

Edgar Filing: AUTOINFO INC - Form S-1

AUTOINFO INC  
Form S-1  
March 28, 2006

As filed with the Securities and Exchange Commission on March 28, 2006

Registration No. 333-\_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
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AUTOINFO, INC.

(Exact name of Registrant as specified in its charter)

Delaware	4731	13-2867481
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

AutoInfo, Inc.  
6413 Congress Avenue, Suite 260  
Boca Raton, Florida 33487  
(561) 988-9456  
(561) 994-8033 Facsimile  
(Address, including zip code, and telephone number, including area code,  
of Registrant's executive offices)

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Harry Wachtel  
Chief Executive Officer  
6413 Congress Avenue, Suite 260  
Boca Raton, Florida 33487  
(561) 988-9456  
(561) 994-8033 Facsimile  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)  
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Copy to:

Kenneth S. Rose, Esq.  
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New York, New York 10022  
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box. ☒X

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐\_

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common stock, \$.001 par value	5,383,333	\$0.76	\$4,091,333	\$

- (1) In accordance with Rule 457(c), the aggregate offering price per share is estimated solely for purposes of calculating the Registration fee, using the average of the high and low sales price reported by the OTC bulletin board for the common stock on March 27, 2006.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the

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Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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PROSPECTUS (Subject to Completion)  
Dated March 28, 2006

5,383,333 SHARES  
of  
COMMON STOCK

AUTOINFO, INC.  
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The selling stockholders named in this prospectus, Kinderhook Partners, LP and Vinoray R. Shah, are offering up to 5,383,333 shares of our common stock they own. We will not receive any of the proceeds from the sale of the shares. We will bear all costs relating to the offer and sale of the shares, which we expect will be approximately \$13,000. However, the selling stockholders will pay any commissions, fees and discounts of underwriters, brokers, dealers or agents.

Each selling stockholder will sell the shares whenever it chooses to do so at varying prices to be determined at the time of each sale either based upon prevailing market conditions or at negotiated prices. Each selling stockholder may sell these shares directly to or through broker-dealers, who may receive compensation in the form of discounts, concessions or commissions from either the selling stockholder or the purchasers of the shares or both of them. Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under applicable state law or that an exemption from registration is available.

Our common stock is quoted on the OTC Bulletin Board under the trading symbol "AUTO." The high and low prices for our common stock on the OTC Bulletin Board were \$0.75 and \$0.77 on March 27, 2006.

See "Risk Factors" beginning on page 6 of this prospectus for the factors you should consider before buying shares of our common stock.

No underwriter or person has been engaged by us to facilitate the sale of the shares of common stock in this offering. This offering will continue for up to 24 months after the accompanying registration statement is declared effective by the Securities and Exchange Commission or for so long thereafter as sales of shares offered by the selling stockholder would otherwise be subject to volume limitations imposed by Rule 144 under the Securities Act of 1933, as amended.

Neither the Securities and Exchange Commission nor any other regulatory body has approved these shares or determined that this prospectus is accurate or complete. It is illegal for anyone to tell you otherwise.

The date of this Prospectus is \_\_\_\_\_, 2006

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### PROSPECTUS SUMMARY

#### Business overview

Through our wholly-owned subsidiary, Sunteck Transport Co., Inc.

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(Sunteck), we are a non-asset based transportation services company. As a non-asset based provider of brokerage and contract carrier transportation services, we do not own any equipment and our services are provided through our strategic alliances with less than truckload, truckload, air, rail, ocean common carriers and independent owner-operators to service our customers' needs. Our brokerage services are provided through a network of independent sales agents throughout the United States and Canada. Our contract carrier services, which commenced in 2003, are also provided through a network of independent sales agents and independent owner-operators throughout the United States. These services generated gross revenue, net revenue and net income of approximately \$68.0 million, \$13.6 million and \$3.6 million, respectively, during our most recently completed fiscal year.

### Strategy

Our strategy is to continue to expand through affiliations with independent sales agents and through internal expansion. We intend to seek, on a selective basis, acquisition of businesses that have product lines or services which complement and expand our existing services and product lines, and provide us with strategic distribution locations or attractive customer bases. Our ability to implement our growth strategy will be dependent on our ability to identify and affiliate with these new agents on desirable economic terms.

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### Contact information

Our principal executive office is located at 6413 Congress Avenue, Suite 260, Boca Raton, Florida 33487, and our telephone number is (561) 988-9456. Our Web address is [www.suntecktransport.com](http://www.suntecktransport.com). None of the information on our Web site is part of this prospectus.

### The Offering

Securities offered.....	5,383,333 shares of common stock.
Shares of common stock to be outstanding after this offering.....	31,798,856(1)
Selling Stockholders	Kinderhook Partners, LP and Vinoray R.
Proceeds:.....	We will not receive any of the proceeds of the shares. Although we will not receive any proceeds from the sale of shares in this offering, we will pay all costs relating to the offer and sale of shares, which we expect will be approximately \$1.0 million. The selling stockholders will pay any commissions and discounts of underwriters, brokers and agents.
Risk factors:.....	The offering involves a high degree of risk. We refer to "Risk Factors" beginning on page 10 of this prospectus for a description of the risks.

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should consider before buying shares of  
stock.

OTC bulletin board symbol:..... AUTO

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(1) Assumes no exercise of options outstanding immediately before this  
offering covering 7,153,516 shares of our common stock.  
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## Summary Financial Information

The table below sets forth a summary of our statement of operations data  
as of December 31, 2005, 2004 and 2003.

	Years Ended December 31, (Audited)		
	2005	2004	2003
	-----	-----	-----
Statement of Operations Data:			
	(in thousands, except for per share data)		
Gross revenue	68,040	46,492	27,171
Net revenue	13,554	8,734	5,076
Net income	3,608	1,466	1,300
Net income per share (basic)	\$ 0.11	\$ 0.05	\$ 0.05
Net income per share (diluted)	\$ 0.11	\$ 0.04	\$ 0.05
Weighted average number of shares outstanding (basic)	31,520,000	30,915,000	27,355,000
Weighted average number of shares outstanding (diluted)	33,920,000	33,438,000	28,789,000

The table below sets forth a summary of our balance sheet data as of  
December 31, 2005 and 2004.

	December 31, (Audited)	
	2005	2004
	-----	-----
Balance Sheet Data:		
	(in thousands)	
Cash and cash equivalents	\$ 419	\$ 38
Accounts receivable, net	12,735	9,658
Total assets	16,646	11,795
Total liabilities	8,515	7,383
Deficit	(11,084)	(14,692)
Stockholders' equity	8,131	4,412

#### RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus, including our financial statements and the notes to those statements, before you purchase any shares.

We are dependent upon independent commissioned sales agents who have direct relationships with our customers.

A substantial portion of our business is originated by our network of independent sales agents. Most of these sales agents work with us on an exclusive basis. We do not have non-compete or non-solicitation agreements with these agents. These contracts are typically terminable upon 10 to 30 days notice by either party and do not restrict the ability of a former agent to compete with Sunteck following termination. As a result, if sales representatives terminate their affiliation with us, our revenue and results of operations could be adversely affected.

We are dependent on third party capacity providers.

We do not own trucks or other transportation equipment and rely on third party capacity providers, including independent owner operators, unrelated trucking companies, railroads and air cargo carriers to transport freight for our customers. We compete with motor carriers and other third parties for the services of independent owner operators and other third party capacity providers. A significant decrease in available capacity provided by either our independent owner operators or other third party capacity providers could have a material adverse effect on our results of operations and revenue.

Decreased demand for transportation services could adversely affect our operating results.

The transportation industry historically has experienced cyclical financial results as a result of slowdowns in economic activity, the business cycles of customers, price increases by capacity providers, interest rate fluctuations, and other economic factors beyond our control. Certain of our third party capacity providers can be expected to charge higher prices to cover increased operating expenses, and our operating income may decline if we are unable to pass through to our customers the full amount of these higher transportation costs. If a slowdown in economic activity or a downturn in our customers' business cycles causes a reduction in the volume of freight shipped by those customers, our operating results could be materially adversely affected.

We have limited marketing and sales capabilities and must make sales in fragmented markets.

Our future success depends, to a great extent, on our ability to successfully market our services through our network of independent agents. Our sales and marketing capabilities are more limited than many of our competitors who have captive internal sales forces and greater financial resources than us. We cannot assure you that any marketing and sales efforts undertaken on our behalf will be successful or will result in any significant sales.

Our industry is intensely competitive, which may adversely affect our operations

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and financial results.

All our markets are intensely competitive and numerous companies offer services that compete with our services. We anticipate that competition for our services will continue to increase. Many of our competitors have substantially greater capital resources, sales and marketing resources and experience. We cannot assure you that we will be able to effectively compete with our competitors in effecting our business expansion plans.

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We depend on the continued services of our president.

Our future success depends, in part, on the continuing efforts of our president, Harry Wachtel, who conceived our strategic plan and who is responsible for executing that plan. The loss of Mr. Wachtel would adversely affect our business. At this time we do not have any term "key man" insurance on Mr. Wachtel. If we lose the services of Mr. Wachtel, our business, operations, and financial condition would be materially adversely affected.

We must attract and retain qualified personnel.

As we implement our business growth strategy, significant demands will be placed on our managerial, financial and other resources. One of the keys to our future success will be our ability to attract and retain highly qualified marketing, sales and administrative personnel. Competition for qualified personnel in these areas is intense and we will be competing for their services with companies that have substantially greater resources than we do. We cannot assure you that we will be able to identify, attract and retain personnel with skills and experience necessary and relevant to the future operations of our business. Our inability to retain or attract qualified personnel in these areas could have a material adverse effect on our business and results of operations.

We may require additional financing in the future, which may not be available on acceptable terms.

Depending on our ability to generate revenues, we may require additional funds to expand our business operations and for working capital and general corporate purposes. Any additional equity financing may be dilutive to stockholders, and debt financings may involve restrictive covenants that limit our ability to make decisions that we believe will be in our best interests. In the event we cannot obtain additional financing on terms acceptable to us when required, our ability to expand operations may be materially adversely affected.

Our principal stockholders have substantial control over our affairs.

As of March 7, 2006, our president, Harry Wachtel, owned approximately 16.4% of the issued and outstanding shares of our common stock. Further, James T. Martin and Kinderhook Partners, LP, two significant stockholders, owned approximately 19.7% and 19.4%, respectively, of the issued and outstanding shares of our common stock. As a result, either Mr. Wachtel, Mr. Martin or Kinderhook Partners, LP could assert control over our affairs, including the election of directors and any proposals regarding a sale of the company or its assets or a merger. In addition, this concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination which you, as a stockholder, may otherwise view favorably.

Our stock price is volatile and could be further affected by events not within our control.

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The market price of our common stock has historically experienced and may continue to experience significant volatility. For the 52-week period ended March 24, 2006, our closing stock price has ranged from \$0.40 to \$0.90. On March 27, 2006, our closing stock price was \$0.77.

The trading price of our common stock has been volatile and will continue to be subject to:

- o volatility in the trading markets generally;
- o significant fluctuations in our quarterly operating results; and

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- o announcements regarding our business or the business of our competitors.

Statements or changes in opinions, ratings or earnings estimates made by brokerage firms or industry analysts relating to the markets in which we operate or expect to operate could also have an adverse effect on the market price of our common stock. In addition, the stock market as a whole has from time to time experienced extreme price and volume fluctuations which have particularly affected the market price for the securities of many small-cap companies and which often have been unrelated to the operating performance of these companies.

The price of our common stock may be adversely affected by the possible issuance of shares of our common stock as a result of the exercise of outstanding options.

We have granted options covering approximately 7.2 million shares of our common stock. As a result of the actual or potential sale of these shares into the market, our common stock price may decrease.

Future sales of our common stock may adversely affect our common stock price.

If our stockholders sell a large number of shares of common stock or if we issue a large number of shares in connection with future acquisitions or financings, the market price of our common stock could decline significantly. In addition, the perception in the public market that our stockholders might sell a large number of shares of common stock could cause a decline in the market price of our common stock.

Some provisions in our charter documents and bylaws may have anti-takeover effects.

Our certificate of incorporation and bylaws contain provisions that may make it more difficult for a third party to acquire us, with the result that it may deter potential suitors. For example, our board of directors is authorized, without action of the stockholders, to issue authorized but unissued common and preferred stock. The existence of authorized but unissued common and preferred stock enables us to discourage or to make it more difficult to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

We have agreed to limitations on the potential liability of our directors.

Our certificate of incorporation provides that, in general, directors will not be personally liable for monetary damages to the company or our stockholders for a breach of fiduciary duty. Although this limitation of liability does not affect the availability of equitable remedies such as injunctive relief or



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recission, the presence of these provisions in the certificate of incorporation could prevent us from recovering monetary damages.

Liquidity on the OTC Bulletin Board is limited, and we may be unable to obtain listing of our common stock on a more liquid market.

Our common stock is quoted on the Nasdaq OTC Bulletin Board, which provides significantly less liquidity than a securities exchange (such as the American or New York Stock Exchange) or an automated quotation system (such as the Nasdaq National or SmallCap Market). We do not currently meet the minimum trading price requirement for listing on the Nasdaq SmallCap Market or the American Stock Exchange. There is uncertainty that we will ever be accepted for a listing on an automated quotation system or securities exchange.

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Our common stock has been thinly traded, and the public market may provide little or no liquidity for holders of our common stock.

Purchasers of shares of our common stock may find it difficult to resell their shares at prices quoted in the market or at all. There is currently a limited volume of trading in our common stock, and on many days there has been no trading activity at all. Due to the historically low trading price of our common stock, many brokerage firms may be unwilling to effect transactions in our common stock, particularly because low-priced securities are subject to an SEC rule that imposes additional sales practice requirements on broker-dealers who sell low-priced securities (generally those below \$5.00 per share). We cannot predict when or whether investor interest in our common stock might lead to an increase in its market price or the development of a more active trading market or how liquid that market might become.

The application of the "penny stock" rules could adversely effect the market price of our common stock.

As long as the trading price of our common stock is below \$5.00 per share, the open-market trading of our common stock will be subject to the "penny stock" rules. The "penny stock" rules impose additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of securities and have received the purchaser's written consent to the transaction before the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the broker-dealer must deliver, before the transaction, a disclosure schedule prescribed by the Securities and Exchange Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These additional burdens imposed on broker-dealers may restrict the ability of broker-dealers to sell the common stock and may affect a stockholder's ability to resell the common stock.

Stockholders should be aware that, according to Securities and Exchange Commission Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) boiler room practices involving high-pressure sales tactics and

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unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

### FORWARD-LOOKING STATEMENTS

Some of the statements made in this prospectus discuss future events and developments, including our future business strategy and our ability to generate revenue, income and cash flow. In some cases, you can identify forward-looking statements by words or phrases such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," "our future success depends," "seek to continue," or the negative of these words or phrases, or comparable words or phrases. These statements are only predictions that are based, in part, on assumptions involving judgments about future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various facts, including the

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risks outlined in this "Risk Factors" section. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We do not undertake to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

### USE OF PROCEEDS

All shares of our common stock offered by this prospectus are being registered for the account of the selling stockholders. We will not receive any of the proceeds from the sale of these shares.

### DIVIDEND POLICY

We have not declared or paid any dividends in the last two years and we do not intend to pay any dividends in the foreseeable future. We intend to retain any future earnings for use in the operation and expansion of our business. Any future decision to pay dividends on common stock will be at the discretion of our board of directors and will be dependent upon our fiscal condition, results of operations capital requirements and other factors our board of directors may deem relevant.

### CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2005 and 2004:

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	December 31,	
	2005	2004
	----	----
	(Audited)	
	-----	-----
Current liabilities:		
Loan payable	\$ 1,280,000	\$ 1,998,000
Accounts payable and accrued liabilities	7,235,000	5,385,000
	-----	-----
Total current liabilities	\$ 8,515,000	\$ 7,383,000
	-----	-----
Stockholders' Equity		
Common stock -- authorized 100,000,000 shares \$.001 par value; issued and outstanding --31,624,000 and 31,218,000 shares as of December 31, 2005 and 2004, respectively	\$ 32,000	\$ 31,000
Preferred stock -- authorized 10,000,000 shares \$.001 par value; issued and outstanding --0 shares as of December 31, 2005 and 2004	--	--
Other capital	549,000	324,000
Deferred compensation	(413,000)	(277,000)
Additional paid-in capital	19,047,000	19,026,000
Deficit	(11,084,000)	(14,692,000)
	-----	-----
Total stockholders' equity	\$ 8,131,000	\$ 4,412,000
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## PRICE RANGES OF OUR COMMON STOCK

Our common stock is not listed on any stock exchange. Our common stock is traded over-the-counter on the Over-the-Counter Electronic Bulletin Board ("OTCBB") under the symbol "Auto." The following table sets forth the high and low bid information for the common stock for the periods presented, as reported by the OTCBB. The bid information reflects inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Year Ended December 31, 2005	High	Low
First quarter	\$0.70	\$0.28
Second quarter	0.67	0.41
Third quarter	0.51	0.32
Fourth quarter	0.61	0.32
Year Ended December 31, 2004	High	Low
First quarter	\$0.70	\$0.28
Second quarter	0.67	0.41
Third quarter	0.51	0.32

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Fourth quarter

0.61

0.32

As of March 27, 2006, the closing bid price per share for our common stock, as reported on the OTCBB was \$0.77 As of March 27, 2006, we had approximately 1,000 beneficial stockholders.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of our selected consolidated financial data for the years ended December 31, 2005, 2004, 2003, 2002, and 2001. The financial data has been derived from our audited consolidated financial statements and accompanying notes.

The selected financial data set forth below should be read together with, and are qualified by reference to, the "Management's Discussion and Analysis of Financial condition and Results of Operations" section of this prospectus and our audited consolidated financial statements and accompanying notes included elsewhere in this prospectus.

000's omitted, except for per share data

Year ended December 31,

	2005	2004	2003	2002
Statement of Operations Data:				
Gross revenues	\$ 68,040	\$ 46,492	\$ 27,171	\$ 18,000
Net revenues (1)	13,554	8,734	5,076	3,000
Net income (loss)	\$ 3,608	\$ 1,466	\$ 1,300	\$ 1,000
Net income (loss) per share (2) (3)				
Basic	.11	\$ .05	\$ .05	\$ .05
Diluted	.11	\$ .04	\$ .05	\$ .05

- (1) Net revenues are determined by deducting cost of transportation from gross revenues. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

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- (2) The common stock equivalents for the year ended December 31, 2005, 2004, 2003 and 2002 were 2,400,000, 2,523,000, 1,434,000 and 635,000.

- (3) The common stock equivalents for the year ended December 31, 2001 was 30,000. The common stock equivalents for these shares were not included in the calculation of diluted income (loss) per common share because the effect would have been antidilutive.

000's omitted

As at December 31,

	2005	2004	2003	2002
Balance Sheet Data:				

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Cash and cash equivalents	\$ 419	\$ 38	\$ 133	\$
Accounts receivable, net	12,735	9,658	4,881	
Total assets	16,646	11,795	6,286	
Total liabilities	8,515	7,383	4,394	
Deficit	(11,084)	(14,692)	(16,158)	(1
Stockholders' equity	8,131	4,412	1,892	

## SUPPLEMENTARY CONSOLIDATED FINANCIAL INFORMATION

The following is our unaudited quarterly supplementary consolidated financial information for the years ended December 31, 2005 and 2004.

The financial data set forth below are qualified by reference to our audited consolidated financial statements and accompanying notes included elsewhere in this prospectus.

	Year Ended December 31, 2005			
	Quarter Ended			
	Mar 31	June 30	Sept 30	Dec 31
Gross revenues	\$ 14,915,000	\$ 15,477,000	\$ 17,336,000	\$ 20,312,000
Net income	\$ 393,000	\$ 441,000	\$ 580,000	\$ 2,194,000
Basic net income per share	\$ .013	\$ .014	\$ .018	\$ .020
Diluted net income per share	\$ .011	\$ .013	\$ .017	\$ .019

	Year Ended December 31, 2004			
	Quarter Ended			
	Mar 31	June 30	Sept 30	Dec 31
Gross revenues	\$ 8,159,000	\$ 10,960,000	\$ 12,938,000	\$ 14,435,000
Net income	\$ 176,000	\$ 271,000	\$ 278,000	\$ 741,000
Basic net income per share	\$ .006	\$ .009	\$ .009	\$ .010
Diluted net income per share	\$ .005	\$ .008	\$ .008	\$ .009

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary statement identifying important factors that could cause our actual results to differ from those projected in forward looking statements.

Readers of this prospectus are advised that this document contains both statements of historical facts and forward looking statements. Forward looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those indicated by the forward looking statements. Examples of forward looking statements include, but are not limited to (i) projections of revenues, income or loss, earnings per share, capital expenditures, dividends, capital structure and other financial items, (ii) statements of our plans and objectives with respect to business transactions and enhancement of stockholder value, (iii) statements of future economic performance, and (iv) statements of assumptions underlying other statements and statements about our business prospects.

This prospectus also identifies important factors, which could cause actual results to differ materially from those indicated by the forward looking statements. These risks and uncertainties include the factors discussed under the heading "Risk Factors" beginning at page 6 of this prospectus.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our financial statements and the notes thereto appearing elsewhere in this prospectus.

#### Overview

Through our wholly-owned subsidiary, Sunteck Transport Co., Inc. (Sunteck), we are a non-asset based transportation services company, providing transportation capacity and related transportation services to shippers throughout the United States, and to a lesser extent, Canada. As a non-asset based provider of brokerage and contract carrier transportation services, we do not own any equipment and our services are provided through our strategic alliances with less than truckload, truckload, air, rail, ocean common carriers and independent owner-operators to service our customers' needs. Our non-asset based services include ground transportation coast to coast, local pick up and delivery, air freight and ocean freight. Our business services emphasize safety, information coordination and customer service and are delivered through a network of independent commissioned sales agents and third party capacity providers coordinated by us. The independent commissioned sales agents typically enter into exclusive contractual arrangements with us and are responsible for locating freight and coordinating the transportation of the freight with customers and capacity providers. The third party capacity providers consist of independent contractors who provide truck capacity to us, including owner-operators who operate under our contract carrier license, air cargo carriers and railroads. Through this network of agents and capacity providers, we operate a transportation services business with revenue, net revenue and net income of approximately \$68.0 million, \$13.6 million and \$3.6 million, respectively, during our most recently completed fiscal year.

Our brokerage services are provided through a network of independent sales agents throughout the United States and Canada. Our services include arranging for the transport of customers' freight from the shippers location to the designated destination. We do not own any trucking equipment and rely on independent carriers for the movement of customers' freight. We seek to establish long-term relationships with our customers and provide a variety of logistics services and solutions to eliminate inefficiencies in our customers' supply chain management.

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Our contract carrier services, which commenced in 2003, are also provided through a network of independent sales agents and independent owner-operators throughout the United States. We do not own any trucking equipment; our independent owner-operators lease onto our operating authority and transport freight under the Sunteck name.

The most significant factors in our growth during the past two years have been internal growth experienced by our

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existing agents and the expansion of our brokerage services agent, contract carrier services agent and owner-operator networks. This growth is readily measured by the number of transactions we have processed, which increased from 30,800 in 2003 to 43,300 in 2004 and to 53,300 in 2005, an increase of 41% from 2003 to 2004 and 23% from 2004 to 2005. The average revenue dollar per load in our broker division also increased by 28% in 2004 as compared to 2003 and by 22% in 2005 as compared to 2004. This is the result of several factors including an increase in truckload business versus less than truckload at higher per load revenues, the addition of sales agents hauling heavy equipment at higher per load revenues, an increase in long-haul versus short-haul volume and, to a lesser degree, a general increase in prices.

During the next twelve months, we plan to continue to offer our brokerage and contract carrier transportation services and expand our agent network. We are presently profitable and have adequate available lines of credit to satisfy our working capital requirements during the next twelve months.

### Results of operations

#### Comparison of 2005 vs 2004

During the year ended December 31, 2005, we continued to implement our strategic growth business plan consisting primarily of the expansion of client services, the opening of regional operations centers in key geographical markets and the addition of independent sales agents providing brokerage and contract carrier services. Our net revenues (gross revenues less cost of transportation) are the primary indicator of our ability to source, add value and resell services that are provided by third parties and are considered to be the primary measurement of growth. Therefore, the discussion of the results of operations below focuses on the changes in our net revenues. The increases in net revenues and all related cost and expense categories are the direct result of our business expansion.

The following table represents certain statement of operation data as a percentage of net revenues:

	2005 -----	2004 -----
Net revenues	100.0%	100.0%
Commissions	61.6%	59.3%
Operating expenses	22.2%	28.8%
Interest expense	.4%	.6%
Income taxes (benefit)	(10.8)%	(5.5)%
Net income	26.6%	16.8%

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### Revenues

Gross revenues, consisting of freight fees and other related services revenue, totaled \$68,040,000 for the year ended December 31, 2005, as compared with \$46,492,000 in the prior year, an increase of 46%. Net revenues were \$13,554,000 for the year ended December 31, 2005, as compared with \$8,734,000 in the prior year, an increase of 55%.

Gross revenues from brokerage services increased to \$58,150,000 from \$36,931,000 and net revenues increased to \$11,887,000 from \$7,032,000 in the prior year. This increase is the direct result of the continued expansion of our agent network and customer base which resulted in a 29% increase in the number of transactions processed and a 22% increase in the average dollar amount per load.

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Gross revenues from contract carrier services increased to \$9,890,000 from \$9,561,000 and net revenues decreased to \$1,667,000 from 1,702,000 in the prior year. Gross revenues increased approximately 3% for the year. However, there were fluctuations during the year in the number of agents and owner-operators due to the termination of agents and the addition of new agents. As a result of these fluctuations, gross revenues during the first quarter of 2005 increased by 94% over the corresponding 2004 period and decreased 9%, 17% and 6% for the second, third and fourth quarters, respectively, as compared to the corresponding quarters of 2004. The decrease in net revenues is primarily the result of higher fuel costs and an increase in fuel service and detention charges which are passed directly through to our owner operators, thereby reducing net revenues as a percentage of gross revenues.

### Costs and expenses

Commissions totaled \$8,348,000 for the year ended December 31, 2005, as compared with \$5,179,000 in the prior year, an increase of 61%. This increase is the direct result of the continued expansion of our agent network and customer base. As a percentage of net revenues, commissions were 62% for the year ended December 31, 2005 as compared with 59% in the prior year. This increase is the direct result of the expansion of our agent network at higher commission rates and additional bonuses earned after certain monthly benchmarks are achieved.

Operating expenses totaled \$3,005,000 for the year ended December 31, 2005, as compared with \$2,519,000 in the prior year. As a percentage of net revenues, operating expenses were 22% for the year ended December 31, 2005 as compared with 29% in the prior year. This decrease is the direct result of our ability to leverage selling, general and administrative expenses in connection with business expansion. We have increased administrative staff commensurate with the increase in transaction volume. In February 2005, we moved our headquarters increasing our space to 5,300 square feet. We presently have adequate facilities and management to handle the present and anticipated transaction volume in 2006 without a significant increase in overhead.

Interest expense was \$56,000 for the year ended December 31, 2005 as compared with \$50,000 in the prior year. This increase is primarily the result of increased average borrowings and the increase in the prime lending rate from 4% at the beginning of 2004 to 7.25% by the end of 2005. Our line of credit facility is at a interest rate of prime + 1/2%.

### Income tax

The income tax benefit of \$1,463,000 for the year ended December 31, 2005



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consisted of a benefit of \$2,304,000 resulting from the anticipated future utilization of an available federal tax loss carryforward, net of the utilization of the deferred tax benefit of \$718,000 and state income taxes of \$123,000. The income tax benefit of \$480,000 for the year ended December 31, 2004 consisted of a benefit of \$873,000 resulting from the anticipated future utilization of an available federal tax loss carryforward, net of the utilization of the deferred tax benefit of \$336,000 and state income taxes of \$57,000. Based upon available objective evidence, including our post-merger history of profitability, we believe that it is more likely than not that forecasted taxable income will be sufficient to utilize a portion of the net operating loss carryforward before its expiration in 2014. Accordingly, in 2005 the valuation allowance was reduced by \$2,304,000.

### Comparison of 2004 vs 2003

During the year ended December 31, 2004, we continued to implement our strategic growth business plan consisting primarily of the expansion of client services, the opening of regional operations centers in key geographical markets and the addition of independent sales agents providing brokerage and contract carrier services. Our net revenues (gross revenues less cost of transportation) are the primary indicator of our ability to source, add value and resell services that are provided by third parties and are considered to be the primary measurement of growth. Therefore, the discussion of

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the results of operations below focuses on the changes in our net revenues. The increases in net revenues and all related cost and expense categories are the direct result of our business expansion.

The following table represents certain statement of operation data as a percentage of net revenues:

	2004 -----	2003 -----
Net revenues	100.0%	100.0%
Commissions	59.3%	58.2%
Operating expenses	28.8%	28.9%
Interest expense	.6%	2.2%
Income taxes (benefit)	(5.5)%	(14.9)%
Net income	16.8%	25.6%

### Revenues

Gross revenues, consisting of freight fees and other related services revenue, totaled \$46,492,000 for the year ended December 31, 2004, as compared with \$27,171,000 in the prior year, an increase of 71%. Net revenues were \$8,734,000 for the year ended December 31, 2004, as compared with \$5,076,000 in the prior year, an increase of 72%.

Gross revenues from brokerage services increased to \$36,931,000 from \$25,106,000 and net revenues increased to \$7,032,000 from \$4,685,000 in the prior year. This increase is the direct result of the continued expansion of our agent network and customer base which resulted in a 15% increase in the number of transactions processed and a 28% increase in the average dollar amount per load.

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Gross revenues from contract carrier services, which we began offering in 2003, increased to \$9,561,000 from \$2,065,000 and net revenues increased to \$1,702,000 from \$391,000 in the prior year. This increase is the direct result of the operation of our contract services for a full year and expansion of our agent network and customer base which resulted in a 426% increase in the number of transactions processed.

### Costs and expenses

Commissions totaled \$5,179,000 for the year ended December 31, 2004, as compared with \$2,955,000 in the prior year, an increase of 75%. This increase is the direct result of the continued expansion of our agent network and customer base. As a percentage of net revenues, commissions were 59% for the year ended December 31, 2004 as compared with 58% in the prior year.

Operating expenses totaled \$2,519,000 for the year ended December 31, 2004, as compared with \$1,466,000 in the prior year. As a percentage of net revenues, operating expenses were 29% for the years ended December 31, 2004 and 2003. This is the direct result of our ability to leverage selling, general and administrative expenses in connection with business expansion. We have increased administrative staff commensurate with the increase in transaction volume.

Interest expense was \$50,000 for the year ended December 31, 2004 as compared with \$109,000 in the prior year. This decrease is primarily the result of borrowings pursuant to our line of credit, secured in May 2003 at a interest rate of prime + 1/2%, and the corresponding repayment in May 2003 of our \$500,000 loan at an interest rate of 17%.

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### Income tax

The income tax benefit of \$480,000 for the year ended December 31, 2004 consisted of a benefit of \$873,000 resulting from the anticipated future utilization of an available federal tax loss carryforward, net of the utilization of the deferred tax benefit of \$336,000 and state income taxes of \$57,000. The income tax benefit of \$754,000 for the year ended December 31, 2003 consisted of \$784,000 resulting from the anticipated future utilization of an available federal tax loss carryforward, net of state income taxes of \$30,000. Based upon available objective evidence, including our post-merger history of profitability, we believe that it is more likely than not that forecasted taxable income will be sufficient to utilize a portion of the net operating loss carryforward before its expiration in 2014. Accordingly, in 2004 the valuation allowance was reduced by \$873,000.

### Trends and uncertainties

The transportation industry is highly competitive and highly fragmented. In our brokerage services, our primary competitors are other non-asset based as well as asset based third party logistics companies, freight brokers, carriers offering logistics services and freight forwarders. In our contract carrier services, our competitors are other contract carriers and common carriers. We also compete with customers' and shippers' internal traffic and transportation departments as well as carriers internal sales and marketing departments directly seeking shippers' freight. We anticipate that competition for our services will continue to increase. Many of our competitors have substantially greater capital resources, sales and marketing resources and experience. We cannot assure you that we will be able to effectively compete with our competitors in effecting our business expansion plans. The most significant trend contributing to our growth during the past two years has been the

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expansion of our brokerage services agent network and contract carrier agent and owner operator network. Sales agents are independent contractors and, as such, there are no assurances that we can either maintain our existing agent network or continue to expand this network.

For the year ended December 31, 2005, we increased gross revenues from \$46.5 million to \$68.0 million and had net income of \$3,608,000 as compared with \$1,466,000 in the prior year. As of December 31, 2005, we had an accumulated deficit of \$11.1 million. Factors that could adversely affect our operating results include:

- o the success of Sunteck in expanding its business operations;  
and
- o changes in general economic conditions.

Depending on our ability to generate revenues, we may require additional funds to expand our business operations and for working capital and general corporate purposes. Any additional equity financing may be dilutive to stockholders, and debt financings may involve restrictive covenants that further limit our ability to make decisions that we believe will be in our best interests. In the event we cannot obtain additional financing on terms acceptable to us when required, our ability to expand our operations may be materially adversely affected.

### Liquidity and capital resources

During the past two years, our sources for cash have been the cash flow generated from operations and available borrowings under lines of credit.

At December 31, 2005, we had outstanding \$1,280,000 pursuant to our \$2,500,000 line of credit. The line of credit, obtained from a bank in May 2003, is subject to the maintenance of certain financial covenants, is secured by accounts receivable and other operating assets, and matures in June 2006. We believe that we have sufficient working capital to meet our short-term operating needs and that we will be able to increase, extend or replace the line of credit on

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terms acceptable to us.

At December 31, 2005, we had liquid assets of approximately \$419,000. Available cash is used to reduce borrowings on our line of credit.

The total amount of debt outstanding at December 31, 2005 and 2004 was \$1,280,000 and \$1,998,000, respectively. The following table presents our debt instruments and their weighted average interest rates at December 31, 2005 and 2004, respectively:

	Balance	Weighted Average Rate	Balance	Weighted Average Rate
	2005		2004	
Line of Credit	\$1,280,000	6.4%	\$1,998,000	5.2%

Inflation and changing prices had no material impact on our revenues or

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the results of operations for the year ended December 31, 2005.

In January 2004, we sold 1,333,333 shares of our common stock for cash proceeds of \$417,000. Simultaneously, in a related transaction, our 12% convertible debentures were converted into 2,300,000 shares of common stock. The result of these transactions was an increase in cash of \$417,000, a decrease in debt of \$575,000 and an increase in equity of \$1,017,000. The cash proceeds of \$417,000 were used to reduce the outstanding balance under our line of credit.

### Critical Accounting Policies

Preparation of our financial statements requires management 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. Note 1 of the Notes to Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our financial statements. The most significant areas involving our estimates and assumptions are described below. Actual results could differ materially from our estimates under different assumptions or conditions.

### Revenue Recognition

As a third party transportation logistics provider, we act as the shippers' agent and arrange for a carrier to handle the freight. Gross revenues consist of the total dollar value of services purchased by shippers. Revenue is recognized upon the delivery of freight, at which time the related transportation cost, including commission, is also recognized. At that time, our obligations are completed and collection of receivables is reasonably assured.

Emerging Issues Task Force No. 99-19, "Reporting Revenues Gross as a Principal Versus Net as an Agent" (EITF 99-19), establishes criteria for recognizing revenues on a gross or net basis. We are the primary obligor in our transactions, have all credit risk, maintain substantially all risk and rewards, have discretion in selecting the supplier, and latitude in pricing decisions. Accordingly, we record all transactions at the gross amount, consistent with the provisions of EITF 99-19.

### Income Taxes

The deferred tax asset represents expected future tax savings resulting from our net operating loss carryforward.

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As of December 31, 2005, we had a net operating loss carryforward of approximately \$14.3 million for federal income tax purposes which expire through 2014. Utilization of this benefit is primarily subject to the extent of our future earnings, and may be limited by, among other things, shareholder changes, including the possible issuance of additional shares in one or more financing or acquisition transactions. We have established a valuation allowance for the portion of possible tax savings not likely to be realized by the end of the carryforward period.

### Provision For Doubtful Accounts

We continuously monitor the creditworthiness of our customers and have established an allowance for amounts that may become uncollectible in the future based on current economic trends, our historical payment and bad debt write-off

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experience, and any specific customer related collection issues.

### Recently Issued Accounting Standards

In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, "Accounting Changes and Error Corrections" (SFAS 154), which supersedes Accounting Principles Bulletin (APB) Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS 154 changes the requirements for the accounting for and reporting of changes in accounting principle. The statement requires the retroactive application to prior periods' financial statements of changes in accounting principles, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. SFAS 154 does not change the guidance for reporting the correction of an error in previously issued financial statements or the change in an accounting estimate. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 is not expected to have a material impact on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment" (SFAS 123R), which is a revision of SFAS No. 123 and supersedes APB No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires employee stock options to be valued at fair value on the date of grant, and charged to expense in the Company's consolidated financial statements over the applicable vesting period. We will adopt the new standard using the modified prospective method in the first quarter of 2006. Under this method, compensation cost is recognized beginning with the effective date for all share based payments granted after the effective date and for all awards granted to employees prior to the effective date that remain unvested. SFAS 123R also amends SFAS No. 95, "Statement of Cash Flows", requiring that any excess tax benefits received upon the exercise of options be reflected as financing cash inflows rather than operating cash inflows. Adoption of SFAS 123R will not change our accounting for non-employee stock options. Based on current employee stock options outstanding, management estimates that adoption of SFAS 123R will result in compensation expense related to employee stock options of approximately \$18,000 in 2006.

### Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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### Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2005:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Lease Obligations	\$ 303,000	\$ 68,000	\$141,000	\$94,000	
Line of Credit	1,280,000	1,280,000	--	--	

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Total	\$1,583,000	\$1,348,000	\$141,000	\$94,000
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### BUSINESS

#### Overview

Through our wholly-owned subsidiary, Sunteck Transport Co., Inc. (Sunteck), we are a non-asset based transportation services company, providing transportation capacity and related transportation services to shippers throughout the United States, and to a lesser extent, Canada. As a non-asset based provider of brokerage and contract carrier transportation services, we do not own any equipment and our services are provided through our strategic alliances with less than truckload, truckload, air, rail, ocean common carriers and independent owner-operators to service our customers' needs. Our non-asset based services include ground transportation coast to coast, local pick up and delivery, air freight and ocean freight. Our business services emphasize safety, information coordination and customer service and are delivered through a network of independent commissioned sales agents and third party capacity providers coordinated by us. The independent commissioned sales agents typically enter into exclusive contractual arrangements with us and are responsible for locating freight and coordinating the transportation of the freight with customers and capacity providers. The third party capacity providers consist of independent contractors who provide truck capacity to us, including owner-operators who operate under our contract carrier license, air cargo carriers and railroads. Through this network of agents and capacity providers, we operate a transportation services business with revenue, net revenue and net income of approximately \$68.0 million, \$13.6 million and \$3.6 million, respectively, during our most recently completed fiscal year.

Our brokerage services are provided through a network of independent sales agents throughout the United States and Canada. Our services include arranging for the transport of customers' freight from the shippers location to the designated destination. We do not own any trucking equipment and rely on independent carriers for the movement of customers' freight. We seek to establish long-term relationships with our customers and provide a variety of logistics services and solutions to eliminate inefficiencies in our customers' supply chain management.

Our contract carrier services, which commenced in 2003, are also provided through a network of independent sales agents and independent owner-operators throughout the United States. We do not own any trucking equipment; our independent owner-operators lease onto our operating authority and transport freight under the Sunteck name.

#### Strategy

Our strategy is to continue to expand through affiliations with independent sales agents and through internal expansion. We have been successful at expanding our brokerage sales agent network and now have representatives throughout the United States and Canada. We have also been successful in expanding our contract carriers services. In addition, we have experienced internal expansion as many of our existing agents have expanded their customer base and increased the number of transactions generated. We intend to seek, on a selective basis, acquisition of businesses that have

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services which complement and expand our existing services, and provide us with strategic distribution locations or attractive customer bases. Our ability to implement our growth strategy will be dependent on our ability to identify and affiliate with these agents on desirable economic terms.

### Company background

AutoInfo, Inc. was organized under the laws of the State of New York in 1976 and reincorporated under the laws of Delaware in 1987. In December 2000, we acquired Sunteck in a merger transaction.

### The industry

Prior to the mid 1980's, the trucking industry was regulated by the Interstate Commerce Commission. Deregulation brought new breath and life to the industry. This also brought with it the problem of how to navigate the transportation highway. Shippers found it difficult to locate carriers and carriers found that it was expensive to find freight. Enter the third party transportation providers-intermediaries (freight brokers, freight forwarders and logistics providers). The third party intermediary connects the shipper and the carrier and helps manage the flow of goods.

The present market for freight moved by truck is estimated by management to exceed \$200 billion per year. This is a highly fragmented industry comprised of common carriers, contract carriers, freight forwarders and freight brokers.

The actual movement of goods is accomplished by trucking (consisting of local, over the road, truckload, and less than truckload shipments), air freight (time sensitive in nature), rail freight (non time sensitive in nature and usually less expensive than truck) and ocean freight (generally in containerized ships). Other services provided include warehousing and distribution.

There are several trends which are relevant to the continued dependency upon and growth of the trucking industry:

- o Just in time service      With new technology and a premium on cost savings, businesses are able to maintain smaller inventories, thereby reducing carrying costs and warehouse space requirements. The impact on the freight industry is more shipments of smaller quantities that are more time sensitive and, therefore, more costly.
- o Outsourcing              Companies have found it to be more cost effective and efficient to eliminate company owned truck fleets and rely upon others to handle their trucking and shipping needs.
- o Logistics                Small to medium size businesses, with less frequent shipping requirements, utilize logistics providers (freight brokers, etc.) to manage all aspects of the transportation, warehousing and delivery needs.

The market for third party logistics providers is highly fragmented. It is comprised primarily of full service logistics providers, freight brokers, independent sales agents and sales representatives. Sales agents often work out of home-based offices or small regional sales offices and affiliate themselves with full service brokers to provide back-office services including load dispatching, bonding and licensing, billing, collection and other administrative services. Sales representatives vary from experienced people with years of freight industry experience and established client relationships to telemarketing personnel cold calling shippers and dispatchers.

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Third party logistics companies provide numerous services to clients on an outsourced basis, by contract and on demand. The continued growth of this industry has created secondary market opportunities to provide low-cost delivery to the endpoint, in addition to supply chain services of warehousing, inventory management and electronic interface with

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customers and suppliers. Third party logistics companies provide customized domestic and international freight transportation of customers' goods and packages via truck, rail, airplane and ship, and provide warehousing and storage of those goods. Many companies utilize information systems and expertise to reduce inventories, cut transportation costs, speed delivery and improve customer service. The third-party logistics services business has been bolstered in recent years by the competitiveness of the global economy, which causes shippers to focus on reducing handling costs, operating with lower inventories and shortening inventory transit times. Using a network of transportation, handling and storage providers in multiple transportation modes, third-party logistics services companies seek to improve their customers' operating efficiency by reducing their inventory levels and related handling costs. Many third-party logistics service providers are non-asset-based, primarily utilizing physical assets owned by others in multiple transport modes.

The third-party logistics services business increasingly relies upon advanced information technology to link the shipper with its inventory and as an analytical tool to optimize transportation solutions. This trend favors the larger, more professionally managed companies that have the resources to support a sophisticated information technology infrastructure. By outsourcing all non-core business services to third party providers, companies can help to control costs, eliminate staff and focus on internal business.

### Operations and systems

In our brokerage services, we process approximately 3,600 freight orders per month. Our sales agents throughout the United States and Canada receive customers' freight requirements daily. All agents make appropriate carrier arrangements for the pick-up and timely delivery of customers' freight.

In our contract carrier services, we process approximately 850 freight orders per month. Our sales agents in our seven regional operating centers and representatives in nine states receive customers' freight requirements daily and, utilizing their respective owner-operators, make appropriate carrier arrangements for the pick-up and timely delivery of customers' freight. In addition, utilizing various sources including numerous internet based freight posting boards, our agents locate additional freight to maximize utilization of available capacity and minimize deadhead miles, or miles driven generating little or no revenue. A typical owner-operator will generate \$2,500 per week in revenues.

Our sales agents vary in level of experience from agents with years of freight industry experience and established client relationships to a more limited number of inexperienced telemarketing and operations personnel working under the direct supervision and training of experienced sales agents and dispatchers.

We rely exclusively on independent third parties for our hauling capacity. These third party capacity providers consist of our independent owner-operators, unrelated trucking companies, air cargo carriers and railroads. Our use of capacity provided by our independent owner-operators, and other third party capacity providers, allows us to maintain a lower level of capital investment,



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resulting in lower fixed costs.

We utilize a state-of-the-art proprietary internet based order entry system. All agents access our Web-based platform and orders are entered into a customized traffic management system, which enables us to monitor the status of all orders, generate customer billing and provide detailed transactional reports in our Florida corporate headquarters. We use these reports to monitor customer logistics and transportation usage, track customer and carrier historical data, generate detailed financial and accounting data and provide our customers with details of their supply chain activity. We maintain dual off-site storage and back-up facilities to insure data integrity and safety.

### Suppliers

We use the services of various third party transportation companies. During 2005, no third party provider handled more than 10% of our shipping volume (measured by revenue).

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### Customers

We strive to establish long-term customer relationships and, by providing a full range of logistics and supply chain services, we seek to increase our level of business with each customer. We service customers ranging from Fortune 100 companies to small businesses in a variety of industries. During 2005, no customer accounted for more than 10% of our revenues. We typically receive credit applications from all customers, review credit references and perform credit checks to ensure credit worthiness.

Sunteck has achieved revenue growth through the addition of independent sales agents, the opening of new operations offices, an increase in the number of customers serviced, and the expansion of the logistics and supply chain services we provide.

Each operations office markets our full range of supply chain services to existing customers and pursues new customers within its local markets. We build new customer relationships by exploiting our range of logistics and supply chain services, the traffic lanes we commonly service, carrier relationships and capabilities, our industry specific expertise and our sales agents individual knowledge and experience.

Our growth model is focused on adding sales agents in strategic markets. As this agent network is further established and expanded, we believe that significant other opportunities will emerge. Larger sales agents offices often have their own equipment (truck space), which presents the opportunity to maximize available freight and load capacity thereby increasing gross margins above historical levels. In addition, sales representatives will be added to regional operating office sales agent locations to increase market penetration. Since representatives work on a commission basis, this expansion essentially comes at no additional overhead outlay.

Significant opportunities for expansion and growth also includes strategic alliances with other service freight broker groups. This strategy will enable us to achieve strong regional penetration into new geographical markets and increase back office capabilities to service the agent network.

### Competition

The transportation industry is highly competitive and highly fragmented.

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In our brokerage services, our primary competitors are other non-asset based as well as asset based third party logistics companies, freight brokers, carriers offering logistics services and freight forwarders. In our contract carrier services, our competitors are other contract carriers and common carriers. We also compete with customers' and shippers' internal traffic and transportation departments as well as carriers internal sales and marketing departments directly seeking shippers' freight. We generally compete on the basis of price and the range of logistics and supply chain services offered.

### Government regulation

Our industry has long been subject to government legislation and regulation. Over the years, many changes in these laws and regulations have affected the industry and caused changes in the operating practices and the cost of providing transportation services. We cannot predict what effect, if any, legislative and regulatory changes may have on the industry in the future.

We are licensed by the United States Department of Transportation (DOT) as a broker arranging the movement of materials by motor carrier. In this capacity, we are required to meet certain qualifications to enable us to conduct business, which includes the compliance with certain surety bond requirements. We are also licensed by the DOT as a contract carrier arranging the movement of materials by motor carrier. In this capacity, we are required to meet certain qualifications

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to enable us to conduct business, which includes the maintenance of \$1,000,000 of general liability insurance and \$100,000 of cargo insurance.

If we fail to comply with, or lose, any required licenses, governmental regulators could assess penalties or issue a cease and desist order against our operations that are not in compliance.

### Risk and liability

In our brokerage services, we do not assume liability for loss or damage to freight; we act as the shipper's agent and arrange for a carrier to handle the freight. Therefore, we do not take possession of the shipper's freight and, accordingly, we are not liable for the carrier's negligence or failure to perform. We do assist our customers in the processing and collection of any claim. The Federal Highway Administration requires us to maintain a surety bond of \$10,000, which is intended to show our financial responsibility and provide surety for the arrangements with shippers and carriers. In addition, we maintain \$100,000 of contingent cargo liability insurance.

In our contract carrier services business, we are liable for loss or damage to our customers' freight. We maintain cargo liability insurance coverage with a policy limit of \$100,000 per occurrence. We have not incurred any material losses to date. Any such losses in excess of insurance limits would be accounted for as incurred for financial reporting purposes.

### Employees

As of March 3, 2006, we had 35 full-time employees. None of our employees are represented by a labor union and we believe that our relationship with our employees is good.

### Available Information

Our Web site address is [www.suntecktransport.com](http://www.suntecktransport.com). We are not including the

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information contained on our Web site as part of, or incorporating it by reference into, this prospectus. We make available free of charge through our Web site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Forms 3, 4 and 5, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC).

In connection with the shares offered by this prospectus, we have filed a registration statement on Form S-1 under the Securities Act with the SEC. This prospectus, filed as part of that registration statement, does not contain all of the information included in the registration statement and the accompanying exhibits and schedules. For further information with respect to our shares and us you should refer to the registration statement and the accompanying exhibits and schedules. With respect to statements contained in this prospectus regarding the contents of any contract or any other document, you should refer to the copy of the contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by the actual contents of the contract or other document referred to.

The public may read and copy any materials we file with the SEC, including a copy of the registration statement and the accompanying exhibits, at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers such as us that file electronically with the SEC. The Web site address is [www.sec.gov](http://www.sec.gov).

### Properties

We lease approximately 5,300 square feet of space for our executive offices and the headquarters of Sunteck at

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6413 Congress Avenue, Boca Raton, Florida. This lease runs through April 2010 and provides for aggregate rent payments of \$57,000 for the thirteen months ending February 2006, \$61,000 for the thirteen months ending March 2007, \$65,000 for the thirteen months ending April 2008, \$68,000 for the twelve months ended April 2009 and \$71,000 for the twelve months ended April 2010. We lease 1,100 square feet for our operating office at 315 Main Street, Pineville, North Carolina. The lease runs through February 2008 and provides for an annual rental of \$13,000.

### Legal proceedings

We are not a party to any material legal proceedings.

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## MANAGEMENT

### Executive officers and directors

The following table sets forth the names, ages and positions of our directors, executive officers and key employees:

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Name ----	Age ---	Position -----
Peter C. Einselen	66	Director
Thomas C. Robertson	60	Director
Harry Wachtel	47	President, chief executive officer and director
Mark Weiss	46	National account executive and director
William Wunderlich	58	Chief financial officer

PETER C. EINSELEN has been a director since January 1999. Mr. Einselen has been an account executive since 1990 and served as senior vice president from 1990 to 2001 of Anderson & Strudwick, a brokerage firm. From 1983 to 1990, Mr. Einselen was employed by Scott and Stringfellow, Incorporated, a brokerage firm.

THOMAS C. ROBERTSON has been a director since January 1999. Mr. Robertson has been senior vice president since 2004 and was president and chief financial officer from 1988 to 2004 and a director from 1988 to 2005 of Anderson & Strudwick, a brokerage firm. Mr. Robertson has been president of Gardner & Robertson, a money management firm, since 1997.

HARRY WACHTEL joined us in conjunction with the acquisition of Sunteck and has been a director, and our president and chief executive officer since December 7, 2000. Since 1997, he has been president of Sunteck. From 1992 to 1997, he served as vice president of sales and marketing for Pioneer Services, Inc., a third party, non-asset based transportation logistics provider.

MARK WEISS joined us in conjunction with the acquisition of Sunteck and has been a director since December 7, 2000. Since 1997, he has been employed by Sunteck as a national account executive. From 1994 to 1997 he served as a national account executive for Pioneer Services, Inc., a third party, non-asset based transportation logistics provider. Mr. Weiss is the brother-in-law of Mr. Wunderlich, our executive vice president and chief financial officer.

WILLIAM WUNDERLICH joined us in October 1992 as our vice president - finance, became chief financial officer in January 1993, president in January 1999 and, in conjunction with the acquisition of Sunteck, became executive vice president in December 2000. From 1990 to 1992, he served as vice president of Goldstein Affiliates, Inc., a public adjusting company. From 1981 to 1990, he served as executive vice president, chief financial officer and a director of Novo Corporation, a manufacturer of consumer products. Mr. Wunderlich is a Certified Public Accountant with a B.A. degree in Accounting and Economics from the City University of New York at Queens College. Mr. Wunderlich is the brother-in-law of Mr. Weiss, one of our directors.

### Director Compensation

We do not pay any directors' fees. Directors are reimbursed for the costs relating to attending board and committee meetings. During 2005, Peter C. Einselen and Thomas C. Robertson, our non-employee directors, each were granted options to purchase 100,000 shares of our common stock at prices ranging from \$0.46 to \$0.65 per share, 110% of the fair market value on the date of grant.

### Committees of the Board of Directors

Our board of directors has an audit committee and a compensation committee. The audit committee reviews the scope and results of the audit and

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other services provided by our independent accountants and our internal controls. The compensation committee is responsible for the approval of compensation arrangements for our officers and the review of our compensation plans and policies. Each committee is comprised of Messrs. Einselen and Robertson, our non-employee independent outside directors.

### Audit Committee Matters

Under its charter, the audit committee must pre-approve all engagements of our independent auditor unless an exception to such pre-approval exists under the Securities Exchange Act of 1934 or the rules of the Securities and Exchange Commission (SEC). Each year, the independent auditor's retention to audit our financial statements, including the associated fee, is approved by the committee before the filing of the preceding year's annual report on Form 10-K. At the beginning of the fiscal year, the audit committee will evaluate other known potential engagements of the independent auditor, including the scope of the work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. At each subsequent committee meeting, the committee will receive updates on the services actually provided by the independent auditor, and management may present additional services for approval. Typically, these would be services such as due diligence for an acquisition that would not have been known at the beginning of the year.

Since the May 6, 2003 effective date of the SEC rules stating that an auditor is not independent of an audit client if the services it provides to the client are not appropriately approved, each new engagement of Dworken, Hillman, LaMorte & Sterczala, P.C. was approved in advance by the audit committee, and none of those engagements made use of the de minimus exception to pre-approval contained in the SEC's rules.

Our board has determined that the chairman of the audit committee, Mr. Robertson, is an "audit committee financial expert," as that term is defined in Item 401(h) of Regulation S-K, and "independent" for purposes of current and recently-adopted Nasdaq listing standards and Section 10A(m)(3) of the Securities Exchange Act of 1934.

### Compensation Committee Interlocks and Insider Participation

During 2005, the compensation committee consisted of Messrs. Einselen and Robertson, both of whom are non-employee directors. In December 2000, we issued 10-year 12% subordinated convertible debentures in the aggregate principal amount of \$50,000 to Messrs. Einselen and Robertson. In January 2004, these debentures were acquired by Kinderhook Partners, LP, in a private placement transaction from the holders and were subsequently converted in shares of our common stock. To our knowledge, no member of the Compensation Committee has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity.

## REPORT OF COMPENSATION COMMITTEE

To the Board of Directors:

Compensation policies applicable to executive officers

The purpose of the Company's executive compensation program is to attract, retain and motivate qualified executives to manage the business of the Company

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so as to maximize profits and shareholder value. Executive compensation in the aggregate is made up principally of the executive's annual base salary, a bonus based upon operating earnings, a discretionary bonus which may be awarded by the Company's Compensation Committee and awards of Company stock or stock options under the Company's Stock Option Plans. The Company's Compensation Committee annually considers and makes recommendations to the Board of Directors as to executive compensation including changes in base salary, bonuses and awards of Company stock or stock options.

Consistent with the above-noted purpose of the executive compensation program, it is the policy of the Compensation Committee, in recommending the aggregate annual compensation of executive officers of the Company, to consider the overall performance of the Company and the individual contribution and performance of the executive. The performance of the Company is the significant factor. While shareholders' total return is important and is considered by the Compensation Committee, it is subject to the vagaries of the public market place and the Company's compensation program focuses on the Company's strategic plans, corporate performance measures, and specific corporate goals which should lead to a favorable stock price. The corporate performance measure which the Compensation Committee considers include sales, earnings, return on equity and comparisons of sales and earnings with prior years and with budgets.

The Compensation Committee does not rely on any fixed formulae or specific numerical criteria in determining an executive's aggregate compensation. It considers both corporate and personal performance criteria, competitive compensation levels, the economic environment and changes in the cost of living as well as the recommendations of management. The Compensation Committee then exercises business judgment based on all of these criteria and the purposes of the executive compensation program.

### Compensation of the chief executive officer

Mr. Wachtel's base salary of \$205,000 and bonus of \$125,000 for 2005 was based principally on his rights under his employment agreement with the Company.

Mr. Wunderlich's base salary of \$100,000 and bonus of \$125,000 for 2005 was based principally on his rights under his employment agreement with the Company.

Section 162(m) of the Internal Revenue Code of 1996, as amended (the "Code"), generally disallows a tax deduction to public companies for compensation over \$1 million paid to the Company's chief executive officer and four other most highly compensated executive officers, unless the compensation is considered performance based. The compensation disclosed in this report does not exceed the \$1 million limit, and executive compensation for 2006 is also expected to qualify for deductibility. The Company currently intends to structure the performance-based portion of its executive officers' compensation to achieve maximum deductibility under Section 162(m) of the code with minimal sacrifices in flexibility and corporate objective.

Respectfully submitted,

AutoInfo, Inc. Compensation Committee  
(Thomas Robertson and Peter Einselin)

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## AND THE DOW JONES TRANSPORTATION INDEX

The following graph shows a five year comparison of cumulative total returns for AutoInfo, the NASDAQ Composite Index, and the Nasdaq Transportation Index.

[THE DATA BELOW REPRESENTS A LINE CHART IN THE PRINTED REPORT]

	NASDAQ COMPOSITE INDEX	DOW JONES TRANSPORTATION INDEX	AUTOINFO, INC.
2000*	1.00	1.00	1.00
2001	0.79	0.73	4.00
2002	0.54	0.78	6.33
2003	0.81	1.02	9.67
2004	0.88	1.29	20.33
2005	0.89	1.42	19.33

## EXECUTIVE COMPENSATION

Summary compensation.

The following table sets forth certain information concerning compensation paid for services in all capacities awarded to, earned by or paid to our chief executive officer and the other most highly compensated executive officers during 2005, 2004 and 2003 whose aggregate compensation exceeded \$100,000 ("Named Executive Officers").

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Name and principal position -----	Salary -----	Bonus -----
Harry Wachtel President and chief executive officer		
2005.....	\$205,000	\$125,000
2004.....	\$205,000	\$125,000
2003.....	\$175,000	\$ 51,531
William Wunderlich Executive vice president and chief financial officer		
2005.....	\$100,000	\$125,000
2004.....	\$100,000	\$125,000
2003.....	\$93,750	\$ 55,281
Mark Weiss National account executive		
2005.....	\$122,703	--
2004.....	\$107,503	--
2003.....	\$118,592	--

Option grants during the year ended December 31, 2005, 2004 and 2003

Our compensation committee did not grant any options to the Named Executive Officers during the years ended December 31, 2005, 2004 and 2003.

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Option exercises and year-end option values. The following table provides information with respect to options exercised by the Named Executive Officers during 2005 and the number and value of unexercised options held by the Named Executive Officers as of December 31, 2005.

### Aggregated Option Exercise in Last Fiscal Year and Year-End Option Values

Name -----	Shares Acquired on Exercise -----	Value Realized (1) -----	Number of Shares Underlying Unexercised Options at Fiscal Year-End -----	
			Exercisable -----	Unexercisable -----
Harry Wachtel	--	--	--	--
Mark Weiss	--	--	--	--
William Wunderlich	40,000	\$17,000	770,000	--

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- (1) For the purposes of this calculation, value is based upon the difference between the exercise price of the options and the stock price at date of exercise.
- (2) For the purposes of this calculation, value is based upon the difference between the exercise price of the exercisable and unexercisable options and the stock price at December 31, 2005 of \$0.58 per share.

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### Equity Compensation Plan Information Year Ended December 31, 2005

Plan Category -----	Number of securities to be issued upon exercise of outstanding options, warrants and rights -----	Weighted-average exercise price of outstanding options, warrants and rights -----	Num rema fut eq p secu -----
	(a)	(b)	
Equity compensation plans approved by security holders (1985, 1986, 1989, 1992, 1997, 1999, 2003 and 2005 Stock Option Plans) (1).....	7,081,000 =====	\$0.37 =====	=====
Total	7,081,000 =====	\$0.37 =====	=====

- (1) We do not have any equity compensation plans which have not been approved



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by security holders.

### Employment Agreements

We have employment agreements with Messrs. Wachtel and Wunderlich providing for their employment, as our chief executive officer and chief financial officer, respectively, for terms expiring on December 31, 2008, subject to automatic one-year renewals unless either party gives written notice ninety days prior to the end of the then current term of the agreement. The agreements provide for annual base salaries of \$250,000 and \$175,000, respectively, and for participation in all executive benefit plans. Each of Mr. Wachtel's and Mr. Wunderlich's agreements provide that they will each be entitled to a bonus equal to 10% of our consolidated pre-tax profit (as defined in their respective employment agreements) up to \$1,250,000 and 5% of our consolidated pre-tax profit in excess of \$1,250,000. Further, Mr. Wachtel's agreement provides, among other things, that, if employment is terminated without cause (as defined therein) or if he terminates his employment for good reason (as defined therein) or within six months after a change of control (as defined therein), we will pay him an amount equal to his then current base salary plus the average incentive compensation due to him during the remaining term of the agreement.

### Limitation of directors' liability and indemnification

Our certificate of incorporation limits the liability of individual directors for specified breaches of their fiduciary duty. The effect of this provision is to eliminate the liability of directors for monetary damages arising out of their failure, through negligent or grossly negligent conduct, to satisfy their duty of care, which requires them to exercise informed business judgment. The liability of directors under the federal securities laws is not affected. A director may be liable for monetary damages only if a claimant can show receipt of financial benefit to which the director is not entitled, intentional infliction of harm on us or on our shareholders, a violation of section 174 of the Delaware General Corporation Law (dealing with unlawful distributions to shareholders effected by vote of directors), and any amended or successor provision thereto, or an intentional violation of criminal law.

Our certificate of incorporation also provides that we will indemnify each of our directors or officers, and their heirs, administrators, successors and assigns against any and all expenses, including amounts paid upon judgments, counsel fees, and amounts paid or to be paid in settlement before or after suit is commenced, actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding, in which they, or any of them are made parties, or which may be asserted against them or any of them by reason of being, or having been, directors

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or officers of the corporation, except in relation to such matters in which such director or officer shall be adjudged to be liable for his own negligence or misconduct in the performance of his duty.

There is no pending litigation or proceeding involving any of our directors, officers, employees or agents in which we are required or permitted to provide indemnification, except as set forth under Certain Relationships and Related Party Transactions. We are also not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or controlling persons under our

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certificate of incorporation, we have been informed that, in the opinion of the SEC, indemnification is against public policy as expressed in the Securities Act and is unenforceable.

### Code of ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and other persons performing similar functions. This code of ethics is posted on our Web site at [www.suntecktransport.com](http://www.suntecktransport.com).

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In December 2000, we obtained financing totaling \$575,000, including \$363,000 from certain related parties, in the form of ten year 12% subordinated convertible debentures. The financing was provided in part by Harry Wachtel, our president and chief executive officer (\$200,000), William Wunderlich, our chief financial officer (\$25,000), two of our outside independent directors, Peter Einselen (\$25,000) and Thomas Robertson (\$25,000), and James Martin, a significant stockholder (\$88,000). Interest of \$4,000 and \$69,000 was charged to operations in 2004 and 2003, respectively. In January 2004, these debentures were acquired by Kinderhook Partners, LP in a private placement transaction from the holders and were subsequently converted into 2,300,000 shares of our common stock.

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### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common shares as of the date of this prospectus by:

- o each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding common shares;
- o each of our directors;
- o each executive officer named in the summary compensation table above; and
- o all of our directors and executive officers as a group.

We determined beneficial ownership in accordance with rules promulgated by the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as otherwise indicated, we believe that the persons or entities named in the following table have sole voting and investment power with respect to all shares of common stock as beneficially owned by them, subject to community property laws where applicable.

Name of Beneficial Owner (1) -----	Shares of Common Stock Beneficially Owned -----	Perc Of Ow -----
(i) Directors and Executive Officers		
Harry Wachtel	6,510,000 (2)	
Thomas C. Robertson	380,000 (3)	

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Peter C. Einselen	510,000 (3)
Mark Weiss	900,000 (5)
William I. Wunderlich	1,322,000 (4) (6)
All executive officers and directors as a group (5 persons)	8,315,000 (7)
(ii) 5% Stockholders	
James T. Martin	6,270,000
Kinderhook Partners, LP	6,125,812

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- (1) Unless otherwise indicated below, each director, executive officer and each 5% stockholder has sole voting and investment power with respect to all shares beneficially owned. The address for Mr. Wachtel, Mr. Weiss and Mr. Wunderlich is c/o AutoInfo, Inc., 6413 Congress Avenue, Suite 260, Boca Raton, FL 33487. The address for Mr. Martin is c/o Bermuda Trust Company, Compass Point Road, 9 Bermudian Road, Hamilton HM11, Bermuda. The address for Kinderhook Partners, LP is One Executive Drive, Suite 160, Fort Lee, NJ 07024.
- (2) Includes 1,307,000 shares with respect to which Mr. Wachtel has been granted voting rights pursuant to voting proxy agreements.
- (3) Includes 280,000 shares issuable upon the exercise of stock options.
- (4) Includes 280,000 shares issuable upon the exercise of stock options.
- (5) Includes 900,000 with respect to which Mr. Weiss has granted voting rights to Mr. Wachtel pursuant to a voting proxy agreement. Mr. Weiss retains full control over the disposition of these shares.
- (6) Includes 407,000 with respect to which Mr. Wunderlich has granted voting rights to Mr. Wachtel pursuant to a voting proxy agreement. Mr. Wunderlich retains full control over the disposition of these shares.
- (7) Assumes that all currently exercisable options or warrants owned by members of this group have been exercised.

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### DESCRIPTION OF SECURITIES

Our authorized capital stock consists of 110,000,000 shares, including 100,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share. Our board of directors may designate the rights and preferences of the preferred stock. Preferred stock could be used, under certain circumstances, as a way to discourage, delay or prevent a takeover of the company. See "Anti-Takeover Provisions." As of March 27, 2006, there were issued and outstanding 31,798,856 shares of common stock and no shares of preferred stock.

The authorized but unissued shares of common stock are available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued common stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

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The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless the corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our certificate of incorporation does not impose any supermajority vote requirements.

### Common stock

Under our Restated Certificate of Incorporation, shares of our common stock are identical in all respects, and each share entitles the holder to the same rights and privileges as are enjoyed by other holders and is subject to the same qualifications, limitations and restrictions as apply to other shares.

Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of our common stock do not have cumulative voting rights. Accordingly, subject to any voting rights of holders of any preferred stock that may be issued, holders of a plurality of our common stock present at a meeting at which a quorum is present are able to elect all of the directors eligible for election. The presence of a majority of the voting power of our outstanding capital stock constitutes a quorum.

The holders of our common stock are entitled to dividends when and if declared by our board of directors from legally available funds. The holders of our common stock are also entitled to share pro rata in any distribution to stockholders upon our liquidation or dissolution.

None of the shares of our common stock:

- o have preemptive rights;
- o are redeemable;
- o are subject to assessments or further calls;
- o have conversion rights; or
- o have sinking fund provisions.

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### Preferred stock

We are currently authorized to issue 10,000,000 shares of preferred stock in one or more series. No series has been designated. Our board of directors may determine the terms of the preferred stock at the time of its issuance without action by our stockholders. The terms of any issuance of preferred stock may include:

- o voting rights, including the right to vote as a series on particular matters, which could be superior to those of our common stock;
- o preferences over our common stock as to dividends and distributions in liquidation;
- o conversion and redemption rights, including the right to convert into shares of our common stock; and
- o sinking fund provisions.

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### Outstanding options and warrants

At March 7, 2006, we had outstanding 7,153,516 stock options granted to employees and consultants. These options have exercise prices ranging from \$0.05 to \$0.65 per share, with an average weighted exercise price of \$ 0.39, and expire between May 2007 and November 2013. Of the options outstanding at March 7, 2006, 3,077,831 are vested and currently exercisable.

### Registration rights

Other than the registration rights with respect to the shares offered by this Prospectus, we do not have any contractual obligations to register any shares of our common stock.

### Voting rights

In June 2001, each of William Wunderlich, our chief financial officer and Mark Weiss, a director, granted to Harry Wachtel, our president and chief executive officer, an irrevocable proxy to vote 750,000 and 1,000,000, respectively, of shares of our common stock they then owned. These proxies were granted in conjunction with the purchase by the holders of the subject shares from Mr. Wachtel in a private placement transaction. As of March 27, 2006, the irrevocable proxies with respect to 442,658 of these shares have been terminated, leaving Mr. Wachtel with irrevocable proxies covering the remaining 1,307,342 shares.

### Transfer agent

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company, located in New York, New York.

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### SELLING STOCKHOLDERS

Kinderhook Partners, LP (Kinderhook) acquired the shares of common stock offered hereby in four transactions. In January 2004, 1,333,333 shares of common stock were acquired from us, in a private placement transaction, for a total consideration of \$442,000, or approximately \$0.33 per share. Simultaneously with this purchase, Kinderhook acquired all of our then outstanding 12% Convertible Debentures (\$575,000 principal amount) in a private transaction with the existing debenture holders and immediately converted these debentures into 2,300,000 shares of common stock. Subsequently, in November 2004 and January 2006, Kinderhook and Shah acquired 727,500 and 966,576 shares of common stock from two of our affiliates, Mr. Wachtel and Mr. Wunderlich, in a private placement transaction, for \$0.34 and \$0.54 per share, respectively. Mr. Shah acquired his shares of common stock offered hereby in the November 2004 and January 2006 transactions on the same terms and conditions. In connection with each of these transactions, we undertook to file and process to effectiveness a resale prospectus covering the shares acquired.

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of March 24, 2006, by each selling stockholder. The number of shares in the column labeled "Number of Shares Being Offered" represent all of the shares that each selling stockholder may offer under this prospectus. The table assumes that the selling stockholders will sell all of the shares offered under this prospectus. We are unable to determine the exact number of shares that actually will be sold. We do not know how long the selling stockholder will hold the shares before selling them and we

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currently have no agreements, arrangements or understandings with the selling stockholders regarding the sale of any of the shares other than our agreement with the selling stockholder to maintain the effectiveness of this registration statement for up to two years. Each of the selling stockholders may be deemed to be an "underwriter" within the meaning of the Securities Act of 1933 in connection with its sale of our shares under this prospectus.

Name and Address of Beneficial Owner (1) -----	Number of shares Owned Before the Offering -----	Percentage of Class -----	Number of Shares Offered -----	Number of Shares Ow After the Offering -----
Kinderhook Partners, LP(2)...	6,125,812	19.3%	5,327,409	798,40
Vinoray R. Shah	55,924	(3)	55,924	

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(1) The address of Kinderhook Partners, LP is One Executive Drive, Suite 160, Fort Lee, NJ 07024. The address of Vinoray R. Shah is 50 Hilltop Road, Longmeadow, MA 01106. None of the selling stockholders currently own any options, warrants or other derivative securities convertible into shares of our common stock.

(2) The General Partner of Kinderhook Partners, LP is Kinderhook GP, LLC. Stephen J. Clearman is the managing member of Kinderhook GP, LLC. Kinderhook GP, LLC and Stephen J. Clearman each disclaim beneficial ownership of the shares except to the extent of their pecuniary interest therein.

(3) Less than 1%.

### PLAN OF DISTRIBUTION

We are registering shares of our common stock under the Securities Act for sale by the selling stockholder. As used in this prospectus, "selling stockholders" includes the pledgees, donees, transferees or others who may later hold the selling stockholder's interests. We have agreed to pa