the Vesting Eligible Performance Options Determination Date in accordance with this Agreement, no Options shall expire or be cancelled or terminated, nor may any Options be exercised until such time as the Vesting Eligible Performance Options are determined. Once the Vesting Eligible Performance Options are determined, any unvested portion of the Vesting Eligible Performance Options shall become immediately and fully vested as of the Vesting Eligible Performance Options Determination Date. Optionee may exercise the vested portion of the Vesting Eligible Performance Options for a period of ninety (90) days (but in no event later

than the Option Expiration Date) following the Vesting Eligible Performance Options Determination Date. To the extent Optionee does not exercise the Options within the time specified in this Agreement for post-termination of employment exercises of the Options, the Options shall terminate.

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

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

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

(c) ***Change in Control*** . In the event of a Change in Control (as such term is defined in the Plan), the effect of the Change in Control on the Options shall be determined by the applicable provisions of the Plan (including, without limitation, Article 11 of the Plan) (as if the Options had been granted under the Plan), provided that (i) to the extent the Options are assumed or substituted for in connection with the Change in Control, or the Company is the ultimate parent corporation upon the consummation of the Change in Control and the Company continues the Options, the Options will vest and become fully exercisable in accordance with clause (i) of Section 11.2(a) of the Plan (as if the Options had been granted under the Plan), only if within twelve (12) months following the date of the Change in Control Optionee's employment is terminated by the Company or a Subsidiary (or the successor company or a subsidiary or parent thereof) without Cause; and (ii) any portion of the Options which vests and becomes exercisable

pursuant to Section 11.2(b) of the Plan (as if the Options had been granted under the Plan), as a result of such Change in Control will (1) vest and become exercisable on the day prior to the date of the Change in Control if Optionee is then employed by the Company or a Subsidiary and (2) terminate on the date of the Change in Control. Notwithstanding the foregoing, if on the date of the Change in Control the Fair Market Value (as such term is defined in the Plan) of one (1) Share is less than the Exercise Price per Share, then the Options shall terminate as of the date of the Change in Control except as otherwise determined by the Committee.

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

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

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

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

6. Non-Registered Option and Shares .

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

(b) If, at the time of issuance of shares upon exercise of the Options, no registration statement is in effect with respect to such shares under applicable provisions of the Securities Act and other applicable securities laws, Optionee hereby agrees that Optionee will not sell, transfer, offer, pledge or hypothecate all or any part of the shares unless and until Optionee shall first have given notice to the Company describing such sale, transfer, offer, pledge or hypothecation and there shall be available exemptions from such registration requirements that exist. Should there be any reasonable uncertainty or good faith disagreement between the Company and Optionee as to the availability of such exemptions, then Optionee shall be required to deliver to the Company (1) an opinion of counsel (skilled in securities matters, selected by Optionee and reasonably satisfactory to the Company) in form and substance satisfactory to the Company to the effect that such offer, sale, transfer, pledge or hypothecation is in compliance with an available exemption under the Securities Act and other applicable securities laws, or (2) an interpretative letter from the Securities and Exchange Commission to the effect that no enforcement action will be recommended if the proposed offer, sale, transfer, pledge or hypothecation is made without registration under the Securities Act. The Company may at its election require that Optionee provide the Company with written reconfirmation of Optionee's investment intent as set forth in Section 6(a) with respect to the shares. The shares issued upon exercise of the Options shall bear a legend reading substantially as follows:

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (" **SECURITIES ACT** "), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD OR OTHERWISE

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

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

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

7. Miscellaneous.

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

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

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

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

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

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

Notices to the Company should be addressed to:

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

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

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

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

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

(i) ***Administration***. The Committee shall have the power to interpret this Agreement and to adopt such rules for the administration, interpretation and application of this Agreement as are consistent with this Agreement and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee (including determinations as to the calculation, satisfaction or achievement of performance-based vesting requirements, if any, to which the Options are subject) shall be final and binding upon Optionee, the

Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to this Agreement.

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

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

Remainder of Page Intentionally Left Blank; Signature Page Follows

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

Grant Date: January 13, 2014

Total Options Granted: 40,000
(Maximum Vesting Eligible Performance Options)

Exercise Price Per Share: $13.62

Severance Benefits Agreement: Severance Benefits Agreement dated as of January 13, 2014, by and between the Company and Optionee.

"**Company** " Autobytel Inc., a Delaware corporation

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

"**Optionee** " /s/ Phillip W. DuPree
Phillip W. DuPree

Exhibit A
Option Vesting Schedule

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

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

> [Combined Retail Dealer Services Group Performance Goals Vesting Eligible Percentage] x [Maximum Number of Vesting Eligible Performance Options]

The following definitions apply to this Vesting Schedule:

Combined Retail Dealer Services Group Performance Goals Vesting Eligible Percentage means the percentage resulting from the following calculation:

> [Retail Dealer Services Group Gross Margin Goal Vesting Eligible Percentage x Retail Dealer Services Group Gross Margin Goal Allocation Percentage] + [Retail Dealer Services Group Revenue Goal Vesting Eligible Percentage x Retail Dealer Services Group Revenue Goal Allocation Percentage]

GAAP means generally accepted accounting principles.

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

Retail Dealer Services Group means the Company's retail dealers services group that sells consumer lead referrals for vehicles and other dealer products and services to retail automotive dealers. The Retail Dealer Services Group excludes large dealer groups.

Retail Dealer Services Group Goals Achievement Scale means Schedule A-1 attached hereto and incorporated herein by reference.

Retail Dealer Services Group Gross Margin means the Retail Dealer Services Group' Gross Margin for the Retail Dealer Services Group Performance Measurement Period, as determined in accordance with GAAP. Retail Dealer Services Group Gross Margin is determine by the following formula:

[[Retail Dealer Services Group revenue from new and used consumer leads sales, mobile products, SaleMove products, and other retail dealer products and services revenue accounts] minus [Retail Dealer Services Group costs of revenue from new and used consumer leads sales, mobile products, SaleMove products, and other retail dealer products and services accounts]] divided by [Retail Dealer Services Group revenue from new and used consumer leads sales, mobile products, SaleMove products, and other retail dealer products and services revenue accounts] .

Retail Dealer Services Group Gross Margin Goal means the target goal set for the Retail Dealer Services Group' Gross Margin for the Retail Dealer Services Group Performance Measurement Period. The Retail Dealer Services Group Gross Margin Goal for the Retail Dealer Services Group Performance Measurement Period is Forty-One and 4/10 Percent (41.4%).

Retail Dealer Services Group Gross Margin Goal Allocation Percentage means the percentage allocated to the Retail Dealer Services Group Gross Margin Goal. The Retail Dealer Services Group Gross Margin Goal Allocation Percentage is fifty percent (50%).

Retail Dealer Services Group Gross Margin Goal Vesting Eligible Percentage means the percentage obtained from the column entitled " **Vesting Eligible Percentage** " in the Retail Dealer Services Group Goals Achievement Scale applicable to the Retail Dealer Services Group Gross Margin achieved for the Retail Dealer Services Group Performance Measurement Period.

Retail Dealer Services Group Gross Margin Percentage Achieved means the Retail Dealer Services Group Gross Margin percentage achieved for the Retail Dealer Group Performance Measurement Period.

Retail Dealer Services Group Performance Measurement Period means the twelve calendar month period commencing January 1, 2014 and ending December 31, 2014.

Retail Dealer Services Group Revenues means the Retail Dealer Services Group' total net revenues for the Retail Dealer Services Group Performance Measurement Period as determined in accordance with GAAP.

Retail Dealer Services Group Revenue Goal means the target goal set for the Retail Dealer Services Group Revenues for the Retail Dealer Services Group Performance Measurement P

riod. The Retail Dealer Services Group Revenue Goal is * Dollars ($ *).

Retail Dealer Services Group Revenue Goal Allocation Percentage means the percentage allocated to the Retail Dealer Services Group Revenue Goal. The Retail Dealer Services Group Revenue Goal Allocation Percentage is fifty percent (50%).

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

Retail Dealer Services Group Revenue Goal Percentage Achieved means the percentage of the Retail Dealer Services Group' Revenue Goal achieved for the Retail Dealer Services Group Performance Measurement Period calculated by dividing the Retail Dealer Services Group Revenues achieved for the Retail Dealer Services Group Performance Measurement Period by the Retail Dealer Services Group Revenue Goal.

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

Schedule A-1

Retail Dealer Services Group Goals Achievement Scale

2014 Revenue Scale			2014 Gross Margin Scale		
Revenue ($ Million)	**Performance**	**Vesting Eligible Percentage**	**Gross Margin (%)**	**Performance**	**Vesting Eligible Percentage**
*	67%	1%	27.7%	67%	1%
*	68%	4%	28.2%	68%	4%
*	69%	7%	28.6%	69%	7%
*	70%	10%	29.0%	70%	10%
*	71%	13%	29.4%	71%	13%
*	72%	16%	29.8%	72%	16%
*	73%	19%	30.2%	73%	19%
*	74%	22%	30.6%	74%	22%
*	75%	25%	31.1%	75%	25%
*	76%	28%	31.5%	76%	28%
*	77%	31%	31.9%	77%	31%
*	78%	34%	32.3%	78%	34%
*	79%	37%	32.7%	79%	37%
*	80%	40%	33.1%	80%	40%
*	81%	43%	33.5%	81%	43%
*	82%	46%	33.9%	82%	46%
*	83%	49%	34.4%	83%	49%
*	84%	52%	34.8%	84%	52%
*	85%	55%	35.2%	85%	55%
*	86%	58%	35.6%	86%	58%
*	87%	61%	36.0%	87%	61%
*	88%	64%	36.4%	88%	64%
*	89%	67%	36.8%	89%	67%
*	90%	70%	37.3%	90%	70%
*	91%	73%	37.7%	91%	73%
*	92%	76%	38.1%	92%	76%
*	93%	79%	38.5%	93%	79%
*	94%	82%	38.9%	94%	82%
*	95%	85%	39.3%	95%	85%
*	96%	88%	39.7%	96%	88%
*	97%	91%	40.2%	97%	91%
*	98%	94%	40.6%	98%	94%
*	99%	97%	41.0%	99%	97%
*	100%	100%	41.4%	100%	100%
*	101%	103%	41.8%	101%	103%
*	102%	106%	42.2%	102%	106%
*	103%	109%	42.6%	103%	109%
*	104%	112%	43.1%	104%	112%
*	105%	115%	43.5%	105%	115%
*	106%	118%	43.9%	106%	118%
*	107%	121%	44.3%	107%	121%
*	108%	124%	44.7%	108%	124%
*	109%	127%	45.1%	109%	127%
*	110%	130%	45.5%	110%	130%
*	111%	133%	46.0%	111%	133%
*	112%	136%	46.4%	112%	136%
*	113%	139%	46.8%	113%	139%
*	114%	142%	47.2%	114%	142%
*	115%	145%	47.6%	115%	145%
*	116%	148%	48.0%	116%	148%
*	117%	151%	48.4%	117%	151%
*	118%	154%	48.9%	118%	154%
*	119%	157%	49.3%	119%	157%
*	120%	160%	49.7%	120%	160%

Exhibit 10.88

January 13, 2014

Phillip DuPree
[Personal Information Redacted]

Re: Offer of Employment

Dear Phillip:

This letter confirms the terms and conditions upon which Autobytel Inc., a Delaware corporation (" **Company** ") is offering employment to you. Note that this offer of employment and your employment by the Company is contingent upon various conditions and requirements that must be completed prior to commencement of employment, which conditions and requirements are set forth below. In addition, this offer and your employment by the Company is contingent upon the Company's closing of its acquisition of the business of Auto USA from Auto Nation, Inc.

1. Employment .

(a) Effective as of the date you commence employment with the Company (" **Employment Commencement Date** "), which date is anticipated to be January 14, 2014, the Company will employ you as Executive Vice President, President Dealer Services. In such capacity, you will report to the Company's President and CEO or such other person as may be designated by the Company from time to time.

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

(c) Upon termination of your employment by either party, whether with or without cause or good reason, you will be entitled to receive only such severance benefits, if any, as are set forth in that certain Severance Benefits Agreement between you and the Company to be dated as of the Employment Commencement Date (" **Severance Benefits Agreement** "), as the Severance Benefits Agreement may be amended, modified or terminated by agreement of the parties. Receipt of any such severance benefits is subject to your compliance with the terms and conditions of the Severance Benefits Agreement. You agree to assist and cooperate (including, but not limited to, providing information to the Company and/or testifying in a proceeding) in the investigation and handling of any internal investigation, legislative matter, or actual or threatened court action, arbitration, administrative proceeding, or other claim involving any matter that arose during the period of your employment. You shall be reimbursed for reasonable expenses actually incurred in the

course of rendering such assistance and cooperation. Your agreement to assist and cooperate shall not affect in any way the content of information or testimony provided by you.

2. Compensation, Benefits and Expenses .

(a) As compensation for the services to be rendered by you pursuant to this agreement, the Company hereby agrees to pay you at a Semi-monthly Rate equal to Eleven Thousand Forty-one Dollars and Sixty-seven Cents ($11,041.67). The Semi-monthly Rate shall be paid in accordance with the normal payroll practices of the Company.

(b) You shall be entitled to participate in annual incentive compensation plans, if any, that may be adopted by the Company from time to time and that are afforded generally to persons employed by the Company at your position level (subject to the terms and conditions of any such annual incentive compensation plans). Should such an annual incentive compensation plan be adopted for any annual period, your target annual incentive compensation opportunity will be as established by the Company for each annual period, which may be up to 65% of your annualized rate (i.e., 24 X Semi-monthly Rate) based on achievement of objectives specified by the Company each annual incentive compensation period (which may include Company-wide performance objectives, divisional or department performance objectives and/or individual performance objectives, allocated between and among such performance objectives as the Company may determine). Specific annual incentive compensation plan details, target incentive compensation opportunity and objectives for each annual compensation plan period will be established each year. Awards under annual incentive plans may be prorated for a variety of factors, including time employed by the Company during the year, adjustments in base compensation or target award percentage changes during the year, and unpaid leaves. You understand that the Company's annual incentive compensation plans, their structure and components, specific target incentive compensation opportunities and objectives, the achievement of objectives and the determination of actual awards and payouts, if any, thereunder are subject to the sole discretion of the Company's Board of Directors, or a committee thereof.

(c) Upon commencement of your employment with the Company, the Company hereby agrees to pay you a sign-on bonus in the amount of Thirty-five Thousand Dollars ($35,000) to be paid in the payroll cycle following your employment commencement date.

(d) Upon commencement of your employment with the Company you will be granted options to acquire 40,000 shares of the Company's common stock. The exercise price, vesting, exercise, termination and other terms and conditions of these options shall be governed by and subject to the terms and conditions of the stock option award agreement for such options. The granting and exercise of such options are also subject to compliance with applicable federal and state securities laws and with the Company's Securities Trading Policy.

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

(f) You are solely responsible for the payment of any tax liability that may result from any compensation, payments or benefits that you receive from the Company. The Company shall have the right to deduct or withhold from the compensation due to you hereunder any and all sums required by applicable federal,

state, local or other laws, rules or regulations, including, without limitation federal and state income taxes, social security or FICA taxes, and state unemployment taxes, now applicable or that may be enacted and become applicable during your employment by the Company.

(g) You will accrue vacation time at a rate of three (3) weeks per year. The accrual, use and carryover of vacation time shall be subject to the terms and conditions of the Company's general policies and procedures relating to vacation time.

(h) You shall be entitled to payments of reasonable direct moving costs; reasonable temporary housing for up to 90 day from date of relocation; and reasonable housing search trip travel expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This offer shall expire noon (EST) on January 14, 2014, after which time this offer shall expire. Should you wish to accept this offer and its terms and conditions, please confirm your understanding of, agreement to, and acceptance of the foregoing by signing and returning to the undersigned the duplicate copy of this offer letter enclosed herewith.

Autobytel Inc.

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

Accepted and Agreed
as of the date
first written above:

/s/ Phillip DuPree

Phillip DuPree

Exhibit 10.89

AUTOBYTEL INC.

SEVERANCE BENEFITS AGREEMENT

This Severance Benefits Agreement (" **Agreement** ") entered into effective as of January 14, 2014 (" **Effective Date** ") between Autobytel Inc., a Delaware corporation (" **Autobytel** " or **"Company"**), and Phillip DuPree (" **Employee** ").

Background

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

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

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

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

(b) " Arbitration Agreement " means that certain Mutual Agreement to Arbitrate dated as of January 14, 2014 entered into by and between the Company and Employee.

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

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

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

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

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

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

from the Company notifying Employee that, in the opinion of the Company, "Cause" exists to terminate Employee's employment.

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

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

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

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

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

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

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

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

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

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

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

(i) " Employee's Position " means Employee's position as the Executive Vice President, President Dealer Services of the Company.

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

(k) " Good Reason " means any act, decision or omission by the Company that: (A) materially modifies, reduces, changes, or restricts Employee's base salary as in existence as of the Effective Date or as of the date prior to any such change, whichever is more beneficial for Employee at the time of the act, decision, or omission by the Company; (B) materially modifies, reduces , changes, or restricts the Employee's Health and Welfare Benefits as a whole as in existence as of the Effective Date hereof or as of the date prior to any such change, whichever are more beneficial for Employee at the time of the act, decision, or omission by the Company; (C) materially modifies, reduces, changes, or restricts the Employee's authority, duties, or responsibilities commensurate with the Employee's Position but excluding the effects of any reductions in force other than the Employee's own termination; (D) relocates the Employee's primary place of employment without Employee's consent from Employee's Primary Work Location to any other location in excess of a fifty (50) mile radius from the Employee's Primary Work Location other than on a temporary basis or requires any such relocation as a condition to continued employment by Company; (E) constitutes a failure or refusal by any Company Successor to assume this Agreement; or (F) involves or results in any material failure by the Company to comply with any provision of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by the Employee. Notwithstanding the foregoing, no event shall constitute "Good Reason" unless (i) the Employee first provides written notice to the Company within ninety (90) days of the event(s) alleged to constitute Good Reason, with such notice specifying the grounds that are alleged to constitute Good Reason, and (ii) the Company fails to cure such a material breach to the reasonable satisfaction of the Employee within thirty (30) days after Company's receipt of such written notice.

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

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

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

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

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

2. **Severance Benefits and Conditions** .

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

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

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

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

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

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

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

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

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

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

3. **Taxes** . All payments made pursuant to this Agreement will be subject to withholding of applicable taxes. Notwithstanding the foregoing, and except as otherwise specifically provided elsewhere in this Agreement, Employee is solely responsible and liable for the satisfaction of any federal, state, province or local taxes that may arise with respect to this Agreement (including any taxes and interest arising under Section 409A of the Code). Neither the Company nor any of its employees, directors, or service providers shall have any obligation whatsoever to pay such taxes or interest, to prevent Employee from incurring them, or to mitigate or protect Employee from any such tax or interest liabilities. Notwithstanding anything in this Agreement to the contrary, if any amounts that become due under this Agreement on account of Employee's termination of employment constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, payment of such amounts shall not commence until Employee incurs a Separation from Service. If, at the time of Employee's Separation from Service under this Agreement, Employee is a "specified employee" (within the meaning of Section 409A of the Code), any amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that become payable to Employee on account of Employee's Separation from Service (including any amounts payable pursuant to the preceding sentence) will not be paid until after the end of the sixth calendar month beginning after Employee's Separation from Service (" **409A Suspension Period** "). Within 14 calendar days after the end of the 409A Suspension Period, Employee shall be paid a lump sum payment, without interest, in cash equal to any payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining benefits as if there had not been an earlier delay. With respect to the reimbursement of expenses to which Employee is entitled under this Agreement, if any, or the provision of in-kind benefits to Employee as

specified under this Agreement, if any, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (i) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code, solely to the extent that the arrangement provides for a limit on the amount of expenses that may be reimbursed under such arrangement over some or all of the period in which the reimbursement arrangement remains in effect; (ii) the reimbursement of an eligible expense shall be made no later than the end of the calendar year after the calendar year in which such expense was incurred; (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; and (iv) the right to reimbursement or provision of in-kind benefits shall not apply to any expenses incurred or benefits to be provided beyond the last day of the second taxable year following the year in which Employee's Separation from Service occurred.

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

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

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

If to the Company:

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

If to the Employee:

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

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

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

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

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

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

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

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

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

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

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

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

18. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument. The parties agree that facsimile copies of signatures shall be deemed originals for all

purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

[Remainder of page intentionally left blank.]

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

AUTOBYTEL INC.

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

EMPLOYEE

/s/ Phillip DuPree
Phillip DuPree

EXHIBIT A

SEPARATION AND RELEASE AGREEMENT

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

1. **Separation of Employment** . You acknowledge that your employment with the Company ended effective [_____], 201[__] (" **Employment Termination Date** "), and that You will perform no further duties, functions or services for the Company subsequent to the Employment Termination Date. You have resigned or hereby resign from all officer and director positions You held with the Company or any of its subsidiaries effective as of the Employment Termination Date. This Separation and Release Agreement (" **Release** ") is entered into in connection with that certain Severance Benefits Agreement dated effective as of January 6, 2014 by and between the Company and Employee (" **Severance Benefits Agreement** ").

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

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

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

or printed-out or caused to be transferred or printed-out, any software, computer disks, e-mails or other documents other than those documents generally available to the public, or retained any other materials originating with or belonging to the Company. You further represent that You have not retained in your possession, custody or control, any software, documents or other materials in machine or other readable form, which are the property of the Company, originated with the Company, or were obtained or created in the course of or relate to your employment with the Company.

5. Confidentiality and Non-Solicitation/Interference .

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

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

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

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

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

7. Unconditional General Release of Claims .

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

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

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

Section 1542 of the California Civil Code or any similar state or federal statute. Section 1542 provides as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

day). You understand that this Release will not become effective or enforceable until after that seven (7) day period has passed. If You revoke this Release, this Release shall not be effective or enforceable as to any rights You may have under this Release. In the event that You revoke this Release, You will not be entitled to the payments and benefits specified in Paragraph 2.

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

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

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

Dated:_____, 201_ _____

Phillip DuPree

Dated:_____, 201_ **AUTOBYTEL INC.**

By: _____

[Officer's Name]

[Title]

Exhibit 21.1

SUBSIDIARIES OF AUTOBYTEL INC.

Subsidiary Name	Jurisdiction of Incorporation
Auto-By-Tel Acceptance Corporation	Delaware
Auto-By-Tel Insurance Services, Inc.	Delaware
Car.com, Inc.	Delaware
Autobytel Dealer Services, Inc.	Delaware
Autobytel Florida, Inc.	Delaware
Automotive Service Leads, LLC	Delaware
AutoUSA, LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (333-168834, 333-135076, 333-116930, 333-90045, 333-77943, 333-39396 and 333-67692) of Autobytel Inc. of our report dated February 20, 2014, with respect to the consolidated financial statements and schedule of Autobytel Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2013.

/s/ MOSS ADAMS LLP

Los Angeles, California
February 20, 2014

Exhibit 31.1

CERTIFICATION

I, Jeffrey H. Coats, certify that:

1. I have reviewed this annual report on Form 10-K of Autobytel Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2014

/s/ Jeffrey H. Coats

Jeffrey H. Coats

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Curtis E. DeWalt, certify that:

1. I have reviewed this annual report on Form 10-K of Autobytel Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2014

/s/ Curtis E. DeWalt

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

Exhibit 32.1

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

In connection with the Annual Report of Autobytel Inc. (the " *Company* ") on Form 10-K for the period ended December 31, 2013 (the " *Report* "), we, Jeffrey H. Coats, President and Chief Executive Officer of the Company, and Curtis E. DeWalt, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Jeffrey H. Coats
Jeffrey H. Coats
President and Chief Executive Officer
February 20, 2014

/s/ Curtis E. DeWalt
Curtis E. DeWalt
Senior Vice President and
Chief Financial Officer
February 20, 2014

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.