

ADOPTED MARCH 2, 2004

AUTOBYTEL INC.

**COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER**

The Board of Directors (the **Board**) of Autobytel Inc. (the **Company**) has adopted the following Charter of the Compensation Committee (the **Charter**). This Charter should be interpreted in the context of all applicable laws and the Company's Certificate of Incorporation and Bylaws, as amended from time to time, as well as all other corporate governance documents adopted by the Board. This Charter is subject to modification from time to time by the Board as the Board may deem appropriate in the best interests of the Company or as required by applicable laws.

1. COMPENSATION COMMITTEE PURPOSE

The purpose of the Compensation Committee is to (i) discharge the duties of the Board relating to compensation of the Company's executives, and (ii) produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable laws.

2. INDEPENDENCE REQUIREMENTS

All of the members of the Compensation Committee must be "Independent."

- A Compensation Committee member is "Independent" if the member is an "Independent" Director as described under applicable law or regulation."

3. APPOINTMENT TO COMPENSATION COMMITTEE

The members of the Compensation Committee shall be appointed by the Board. The Board shall determine the number of members of the Compensation Committee from time to time.

4. REMOVAL FROM COMPENSATION COMMITTEE

The members of the Compensation Committee may be removed by the Board, and shall automatically cease to be members of the Compensation Committee upon death, resignation or removal as Directors with or without cause.

5. CHAIRMAN OF COMPENSATION COMMITTEE

The Chairman of the Compensation Committee shall be appointed by the Board, or in the absence of such an appointment, by the Compensation Committee, from time to time.

- The Chairman of the Compensation Committee shall be selected from the members of the Compensation Committee.
- The Chairman of the Compensation Committee shall preside at all meetings of the Compensation Committee.

6. COMPENSATION COMMITTEE MEETINGS

The Compensation Committee must hold meetings in accordance with the Bylaws of the Company.

- The Compensation Committee shall not have authority to delegate its responsibilities to a subcommittee, unless first approved by the Board in accordance with applicable law and the Bylaws of the Company.
- The Board has appointed the Chief Executive Officer as the Non-Executive Stock Option Committee with authority to grant options to non-officer employees so long as such grants do not exceed in the aggregate 150,000 in any calendar year or 15,000 to any one employee in any calendar year.

7. CEO COMPENSATION

The Compensation Committee must determine, or recommend to the Board for determination, the Chief Executive Officer's compensation based on the performance of the Chief Executive Officer.

- The Compensation Committee must review and approve the performance criteria established annually by the Board with input from the Chief Executive Officer to be considered in connection with the annual performance evaluation of the Chief Executive Officer (the "**CEO Performance Criteria**") relevant to Chief Executive Officer compensation.
- The Compensation Committee must evaluate the Chief Executive Officer's performance in light of the CEO Performance Criteria relevant to Chief Executive Officer compensation.
- The Compensation Committee must set the Chief Executive Officer's compensation level based on its evaluation of the Chief Executive Officer's performance.
- In setting the compensation level for the Chief Executive Officer, the Compensation Committee should consider what is customary or reasonable for principal executive officers of companies similar to the Company as well as other

factors such as experience, skills, knowledge, expertise, characteristics and other qualifications necessary to carry out the duties of the position of Chief Executive Officer.

- The compensation package set for the Chief Executive Officer, including prerequisites and post-employment benefits, must be reasonable relative to the contributions made by the Chief Executive Officer to the Company.
- The Compensation Committee may, in its sole discretion, retain and terminate any consultant, lawyer or other advisor (and approve their fees and other retention terms) to assist in the evaluation and determination of Chief Executive Officer compensation.
- The duties of the Compensation Committee in determining or recommending the compensation of the CEO may be carried out by a majority of the Independent Directors.
- The CEO may not be present during any voting or deliberations with respect to the CEO's compensation.

8. OTHER OFFICER COMPENSATION

The Compensation Committee must determine, or recommend to the Board for determination, the compensation of each executive officer and any other officer who reports directly to the Chief Executive Officer (each, an "Officer" and collectively "Officers") based on the performance of such Officers.

- The Compensation Committee must review and approve the performance criteria established from time to time for any Officer by the Board, with input from the Chief Executive Officer, to be considered in connection with the annual performance evaluation of such Officer, if any (the "**Officer Performance Criteria**"), relevant to Officer compensation.
- The Compensation Committee, with input from the Chief Executive Officer, must evaluate each Officer's performance in light of the Officer Performance Criteria, if any, relevant to Officer compensation and/or such other criteria as the Compensation Committee may determine.
- The Compensation Committee must set each Officer's compensation level based on its evaluation of such Officer's performance. The Chief Executive Officer may be present during deliberations regarding Officer compensation, but may not vote.
- In setting the compensation level for each Officer, the Compensation Committee should consider what is customary or reasonable for similar officers of companies similar to the Company as well as other factors such as experience, skills,

knowledge, expertise, characteristics and other qualifications necessary to carry out the duties of the position of such Officer.

- The compensation package set for each Officer, including prerequisites and post-employment benefits, must be reasonable relative to the contributions made by such Officer to the Company.
- Any equity compensation should be carefully designed to avoid unintended incentives, such as an undue emphasis on short-term market value changes.
- The Compensation Committee may, in its sole discretion, retain and terminate any consultant (and approve such consultant's fees and other retention terms) to assist in the evaluation and determination of Officer compensation.
- The duties of the Compensation Committee in determining or recommending officer compensation may be carried out by a majority of the Independent Directors.

9. STOCK OPTION AND PURCHASE PLANS AND OTHER EQUITY COMPENSATION ARRANGEMENTS

The Compensation Committee must make recommendations to the Board with respect to stock option and purchase plans and other equity compensation arrangements.

- The Compensation Committee shall make recommendations to the Board with respect to the establishment by the Company of stock option and purchase plans and other equity compensation arrangements, and the form and substance of such plans and arrangements, as and to the extent the Compensation Committee deems to be in the best interests of the Company and its stockholders.
- The Compensation Committee must recommend that the Board submit all stock option and purchase plans and other equity compensation arrangements, and any material amendments thereto, to the Company's stockholders for approval to the extent required by applicable law or rules before any issuance of designated securities.
- A material amendment would include, but not be limited to, the following:
 - (i) any material increase in the number of shares to be issued under the plan (other than to reflect a reorganization, stock split, merger, spinoff or similar transaction);
 - (ii) any material increase in benefits to participants, including any material change to: (i) permit a repricing (or decrease in exercise price) of outstanding options, (ii) reduce the price at which shares or options to purchase shares may be offered, or (iii) extend the duration of a plan;

- (iii) any material expansion of the class of participants eligible to participate in the plan; or
 - (iv) any expansion in the types of options or awards provided under the plan.
- However, the following types of stock option and purchase plans and other equity compensation arrangements do not need to be submitted to the stockholders for approval:
 - (i) warrants or rights issued generally to all security holders or stock purchase plans available on equal terms to all security holders;
 - (ii) employment inducement awards to a person not previously an employee or Director of the Company, or following a bonafide period of non-employment;
 - (iii) plans or arrangements relating to an acquisition or merger as permitted under the rules issued by NASDAQ from time to time; or
 - (iv) tax qualified, non-discriminatory employee benefit plans (e.g., plans that meet the requirements of Section 401(a) or 423 of the Internal Revenue Code) or parallel nonqualified plans, or plans that merely provide a convenient way to purchase shares on the open market or from the Company at fair market value.
- Any equity-compensation plans that do not need to be and are not submitted to the stockholders for approval must be approved by the Compensation Committee.

10. EXECUTIVE COMPENSATION DISCLOSURE REPORTS

The Compensation Committee must be aware of the Company's disclosure obligations regarding executive compensation under applicable laws and must prepare all reports regarding executive compensation for disclosure in the Company's proxy statement and as otherwise required by applicable laws to ensure the Company fulfills such disclosure obligations.

11. REPORTING TO THE BOARD

The Compensation Committee must apprise the full Board of its activities on a regular basis.

- The Compensation Committee must schedule meetings with the Board on at least a quarterly basis to apprise and update the Board of its activities and to answer any questions of the Board.
- To the extent determined necessary or desirable by the Compensation Committee, the Compensation Committee may provide each Director with interim reports to apprise and update the Board of its activities.

12. ANNUAL PERFORMANCE EVALUATION OF THE COMPENSATION COMMITTEE

The Compensation Committee should conduct a self-evaluation at least annually to determine whether it is functioning effectively.

- The Compensation Committee should review and evaluate its performance on at least an annual basis to determine whether it is functioning effectively in accordance with this Charter.
- The Compensation Committee must take action in respect of any deficiencies in its performance following such evaluations.

Subject to applicable federal law, nothing contained in this Charter is intended to, or should be construed as, creating any responsibility or liability of the members of the Compensation Committee except to the extent otherwise provided under Delaware law.

A copy of this Charter of the Compensation Committee of the Board of Autobytel Inc. shall be posted on the Company's website, www.autobytel.com.