

Edgar Filing: AUTOINFO INC - Form 10-K

AUTOINFO INC  
Form 10-K  
March 15, 2006

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15 (d) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

Commission file number: 001-11497

AUTOINFO, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-2867481
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

6413 Congress Ave - Suite 260  
Boca Raton, 33487  
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: 561 - 988 - 9456

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

Securities registered pursuant to section 12(g) of the Act:

Common Stock, \$.001 par value  
(Title of class)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated  
filer, an accelerated filer, or a non-accelerated filer. See definition of  
"accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange  
Act. (Check one):

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated filer ☒

## Edgar Filing: AUTOINFO INC - Form 10-K

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 7, 2006 was approximately \$ 8,050,000.

The number of shares outstanding of the registrant's common stock, \$.001 par value, as of March 7, 2006 was 31,799,000 shares.

### DOCUMENTS INCORPORATED BY REFERENCE

None.

### AUTOINFO, INC.

### Annual Report on Form 10-K

### TABLE OF CONTENTS

	Page
PART I.....	2
Item 1. Business.....	2
Item 1A. Risk Factors.....	6
Item 2. Properties.....	10
Item 3. Legal Proceedings.....	10
Item 4. Submission of Matters to a Vote of Security Holders.....	10
PART II.....	11
Item 5. Market for our Common Equity and Related Stockholder Matters.....	11
Item 6. Selected Consolidated Financial Data.....	12
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	13
Item 7A. Quantitative and Qualitative Disclosures About market Risk.....	20
Item 8. Financial Statements and Supplementary Data.....	21
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.....	21
Item 9A. Controls and Procedures.....	21
Item 9B. Other Information.....	21
PART III.....	22
Item 10. Directors and Executive Officers.....	22
Item 11. Executive Compensation.....	26
Item 12. Security Ownership of Certain Beneficial Owners and Management...	27
Item 13. Certain Relationships and Related Transactions.....	28
Item 14. Principal Accounting Fees and Services.....	28
Item 15. Exhibits.....	29

### FORWARD LOOKING STATEMENT INFORMATION

Certain statements made in this Annual Report on Form 10-K are "forward-looking statements" regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving judgments with respect to, among other things, 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. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In

## Edgar Filing: AUTOINFO INC - Form 10-K

light of the significant uncertainties inherent in the forward-looking statements included herein particularly in view of the current state of our operations, the inclusion of such information should not be regarded as a statement by us or any other person that our objectives and plans will be achieved. Factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, the factors set forth herein under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

### PART I

#### Item 1. 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

## Edgar Filing: AUTOINFO INC - Form 10-K

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 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.

2

### 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,

## Edgar Filing: AUTOINFO INC - Form 10-K

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.

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 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

3

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

## Edgar Filing: AUTOINFO INC - Form 10-K

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, 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).

4

### 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

## Edgar Filing: AUTOINFO INC - Form 10-K

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

### 5

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

## Edgar Filing: AUTOINFO INC - Form 10-K

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 website address is [www.suntecktransport.com](http://www.suntecktransport.com). We are not including the information contained on our website as part of, or incorporating it by reference into, this annual report on Form 10-K. We make available free of charge through our website 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).

The public may read and copy any materials we file with the SEC 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 website address is [www.sec.gov](http://www.sec.gov).

### Item 1A. RISK FACTORS

In addition to the other information provided in this report, you should carefully consider the following factors in evaluating our business, operations and financial condition. Additional risks and uncertainties not presently known to us, that we currently deem immaterial or that are similar to those faced by other companies in our industry or business in general, such as competitive conditions, may also impair our business operations. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition and results of operations.

6

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



## Edgar Filing: AUTOINFO INC - Form 10-K

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 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.

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

## Edgar Filing: AUTOINFO INC - Form 10-K

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 owned 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.

The market price of our common stock has historically experienced and may continue to experience significant volatility. For the 52-week period ended March 7, 2006, our closing stock price has ranged from \$0.40 to \$0.67. On March 7, 2006, our closing stock price was \$0.65.

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
- 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.

## Edgar Filing: AUTOINFO INC - Form 10-K

We have granted options covering approximately 7.1 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 rescission, 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.

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 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.

## Item 2. PROPERTIES

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

## Item 3. LEGAL PROCEEDINGS

We are not a party to any material legal proceedings.

## Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is not listed on any stock exchange. Our common stock is traded on the Nasdaq 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 each quarter within the last two fiscal years, 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	\$0.74	\$0.43
Second quarter	0.60	0.40
Third quarter	0.62	0.45
Fourth quarter	0.60	0.42
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
Fourth quarter	0.61	0.32

As of March 7, 2006, the closing bid price per share for our common stock, as reported on the OTCBB was \$0.65 As of March 7, 2006, we had approximately 1,000 beneficial stockholders.

Dividend policy

We have never declared or paid a cash dividend on our common stock. It has been the policy of our board of directors to retain all available funds to finance the development and growth of our business. The payment of cash dividends in the future will be dependent upon our earnings and financial requirements and other factors deemed relevant by our board of directors.

Item 6. 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 report and our audited consolidated financial statements and accompanying notes included elsewhere in this report.

# Edgar Filing: AUTOINFO INC - Form 10-K

000's omitted, except for per share data

Year ended December 31,

	2005	2004	2003	2002	2001
Statement of Operations Data:					
Gross revenues	\$ 68,040	\$ 46,492	\$ 27,171	\$ 18,863	\$ 8,000
Net revenues (1)	13,554	8,734	5,076	3,368	1,000
Net income (loss)	\$ 3,608	\$ 1,466	\$ 1,300	\$ 340	\$ 0
Net income (loss) per share (2) (3)					
Basic	\$ .11	\$ .05	\$ .05	\$ .01	\$ 0
Diluted	\$ .11	\$ .04	\$ .05	\$ .01	\$ 0

(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.

(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	2001
Balance Sheet Data:					
Cash and cash equivalents	\$ 419	\$ 38	\$ 133	\$ 684	\$ 0
Accounts receivable	12,735	9,658	4,881	2,996	1,000
Total assets	16,646	11,795	6,286	3,944	2,000
Total liabilities	8,515	7,383	4,394	3,356	2,000
Deficit	(11,084)	(14,692)	(16,158)	(17,458)	(17,000)
Stockholders' equity	8,131	4,412	1,892	588	0

## Item 7. 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 report 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

## Edgar Filing: AUTOINFO INC - Form 10-K

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 shareholder value, (iii) statements of future economic performance, and (iv) statements of assumptions underlying other statements and statements about our business prospects.

This report 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 7 of this report.

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 report.

### 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

truck 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

## Edgar Filing: AUTOINFO INC - Form 10-K

been internal growth experienced by our 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%

### 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



## Edgar Filing: AUTOINFO INC - Form 10-K

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.

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 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 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.

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.

## Edgar Filing: AUTOINFO INC - Form 10-K

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

16

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%.

### 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 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

## Edgar Filing: AUTOINFO INC - Form 10-K

- 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.

17

### 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 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 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

## Edgar Filing: AUTOINFO INC - Form 10-K

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.

18

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. 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 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.

## Edgar Filing: AUTOINFO INC - Form 10-K

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.

19

### Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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

### Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

20

### Item 8. FINANCIAL STATEMENTS

The response to this item is submitted as a separate section of this report beginning on page F-1.

## Edgar Filing: AUTOINFO INC - Form 10-K

### Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

#### Item 9A. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Information required to be disclosed by us in the reports it files or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are we reasonably likely to materially affect, our internal control over financial reporting.

#### Item 9B. OTHER INFORMATION

None.

21

## PART III

### Item 10. DIRECTORS AND EXECUTIVE OFFICERS

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

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 &

## Edgar Filing: AUTOINFO INC - Form 10-K

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.

22

### 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 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



## Edgar Filing: AUTOINFO INC - Form 10-K

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 SK, 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.

23

### 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 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

## Edgar Filing: AUTOINFO INC - Form 10-K

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)

24

### 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 website at [www.suntecktransport.com](http://www.suntecktransport.com).

### Section 16(a) beneficial ownership reporting compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on review of the copies of such forms furnished to us, or written representations that no Forms 5 were required, we believe that all Section 16(a) filing requirements applicable to our officers and directors were complied with.

COMPANY PERFORMANCE  
AND COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN AMONG AUTOINFO, INC.,  
THE NASDAQ COMPOSITE INDEX,  
AND THE DOW JONES TRANSPORTATION INDEX

## Edgar Filing: AUTOINFO INC - Form 10-K

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

25

### Item 11. 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").

Name and principal position	Salary	Bonus	All o compens
-----	-----	-----	-----
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.

# Edgar Filing: AUTOINFO INC - Form 10-K

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		Value of Unexercised Options at Year-End
			Exercisable	Unexercisable	
Harry Wachtel	--	--	--	--	--
Mark Weiss	--	--	--	--	--
William Wunderlich	40,000	\$ 17,000	770,000	--	\$370,000

- (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.

26

## 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	Number of securities remaining under future equity plans
	(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

## Edgar Filing: AUTOINFO INC - Form 10-K

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.

### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table, together with the accompanying footnotes, sets forth information, as of March 7, 2006, regarding stock ownership of all persons known by us to own beneficially 5% or more of our outstanding common stock, all directors, Named Executive Officers and all directors and executive officers as a group.

We determined beneficial ownership in accordance with rules promulgated by the SEC, 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.

27

Name of Beneficial Owner (1) -----	Shares of Common Stock Beneficially Owned -----	Percentage Of Ownership -----
(i) Directors and Executive Officers		
Harry Wachtel	6,510,000 (2)	20.5%
Thomas C. Robertson	380,000 (3)	1.2%
Peter C. Einselen	510,000 (3)	1.6%
Mark Weiss	900,000 (5)	2.8%
William I. Wunderlich	1,322,000 (4) (6)	4.1%
All executive officers and directors as a group (5 persons)	8,315,000 (7)	25.1%
(ii) 5% Stockholders		
James T. Martin	6,270,000	19.7%
Kinderhook Partners, LP	6,159,000	19.4%

-----  
(1) Unless otherwise indicated below, each director, executive officer and each 5% stockholder has sole voting and investment power with respect to

## Edgar Filing: AUTOINFO INC - Form 10-K

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.

### Item 13. 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.

### Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

	2005	2004
	-----	-----
Audit fees	\$55,000	\$48,000
Audit related fees	--	--
Tax fees	--	--
All other fees	--	--
Total fees	\$55,000	\$48,000
	-----	-----

### Audit Committee Pre-Approval Policies and Procedures

Our audit committee charter provides that the audit committee will pre-approve audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render these services. The audit committee may consult with management in the decision-making process, but may not delegate this authority to management. The audit committee may delegate its authority to pre-approve services to one or more committee members, provided

## Edgar Filing: AUTOINFO INC - Form 10-K

that the designees present the pre-approvals to the full committee at the next committee meeting.

### PART IV

#### Item 15. EXHIBITS

##### Exhibits

-----

No. 3A	Certificate of Incorporation of the Company, as amended. (9)
No. 3B	Amended and Restated By-Laws of the Company. (5)
No. 4A	Specimen Stock Certificate. (2)
No. 10A	1986 Stock Option Plan. (1)
No. 10B	1989 Stock Option Plan. (3)
No. 10C	1992 Stock Option Plan. (4)
No. 10D	1997 Stock Option Plan. (6)
No. 10E	1997 Non-Employee Stock Option Plan. (6)
No. 10F	1999 Stock Option Plan. (8)
No. 10G	Form of Agreement and Plan of Reorganization among AutoInfo, Inc. on the one hand, and Sunteck Transport Co., Inc., et al., on the other hand, dated June 22, 2000. (7)
No. 10H	Form of Debenture dated December 6, 2000. (7)
No. 10I	Employment Agreement between AutoInfo, Inc. and Harry M. Wachtel dated as of December 7, 2000. (9)
No. 10J	Employment Agreement between AutoInfo, Inc. and William Wunderlich dated December 7, 2000. (9)
No. 10K	Amendment to Employment Agreement between AutoInfo, Inc. and Harry M. Wachtel dated as of May 7, 2005.*
No. 10L	Amendment to Employment Agreement between AutoInfo, Inc. and William Wunderlich dated May 7, 2005.*

29

No. 10M	Stock Purchase Agreement between AutoInfo, Inc and Kinderhook Partners, LP dated January 21, 2005.(10)
No. 10N	Registration Rights Agreement between AutoInfo, Inc. and Kinderhook Partners, LP, et al, dated October 4, 2005.(10)
No. 10O	Registration Rights Agreement between AutoInfo, Inc. and Kinderhook Partners, LP, et al, dated January 5, 2006.*
No. 10P	First Amendment to Revolving Credit and Security Agreement between Wachovia Bank and AutoInfo, Inc., et al (10)

## Edgar Filing: AUTOINFO INC - Form 10-K

No. 10Q      Second Amendment to Revolving Credit and Security Agreement between Wachovia Bank and AutoInfo, Inc., et al \*

No. 14A      Code of Ethics.(10)

No. 21A      Subsidiaries of the Registrant. (10)

No. 23A      Consent of Dworken, Hillman, LaMorte & Sterczala, P.C., independent registered public accounting firm.\*

31A          Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*

31B          Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*

32A          Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

32B          Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

-----

\*Filed as an exhibit hereto.

- (1) This Exhibit was filed as an Exhibit to our definitive proxy statement dated October 20, 1986 and is incorporated herein by reference.
- (2) This Exhibit was filed as Exhibit to our Registration Statement on Form S-1 (File No. 33-15465) and is incorporated herein by reference.
- (3) This Exhibit was filed as an Exhibit to our definitive proxy statement dated September 25, 1989 and is incorporated herein by reference.
- (4) This Exhibit was filed as an Exhibit our definitive proxy statement dated October 2, 1992 and is incorporated herein by reference.
- (5) This Exhibit was filed as an Exhibit to our Current Report on Form 8-K dated March 30, 1995 and is incorporated herein by reference.
- (6) This Exhibit was filed as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 1997 and is incorporated herein by reference.
- (7) This Exhibit was filed as an Exhibit to our Current Report on Form 8-K dated December 6, 2000 and is incorporated herein by reference.

30

- (8) This Exhibit was filed as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 1999 and is incorporated herein by reference.
- (9) This Exhibit was filed as an Exhibit to our Annual Report on Form 10-KSB for the year ended December 31, 2000 and is incorporated herein by reference.
- (10) This Exhibit was filed as an Exhibit to our Annual Report on Form 10-KSB for the year ended December 31, 2004 and is incorporated herein by reference.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d), the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on March 15, 2006 on its behalf by the undersigned, thereunto duly authorized.

AutoInfo, Inc.

By: /s/ Harry M. Wachtel

-----  
Harry M. Wachtel, President and  
Chief Executive Officer

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

/s/ Harry M. Wachtel

-----  
Harry M. Wachtel

President, Chief Executive Officer  
and Chairman of the Board  
(Principal Executive Officer)

March 15, 2006

/s/ William I. Wunderlich

-----  
William I. Wunderlich

Chief Financial Officer  
(Principal Accounting Officer)

March 15, 2006

/s/ Mark Weiss

-----  
Mark Weiss

Director

March 15, 2006

/s/ Peter C. Einselen

-----  
Peter C. Einselen

Director

March 15, 2006

/s/ Thomas C. Robertson

-----  
Thomas C. Robertson

Director

March 15, 2006

AUTOINFO, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

F-2

## Edgar Filing: AUTOINFO INC - Form 10-K

Consolidated Balance Sheets as of December 31, 2005 and 2004	F-3
Consolidated Statements of Income for the Years Ended December 31, 2005, 2004 and 2003	F-4
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2005, 2004 and 2003	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003	F-6
Notes to Consolidated Financial Statements	F-7
Information required by schedules called for under Regulation S-X is either not applicable or is included in the Consolidated Financial Statements or Notes thereto.	

F-1

### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
AutoInfo, Inc.

We have audited the accompanying consolidated balance sheets of AutoInfo, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AutoInfo, Inc. and subsidiaries as of December 31, 2005 and 2004 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

February 3, 2006  
Shelton, Connecticut

/s/ Dworken, Hillman, LaMorte & Sterczala, P.C.  
-----  
Dworken, Hillman, LaMorte & Sterczala, P.C.

F-2

# Edgar Filing: AUTOINFO INC - Form 10-K

## AUTOINFO, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	December 31	
	2005	2004
<b>ASSETS (Note 2)</b>		
Current assets:		
Cash and cash equivalents	\$ 419,000	\$
Accounts receivable, net of allowance for doubtful accounts of \$201,000 and \$125,000 as of December 31, 2005 and 2004, respectively	12,735,000	
Deferred income taxes (Note 4)	860,000	
Other current assets	255,000	
	-----	-----
Total current assets	14,269,000	
Fixed assets, net of depreciation	292,000	
Deferred income taxes (Note 4)	2,047,000	
Other assets	38,000	
	-----	-----
	\$ 16,646,000	\$
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Loan payable (Note 2)	\$ 1,280,000	\$
Accounts payable and accrued liabilities	7,235,000	
	-----	-----
Total current liabilities	8,515,000	
	-----	-----
Commitments and contingencies (Note 5)		
Stockholders' equity : (Note 6)		
Common stock - authorized 100,000,000 shares, \$.001 par value; issue and outstanding 31,624,000 and 31,218,000 as of December 31, 2005 and 2004, respectively	32,000	
Other capital	549,000	
Deferred compensation	(413,000)	
Additional paid-in capital	19,047,000	
Deficit	(11,084,000)	
	-----	-----
Total stockholders' equity	8,131,000	
	-----	-----
	\$ 16,646,000	\$
	=====	=====

# Edgar Filing: AUTOINFO INC - Form 10-K

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

F-3

## AUTOINFO, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

	For The Years Ended December 31,		
	2005	2004	2003
Gross revenues	\$ 68,040,000	\$ 46,492,000	\$ 27,171,000
Cost of transportation	54,486,000	37,758,000	22,095,000
Net revenues	13,554,000	8,734,000	5,076,000
Commissions	8,348,000	5,179,000	2,955,000
Operating expenses	3,005,000	2,519,000	1,466,000
	11,353,000	7,698,000	4,421,000
Income from operations	2,201,000	1,036,000	655,000
Interest expense (Note 3)	56,000	50,000	109,000
Income before income taxes (benefit)	2,145,000	986,000	546,000
Income taxes (benefit) (Note 4)	(1,463,000)	(480,000)	(754,000)
Net income	\$ 3,608,000	\$ 1,466,000	\$ 1,300,000
Net income per share:			
Basic	\$ .11	\$ .05	\$ .05
Diluted	\$ .11	\$ .04	\$ .05
Weighted average number of common shares:			
Basic	31,520,000	30,915,000	27,355,000
Diluted	33,920,000	33,438,000	28,789,000

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

F-4

## AUTOINFO, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Edgar Filing: AUTOINFO INC - Form 10-K

	Shares of Common Stock Outstanding	Common Stock	Other Capital	Deferred Compensation
	-----	-----	-----	-----
Balance January 1, 2003	27,348,000	\$ 27,000	\$	\$
Exercise of stock options	35,000			
Net income	-----	-----	-----	-----
Balance, December 31, 2003	27,383,000	27,000	--	--
Sale of common shares	1,333,000	2,000		
Conversion of subordinated debentures (Note 3)	2,300,000	2,000		
Exercise of stock options	202,000	--		
Shares granted under stock option plans to non-employees			324,000	(324,000)
Compensation expense				47,000
Net income	-----	-----	-----	-----
Balance, December 31, 2004	31,218,000	\$ 31,000	\$ 324,000	\$ (277,000)
Exercise of stock options	406,000	1,000		
Shares granted under stock option plans to non-employees			261,000	(261,000)
Cancellation of stock options			(36,000)	36,000
Compensation expense				89,000
Net income	-----	-----	-----	-----
Balance, December 31, 2005	31,624,000	\$ 32,000	\$ 549,000	\$ (413,000)
	=====	=====	=====	=====

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

F-5

AUTOINFO, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended December 31,

Edgar Filing: AUTOINFO INC - Form 10-K

	2005	2004	2003
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 3,608,000	\$ 1,466,000	\$ 1,300,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in allowance for doubtful accounts	76,000	65,000	(1,000)
Depreciation and amortization expenses	85,000	40,000	30,000
Deferred compensation expense	89,000	47,000	(1,000)
Deferred income taxes	(1,586,000)	(537,000)	(78,000)
Changes in assets and liabilities:			
Accounts receivable, net	(3,153,000)	(4,842,000)	(1,880,000)
Other current assets	424,000	(398,000)	(21,000)
Other assets	(8,000)	105,000	(1,000)
Accounts payable and accrued liabilities	1,850,000	2,612,000	490,000
	-----	-----	-----
Net cash provided by (used in) operating activities	1,385,000	(1,442,000)	(1,050,000)
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures	(307,000)	(37,000)	(40,000)
	-----	-----	-----
Net cash used in investing activities	(307,000)	(37,000)	(40,000)
	-----	-----	-----
Cash flows from financing activities:			
Sale of common shares	--	417,000	--
Exercise of stock options	21,000	15,000	--
(Decrease) increase in loan payable, net	(718,000)	952,000	540,000
	-----	-----	-----
Net cash provided by (used in) financing activities	(697,000)	1,384,000	550,000
	-----	-----	-----
Net change in cash and cash equivalents	381,000	(95,000)	(550,000)
Cash and cash equivalents, beginning of year	38,000	133,000	680,000
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 419,000	\$ 38,000	\$ 130,000
	=====	=====	=====

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

F-6

AUTOINFO, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 and 2003

Note 1 - Business and Summary of Significant Accounting Policies

Business Overview

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

## Edgar Filing: AUTOINFO INC - Form 10-K

(Sunteck), the Company is 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, the Company does not own any equipment and its services are provided through strategic alliances with less than truckload, truckload, air, rail, ocean common carriers and independent owner-operators to service customers' needs. The Company's non-asset based services include ground transportation coast to coast, local pick up and delivery, air freight and ocean freight. The Company's 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 it. The independent commissioned sales agents typically enter into exclusive contractual arrangements with the Company 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 the Company, including owner-operators who operate under the Company's contract carrier license, air cargo carriers and railroads.

The Company's brokerage services are provided through a network of independent sales agents throughout the United States and Canada. The Company's services include arranging for the transport of customers' freight from the shippers location to the designated destination. The Company does not own any trucking equipment and relies on independent carriers for the movement of customers' freight. The Company seeks to establish long-term relationships with its customers and provides a variety of logistics services and solutions to eliminate inefficiencies in its customers' supply chain management.

The Company's 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. The Company does not own any trucking equipment; its independent owner-operators lease onto the Company's operating authority and transport freight under the its name.

### Summary of Significant Accounting Policies

#### Basis of Presentation

The financial statements of the Company have been prepared using the accrual basis of accounting under accounting principles generally accepted in the United States of America (GAAP).

F-7

#### Principles of Consolidation

The consolidated financial statements include the accounts of the AutoInfo, Inc. (the Company), its wholly-owned subsidiary Sunteck Transport Co., Inc. and its wholly-owned subsidiary Sunteck Transport & Logistics, Inc., (collectively, Sunteck). All significant intercompany balances and transactions have been eliminated in consolidation.

#### Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. The Company believes that all such assumptions are reasonable and that all estimates are

## Edgar Filing: AUTOINFO INC - Form 10-K

adequate, however, actual results could differ from those estimates.

### Revenue Recognition

As a third party transportation logistics provider, the Company acts as the shippers' agent and arranges 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, the Company's 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. The Company is the primary obligor in its transactions, has all credit risk, maintains substantially all risk and rewards, has discretion in selecting the supplier, and has latitude in pricing decisions. Accordingly, the Company records all transactions at the gross amount, consistent with the provisions of EITF 99-19.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks.

### Provision For Doubtful Accounts

The Company continuously monitors the creditworthiness of its customers and has established an allowance for amounts that may become uncollectible in the future based on current economic trends, its historical payment and bad debt write-off experience, and any specific customer related collection issues.

### Fixed Assets

Fixed assets as of December 31, 2005 and 2004, consisting predominantly of furniture, fixtures equipment and proprietary software, were carried at cost net of accumulated depreciation. Depreciation of fixed assets was provided on the straight-line method over the estimated useful lives of the related assets which range from three to five years.

F-8

### Income Per Share

Basic income per share is based on net income divided by the weighted average number of common shares outstanding. Common stock equivalents outstanding were 2,400,000, 2,523,000 and 1,434,000 for the year ended December 31, 2005, 2004 and 2003, respectively.

### Income Taxes

The Company utilizes the asset and liability method for accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and future benefits to be recognized upon the utilization of certain operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the



## Edgar Filing: AUTOINFO INC - Form 10-K

period that includes the enactment date.

### Stock-Based Compensation

The Company applies Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS 123). As permitted by SFAS 123, the Company has chosen to continue to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and, accordingly, no compensation cost has been recognized for stock options issued to employees in the financial statements. As discussed below in "Recently Issued Accounting Standards", the Company will adopt SFAS 123R in the first quarter of 2006.

The pro-forma effect of options issued to employees on net income and earnings per share, utilizing the Black-Scholes option-pricing model, consistent with the method stipulated by SFAS 123, was not material to the Company's results of operations.

The Company accounts for stock options issued to non-employees using the fair value method in accordance with SFAS 123. Deferred compensation, representing the fair market value of the options issued utilizing the Black-Scholes option-pricing model, is charged to earnings over the vesting period.

### 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.

F-9

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.

# Edgar Filing: AUTOINFO INC - Form 10-K

## Segment Information

The Company provides transportation capacity and related logistics services through its integrated network of independent agents and third party capacity providers. For the purpose of applying Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information", management has determined that it operates in a single business segment.

## Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported net income.

## Note 2 - Debt

### Loan Payable

In May 2003, the Company entered into a \$1.5 million Line of Credit, expiring in May 2004, with a commercial lending institution, secured by substantially all assets of the Company. In 2004, this Line of Credit was increased to \$2.5 million, expiring in June 2006. The Line of Credit provides for interest at the prime rate plus 1/2% and the maintenance of certain financial covenants.

## Note 3 - Related Party Transactions

In December 2000, the Company obtained financing totaling \$575,000 from certain related parties in the form of ten year 12% Subordinated Convertible Debentures (Debentures). In January 2004, these Debentures were converted into 2,300,000 shares of common stock. Interest of \$4,000 and \$69,000 was charged to operations in each of 2004 and 2003, respectively.

In August 2001, the Company entered into a \$500,000 Line of Credit Agreement with James T. Martin, a significant stockholder of the Company, secured by the Company's accounts receivable. Interest on the outstanding borrowings was 17% per annum, payable quarterly in arrears. This credit facility was repaid in full in May 2003. Interest of \$35,000 was charged to operations in 2003.

F-10

## Note 4- Income Taxes

For the years ended December 31, 2005, 2004 and 2003, the provision for income taxes consisted of the following:

	2005		2004		
	Current	Deferred	Current	Deferred	
Income tax expense before application of operating loss carryforwards	\$ 841,000	\$ --	\$ 393,000	\$ --	\$
Income tax expense (benefit) of operating loss carryforwards	(718,000)	718,000	(336,000)	336,000	

# Edgar Filing: AUTOINFO INC - Form 10-K

Cahange in valuation allowance		(2,304,000)		(873,000)	
	-----	-----	-----	-----	-----
Income tax expense (benefit)	\$ 123,000	\$ (1,586,000)	\$ 57,000	\$ (537,000)	\$
	-----	-----	-----	-----	-----

The following table reconciles the Company's effective income tax rate on income from operations to the Federal Statutory Rate for the years ended December 31, 2005, 2004 and 2003:

	2005	2004	2003
	-----	-----	-----
Federal Statutory Rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	3.4	5.7	3.6
Effect of:			
Utilization of operating loss carryforward	(34.0)	(34.0)	(34.0)
Change in valuation allowance	(44.0)	(54.4)	(141.6)
	-----	-----	-----
	(40.6)%	(48.7)%	(138.0)%
	=====	=====	=====

Deferred taxes are comprised of the following at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
	-----	-----
Deferred tax asset:		
Net operating loss carryforward	\$ 4,872,000	\$ 5,590,000
	-----	-----
Gross deferred tax asset	4,872,000	5,590,000
Less: valuation allowance	(1,965,000)	(4,269,000)
	-----	-----
Deferred tax asset	\$ 2,907,000	\$ 1,321,000
	=====	=====

F-11

The deferred tax asset represents expected future tax savings resulting from the Company's net operating loss carryforward. As of December 31, 2005, the Company has 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 future earning of the Company, and may be limited by, among other things, shareholder changes, including the possible issuance by the Company of additional shares in one or more financing or acquisition transactions. The Company has established a valuation allowance for the portion of the possible tax savings not likely to be realized by the end of the carryforward period.

Based upon available objective evidence, including the Company's post-merger history of profitability, management believes 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, 2004 and 2003 the valuation allowance was reduced by \$2,304,000,

## Edgar Filing: AUTOINFO INC - Form 10-K

\$873,000 and \$784,000, respectively. However, there can be no assurance that the Company will meet its expectations of future income.

### Note 5 - Commitments and Contingencies

#### Leases

The Company is obligated under non-cancelable operating leases for premises expiring at various dates through April 2010. Future minimum lease payments are \$68,000, \$73,000, \$68,000, \$70,000 and \$24,000 for the years ended December 31, 2006, 2007, 2008, 2009 and 2010, respectively. Rent expense for the years ended December 31, 2005, 2004 and 2003 was \$97,000, \$76,000 and \$53,000, respectively.

#### Other Agreements

The Company has employment agreements with Messrs. Wachtel and Wunderlich, as chief executive officer and chief financial officer, respectively, who are also stockholders. The agreements expire in December 31, 2008 and provide for minimum annual compensation of \$250,000 and \$175,000, and bonuses equal to 10% of the Company's consolidated pre-tax profit (as defined) up to \$1,250,000 and, 5% of our consolidated pre-tax profit in excess of \$1,250,000, respectively. Bonus payments to each of Messrs. Wachtel and Wunderlich were \$125,000 for the years ended December 31, 2005 and 2004, and \$51,531 and \$55,281 for the year ended December 31, 2003, respectively.

#### Litigation

The Company is involved in certain litigation arising in the ordinary course of its business. In the opinion of management, these matters will not have a material adverse effect on the Company's financial position or liquidity.

### Note 6 - Stockholders' Equity

#### Stock Option Plans

The Company has eight stock option plans; its 1985, 1986, 1989, 1992, 1997, 1999, 2003 and 2005 Plan (collectively, the Plans). Pursuant to the Plans, a total of 10,342,500 shares of Common Stock were made available for grant of stock options. Under the Plans, options have been granted to key

F-12

personnel for terms of up to ten years at not less than fair value of the shares at the dates of grant and are exercisable in whole or in part at stated times commencing one year after the date of grant. No further grants will be made under the 1985, 1986, 1989 or 1992 Plans.

Options have been granted under the Plans to independent sales agents under the same general terms and conditions as options granted to employees. Such option grants are primarily based upon profits generated and act as long-term incentives to remain with the Company. Out of the total options outstanding of 7,081,000 as of December 31, 2005, 5,011,000 have been granted to independent sales agents.

Option activity for the years ended December 31, 2005, 2004 and 2003 was as follows:

# Edgar Filing: AUTOINFO INC - Form 10-K

	Granted		Exercisable	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2003	2,583,000	.11	1,005,000	\$ .09
Forfeited	(222,000)	.10	~	~
Exercised	(35,000)	.10	~	~
Granted	1,769,000	.20	~	~
Outstanding at December 31, 2003	4,095,000	\$ .15	1,802,000	\$ .10
Forfeited	(736,000)	.16	~	~
Exercised	(202,000)	.07	~	~
Granted	2,437,000	.44	~	~
Outstanding December 31, 2004	5,594,000	\$ .28	2,449,000	\$ .15
Forfeited	(611,000)	.33	~	~
Exercised	(406,000)	.13	~	~
Granted	2,504,000	.54	~	~
Outstanding December 31, 2005	7,081,000	\$ .37	3,245,000	\$ .25

As of December 31, 2005, there were 1,228,000 shares of common stock available for issuance pursuant to future stock option grants. Additional information regarding options outstanding as of December 31, 2005 is as follows:

Options outstanding			Options exercisable		
Range of exercise prices	Shares	Weighted average remaining contractual life (years)	Weighted average exercise price	Shares	Weighted a exercise
\$ .05 - .10	925,000	3.45	\$ .093	925,000	\$ .093
.11 - .20	1,227,000	7.08	.158	991,000	.151
.24 - .37	1,240,000	4.49	.319	705,000	.311
.41 - .65	3,689,000	4.96	.534	624,000	.561
\$ .05 - .65	7,081,000	5.05	\$ .373	3,245,000	\$ .248

F-13

Weighted average fair value of options granted:

# Edgar Filing: AUTOINFO INC - Form 10-K

2005	\$ .54
2004	\$ .42
2003	\$ .20

The fair value of each option grant is estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions by grant year. Adjustments for forfeitures are made as they occur.

	2005	2004	2003
Risk-free interest rate	3.00%	3.00%	3.00%
Expected dividend yield	0%	0%	0%
Expected volatility factor	22.29%	25.24%	41.06%
Expected option term, in years	6.00	5.48	10

## Note 7 - Fair Value of Financial Instruments

The following disclosures of fair value were determined by management using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and loan payable are carried at amounts which reasonably approximate fair value.

## Note 8 - Quarterly Results of Operations (Unaudited)

	Year Ended December 31, 2005 Quarter Ended			
	Mar 31	June 30	Sep 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	\$ .069
Diluted net income per share	\$ .011	\$ .013	\$ .017	\$ .065

F-14

Year Ended December 31, 2004  
Quarter Ended

Edgar Filing: AUTOINFO INC - Form 10-K

	Mar 31	June 30	Sep 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	\$ .023
Diluted net income per share	\$ .005	\$ .008	\$ .008	\$ .022

Year Ended December 31, 2003  
Quarter Ended

	Mar 31	June 30	Sep 30	Dec 31
Gross revenues	\$ 5,141,000	\$ 6,102,000	\$ 7,552,000	\$ 8,376,000
Net income	\$ 79,000	\$ 108,000	\$ 172,000	\$ 941,000
Basic and diluted net income per share	\$ .003	\$ .004	\$ .006	\$ .032

Note 9 - Supplemental Disclosure of Cash Flow Information and Non-cash Financing Activities

Cash paid for interest in 2005, 2004 and 2003 was \$56,000, \$50,000 and \$109,000, respectively.

The Company paid no federal income taxes in 2005, 2004 and 2003.

In January 2004, \$575,000 of outstanding 12% convertible debentures was converted into 2,300,000 shares of common stock.