

Edgar Filing: AUTOINFO INC - Form 10-K

AUTOINFO INC  
Form 10-K  
March 29, 2007

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, 2006

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, Florida 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 common stock held by non-affiliates of the registrant as of June 30, 2006 was (based upon the closing price on the Nasdaq Over-the-Counter Bulletin Board of \$1.19 per share) approximately \$14,800,000.

The number of shares outstanding of the registrant's common stock, \$.001 par value, as of March 20, 2007 was 32,467,000 shares.

### DOCUMENTS INCORPORATED BY REFERENCE

None.

### AUTOINFO, INC.

### Annual Report on Form 10-K TABLE OF CONTENTS

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

### FORWARD LOOKING STATEMENT INFORMATION

Certain statements made in this Annual Report on Form 10-K are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, 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

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

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 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. 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 \$84.1 million, \$17.7 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 are also provided through a network of

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

independent sales agents and independent owner-operators throughout the United States. We do not own any trucking equipment; our independent owner-operators lease onto our operating authority and transport freight under the Sunteck name.

### Strategy

Our strategy is to continue to expand through affiliations with independent sales agents and through internal expansion. We have been successful at expanding our brokerage sales agent network and now have representatives throughout the United States and Canada. We have also been successful in expanding our contract carrier 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 in excess of \$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

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

and efficient to eliminate company owned truck fleets and rely upon others to handle their trucking and shipping needs.

### o Logistics

Small to medium size businesses, with less frequent shipping requirements, utilize logistics providers (freight brokers, etc.) to manage all aspects of the transportation, warehousing and delivery needs.

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

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 provide warehousing and storage of those goods. Many companies utilize information

3

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 processed approximately 50,000 freight orders in 2006 as compared with 43,000 in 2005. 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 processed approximately 10,000 freight orders in both 2006 and 2005. Our sales agents receive customers'

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

freight requirements daily and, utilizing their respective owner-operators, make appropriate carrier arrangements for the pick-up and timely delivery of customers' freight. In addition, utilizing various sources, including numerous internet based freight posting boards, our agents locate additional freight to maximize utilization of available capacity and minimize deadhead miles, or miles driven generating little or no revenue. A typical owner-operator will generate \$2,500 per week in revenues. In the fourth quarter of 2006, we upgraded our driver safety and compliance standards under the direction of a new safety director as part of our effort to improve safety ratings and the quality of our owner operator network. These changes resulted in a short-term reduction in the number of owner operators and corresponding number of transactions in the fourth quarter of 2006. While we expect that this will have a residual impact in the first and second quarters of 2007, we do not anticipate any long-term adverse effect.

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.

4

### Suppliers

We use the services of various third party transportation companies. During 2006, no third party provider handled more than 10% of our shipping volume (measured by revenue).

### 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 2006, 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.

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

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

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

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

### Competition

The transportation industry is highly competitive and highly fragmented. 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.

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

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

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

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

### Employees

As of March 14, 2007, we had 45 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 100 F Street, N.E., 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.

6

The occurrence of any of the following risks could have a material adverse effect on our business, financial condition and results of operations.

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



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

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

We are dependent on third party capacity providers.

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

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

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

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

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

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

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

adversely affect our business. At this time we do not have any term "key man" insurance on Mr. Wachtel. If we lose the services of Mr. Wachtel, our business, operations, and financial condition would be materially adversely affected.

We must attract and retain qualified personnel.

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

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

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

Our principal stockholders have substantial control over our affairs.

As of March 14, 2007, our president, Harry Wachtel, owned approximately 15.4% of the issued and outstanding shares of our common stock. Further, James T. Martin and Kinderhook Partners, LP, two significant stockholders, owned approximately 19.3% and 18.6%, 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 12, 2007, our closing stock price has ranged from \$1.91 to \$0.56. On March 13, 2007, our closing stock price was \$1.01.

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

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

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

8

securities of many small-cap companies and which often have been unrelated to the operating performance of these companies.

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

We have granted options covering approximately 11.3 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 Nasdaq 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 World or Capital Market). We do not currently meet the minimum trading price requirement for listing on the Nasdaq Capital 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

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

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.

9

### Item 1B. UNRESOLVED STAFF COMMENTS

None.

### 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 \$61,000 for the thirteen months ending March 2007, \$65,000 for the thirteen months ending April 2008, \$68,000 for the twelve months ending April 2009 and \$71,000 for the twelve months ending 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, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

Our common stock is not listed on any stock exchange. Our common stock is traded on the Nasdaq Over-the-Counter Bulletin Board ("OTCBB") under the symbol "Auto." The following table sets forth the high and low bid information for our 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, 2006 -----	High -----	Low -----
First quarter	\$0.90	\$0.55
Second quarter	1.33	0.76
Third quarter	1.91	0.99
Fourth quarter	1.17	0.98
Year Ended December 31, 2005	High	Low

Edgar Filing: AUTOINFO INC - Form 10-K

First quarter	\$0.74	\$0.43
Second quarter	0.60	0.40
Third quarter	0.62	0.45
Fourth quarter	0.60	0.42

10

As of March 22 2007 the closing bid price per share for our common stock, as reported on the OTCBB was \$ 1.01. As of March 22, 2007 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.

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

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

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

	NASDAQ COMPOSITE INDEX	DOW JONES TRANSPORTATION INDEX	AUTOINFO, INC.
2001	1.00	1.00	1.00
2002	0.68	0.87	1.58
2003	1.03	1.14	2.42
2004	1.12	1.44	5.08
2005	1.13	1.59	4.83
2006	1.24	1.73	8.50

11

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of our selected consolidated financial data for the years ended December 31, 2006, 2005, 2004, 2003, and 2002. 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,

	2006	2005	2004	2003
Statement of Operations Data:				
-----				
Gross revenues	\$ 84,111	\$ 68,040	\$ 46,492	\$ 27,171
Net revenues (1)	17,743	13,554	8,734	5,076
Net income	\$ 3,628	\$ 3,608	\$ 1,466	\$ 1,300
Net income per share (2)				
Basic	\$ .11	\$ .11	\$ .05	\$ .05
Diluted	\$ .10	\$ .11	\$ .04	\$ .05

- (1) Net revenues are determined by deducting cost of transportation from gross revenues. See Management's Discussion and Analysis of Financial Condition and Results of Operations.
- (2) The common stock equivalents for the year ended December 31, 2006, 2005, 2004, 2003 and 2002 were 4,090,000, 2,400,000, 2,523,000, 1,434,000 and 635,000, respectively.

000's omitted

As at December 31,

	2006	2005	2004	2003
Balance Sheet Data:				
-----				
Cash and cash equivalents	\$ 146	\$ 419	\$ 38	\$ 133
Accounts receivable, net	16,967	12,735	9,658	4,881
Total assets	23,822	16,646	11,795	6,286
Total liabilities	11,826	8,515	7,383	4,394
Deficit	(7,456)	(11,084)	(14,692)	(16,158)
Stockholders' equity	11,996	8,131	4,412	1,892

12

### 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 6 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 \$84.1 million, \$17.7 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.

13

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

The most significant factors in our growth during the past two years have been internal growth experienced by our existing agents and the expansion of our brokerage services agent, contract carrier services agent and owner-operator

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

networks. This growth is readily measured by the number of transactions we have processed, which increased from 43,300 in 2004 to 53,300 in 2005 and to 60,300 in 2006, an increase of 23% from 2004 to 2005 and 13% from 2005 to 2006. The average revenue dollar per load in our broker division also increased by 22% in 2005 as compared to 2004 and by 9% in 2006 as compared to 2005. 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 2006 vs 2005

During the year ended December 31, 2006, 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:

	2006	2005
	-----	-----
Net revenues	100.0%	100.0%
Commissions	62.3%	61.6%
Operating expenses	21.6%	22.2%
Interest expense	.6%	.4%
Income taxes (benefit)	(5.0)%	(10.8)%
Net income	20.5%	26.6%

### Revenues

Gross revenues, consisting of freight fees and other related services revenue, totaled \$84,111,000 for the year ended December 31, 2006, as compared with \$68,040,000 in the prior year, an increase of 24%. Net revenues were \$17,743,000 for the year ended December 31, 2006, as compared with \$13,554,000 in the prior year, an increase of 31%.

Gross revenues from brokerage services increased to \$73,036,000 from \$58,150,000 and net revenues increased to \$15,997,000 from \$11,887,000 in the prior year. This increase is the direct result of the continued expansion of our



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

agent network and customer base which resulted in a 17% increase in the number of transactions processed and a 8% increase in the average dollar amount per load.

Gross revenues from contract carrier services increased to \$11,075,000 from \$9,890,000 and net revenues increased to \$1,746,000 from \$1,667,000 in the prior year. Gross revenues increased approximately 12% 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 2006 increased by 94% over the corresponding 2005 period and decreased 9%, 17% and 6% for the second, third and fourth quarters, respectively, as compared to the corresponding quarters of 2005. In the fourth quarter of 2006, we upgraded our driver safety and compliance standards under the direction of a new safety director as part of our effort to improve safety ratings and the quality of our owner operator network. These changes resulted in a short-term reduction in the number of owner operators and corresponding number of transactions in the fourth quarter of 2006. While we expect that this will have a residual impact in the first and second quarters of 2007, we do not anticipate any long-term adverse effect.

### Costs and expenses

Commissions totaled \$11,044,000 for the year ended December 31, 2006, as compared with \$8,348,000 in the prior year, an increase of 32%. 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 62.3% for the year ended December 31, 2006 as compared with 61.6% in the prior year. This increase is the direct result of the expansion of our agent network at higher commission rates, additional bonuses earned after certain monthly benchmarks are achieved, stock based compensation expense, and cost associated with the new agent additions.

Operating expenses totaled \$3,840,000 for the year ended December 31, 2006, as compared with \$3,005,000 in the prior year. As a percentage of net revenues, operating expenses were 21.6% for the year ended December 31, 2006 as compared with 22.2% 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 2007 without a significant increase in overhead.

Interest expense was \$113,000 for the year ended December 31, 2006 as compared with \$56,000 in the prior year. This increase is primarily the result of increased average borrowings and the increase in the prime lending rate from 5.25% at the beginning of 2005 to 8.25% by July 2006. As of September 2006, our line of credit facility is at a interest rate of LIBOR plus 2%, or approximately 7.3% for the period from September through December 2006.

### Income tax

The income tax benefit of \$882,000 for the year ended December 31, 2006 consisted of a benefit of \$1,965,000 resulting from the anticipated future utilization of an available federal tax loss carryforward, net of the utilization of the deferred tax benefit of \$925,000 and state income taxes of \$158,000. 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. Based upon available objective evidence, including our post-merger history of profitability, we believe that it is more likely than not that

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

forecasted

15

taxable income will be sufficient to utilize all of the net operating loss carryforward before its expiration in 2014. Accordingly, in 2006 the valuation allowance was reduced by \$1,965,000.

### 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 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

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

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.

16

### 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.

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.

### 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.

### 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

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

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, 2006, we increased gross revenues from \$68.0 million to \$84.1 million and had net income of \$3,628,000 as compared with \$3,608,000 in the prior year. As of December 31, 2006, we had an accumulated deficit of \$7.5 million compared to \$11.1 million at December 31, 2005. Factors that could adversely affect our operating results include:

17

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

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

### Liquidity and capital resources

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

At December 31, 2006, we had a balance outstanding of \$3,451,000 under our \$4,000,000 line of credit. The line of credit is subject to the maintenance of certain financial covenants, is secured by accounts receivable and other operating assets, and matures in June 2008. 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, 2006, we had liquid assets of approximately \$146,000. Available cash is used to reduce borrowings on our line of credit.

The total amount of debt outstanding at December 31, 2006 and 2005 was \$3,451,000 and \$1,280,000, respectively. The following table presents our debt instruments and their weighted average interest rates at December 31, 2006 and 2005, respectively:

	Balance	Weighted Average Rate	Balance	Weighted Average Rate
	2006		2005	
Line of Credit	\$3,451,000	7.3%	\$1,280,000	6.4%

Inflation and changing prices had no material impact on our revenues or the results of operations for the year ended December 31, 2006.

### Critical Accounting Policies

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

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Note 1 of the Notes to Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our financial statements. The most significant areas involving our estimates and assumptions are described below. Actual results could differ materially from our estimates under different assumptions or conditions.

18

### Revenue Recognition

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

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

### Income Taxes

The deferred tax asset represents expected future tax savings resulting from our net operating loss carryforward. As of December 31, 2006, we had a net operating loss carryforward of approximately \$11.6 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, stockholder changes, including the possible issuance of additional shares in one or more financing or acquisition transactions. As of December, 2006, we have eliminated any valuation allowance for the future tax savings as management believes it is more likely than not that they will 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 June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires the recognition of a tax position when it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based upon the technical merits of the position. The provisions of FIN 48 are effective for us on January

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

1, 2007. We do not expect the adoption of FIN 48 to have a material impact on our financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (SFAS 157), which provides guidance for using fair value to measure assets and liabilities. SFAS 157 defines fair value and establishes a framework for measuring fair value; however, SFAS 157 does not expand the use of fair value in any new circumstances. The provisions of SFAS 157 are effective for us on January 1, 2008. We do not expect the adoption of SFAS 157 to have a material impact on our financial statements.

### Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

19

### Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2006:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Lease Obligations	\$ 235,000	\$ 59,000	\$ 176,000	--	--
Line of Credit	3,451,000	\$ 3,451,000	--	--	--
Total	\$ 3,686,000	\$ 3,510,000	\$ 176,000	--	--

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

None.

### Item 8. FINANCIAL STATEMENTS

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

### 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

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

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 we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to management, including our chief executive officer and chief financial officer, 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 reasonably likely to materially affect, our internal controls over financial reporting.

### Item 9B. OTHER INFORMATION

None.

20

## PART III

### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

Name	Age	Position
----	---	-----
Peter C. Einselen	67	Director
Thomas C. Robertson	61	Director
Harry Wachtel	48	President, chief executive officer and director
Mark Weiss	47	National account executive and director
William Wunderlich	59	Chief financial officer
Michael P. Williams	40	Chief operating officer and general counsel

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

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

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

MARK WEISS joined us in conjunction with the acquisition of Sunteck and

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

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.

MICHAEL P. WILLIAMS joined us in January 2007 as our chief operating officer and general counsel. From 2002 to 2006, Mr. Williams served as general counsel and vice president of legal and business affairs for Vexure, Inc., a logistics company. Prior to that, from 1999 to 2002, Mr. Williams also served as general counsel and vice president of legal and business affairs for Stonier Transportation Group, Inc., a trucking and brokerage company. During his tenure with Stonier and Vexure, Mr. Williams gained experience handling customer and vendor contract negotiations, risk management strategies, human resources and assets

21

management, and transportation and employment litigation matters. Mr. Williams received his juris doctor cum laude from Thomas Cooley Law School, Lansing, Michigan and his masters degree (LL.M.) in taxation from the University of Florida, Gainesville. He has been a member of the Florida Bar since 1995.

### 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 Exchange Act or the rules of the Securities and Exchange Commission (SEC). Each year, the independent auditor's retention to audit our financial statements, including the associated fee, is approved by the committee before the filing of the preceding year's annual report on Form 10-K. At the beginning of the fiscal year, the audit committee will evaluate other known potential engagements of the independent auditor, including the scope of the work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. At each subsequent committee meeting, the committee will receive updates on the services actually provided by the independent auditor, and management may present additional services for



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

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 407(d)(5) of Regulation S-K, and "independent" for purposes of current and recently-adopted Nasdaq listing standards and Section 10A(m)(3) of the Securities Exchange Act of 1934.

### 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

22

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 during 2006.

## Item 11. EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

We provide what we believe is a competitive total compensation package to our executive management team through a combination of base salary, annual cash and equity incentives and the right to participate in our broad-based benefits program. We place significant emphasis on incentive compensation directly related to our financial performance.

This Compensation Discussion and Analysis explains our compensation philosophy, policies and practices with respect to our named executive officers which includes our chief executive officer, chief financial officer, and our national account executive.

### The Objectives of our Executive Compensation Program

Our compensation committee is responsible for establishing and administering our policies governing the compensation for all of our executive officers. The compensation committee is composed entirely of non-employee independent directors. See "Committees of the Board of Directors" above.

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

The purpose of our executive compensation program is to attract, retain and motivate qualified executives to manage our business so as to maximize profits and stockholder 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 our compensation committee and awards of stock or stock options under our Stock Option Plans. Our compensation committee annually considers and makes recommendations to our board of directors as to executive compensation including changes in base salary, bonuses and awards of our stock or stock options.

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

Our compensation committee does not rely on any fixed formulae or specific numerical criteria in determining an executive's aggregate compensation. It considers 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. Our compensation committee then exercises business judgment based on all of these criteria and the purposes of the executive compensation program.

23

### The Elements of Our Executive Compensation Program

Overall, our executive compensation programs are designed to be consistent with the objectives and principles set forth above. The basic elements of our executive compensation programs are summarized in the table below, followed by a more detailed discussion of each element of compensation.

Element	Characteristics	
Base salary	Fixed annual cash compensation; all executives are eligible for periodic increases in base salary based on performance; targeted at the median market pay level.	Keep our a competitiv skills and meet the r executive'
Incentive bonus awards	Performance-based annual cash and equity incentive earned based on company and individual performance against target performance levels; targeted at the median market pay level.	Motivate a achievement our critic goals. Amo achievement levels bas designed t market-com

median per  
 lesser or  
 intended t  
 achieve or  
 performanc  
 if perform

Health & welfare benefits	Fixed component. The same/comparable health & welfare benefits (medical, dental, vision, disability insurance and life insurance) are available for all full-time employees.	Provides b and welfar their fami
---------------------------	--	--

Annual Compensation

To attract and retain executives with the ability and the experience necessary to lead us and deliver strong performance to our stockholders, we provide a competitive total compensation package. Base salaries are established considering individual performance and experience, to ensure that each executive is appropriately compensated.

Base Salary

Our compensation committee reviews salary ranges and individual salaries for our executive officers and establishes the base salary for each executive officer based on the following:

- o consideration of median pay levels in our peer group among individuals in comparable positions with transferable skills within the transportation industry and comparable companies in general industry;
- o internal factors, such as, the individual's performance and experience, and the pay of others on the executive team;
- o our overall performance and the individual contribution and performance of the executive with our overall performance being the more significant factor; and

24

- o with a focus on our strategic plans, corporate performance measures, and specific corporate goals which should lead to a favorable stock price including, our sales, earnings, return on equity and comparisons of sales and earnings with prior years and with budgets.

When establishing the base salary of any executive officer, we believe that a competitive base salary is necessary to attract and retain an executive management team with the appropriate abilities and experience required to lead us. The base salaries paid to our named executive officers are set forth below in the Summary Compensation Table. We believe that the base salary paid to our executive officers during 2006 achieves our executive compensation objectives, compares favorably to our peer group and is within our target of providing a base salary at the market median.

Incentive Bonus Awards

Cash Bonuses

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

Cash incentive bonus awards are solely based on established and pre-approved percentages of pre-tax profit levels, are paid quarterly and adjusted on an annual basis. Our compensation committee also exercises discretion adjusting awards based on its consideration of our overall performance during the year and each executive officer's individual performance, other than the chief executive officer and the chief financial officer, based on a review of the executive's performance as communicated to the compensation committee by the chief executive officer.

### Health and Welfare Benefits

All full-time employees, including our named executive officers, may participate in our health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance.

### Overview of 2006 Compensation

We believe that the total compensation paid to our named executive officers for the fiscal year ended December 31, 2006 achieves the overall objectives of our executive compensation program. In accordance with our overall objectives, executive compensation for 2006 was competitive with our peer group and was weighted more heavily to pay for performance.

### Employment Agreements, Severance Benefits and Change in Control Provisions

We have employment agreements with our chief executive officer, Harry M. Wachtel, and our chief financial officer, William I. Wunderlich. We entered into these agreements, effective January 1, 2007, to ensure the performance of their roles for an extended period of time. In addition, we also considered the critical nature of the position and our need to retain them when we committed to these agreements. 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. Annual salaries and bonuses shall not exceed \$750,000 for Mr. Wachtel and \$675,000 for Mr. Wunderlich. The employment contracts with both Mr. Wachtel and Mr. Wunderlich are for terms expiring in December 2011. If either is terminated for cause or terminates without good reason (as defined in the agreements), we are obligated to pay only those wages and bonuses pursuant to the terms of our annual incentive plan and other compensation then vested. If either Mr. Wachtel or Mr. Wunderlich is terminated without cause or if either terminates his employment agreement for good reason (as defined in the agreements), in addition to the payment of amounts then vested, in exchange for a general release of all claims, such executive is entitled to:

25

- o The immediate vesting of any unvested stock options and one-year from the date of such termination to exercise such options;
- o Salary for the remaining term of the agreement, if any; and
- o Bonus based on a pre-determined percentage of pre-tax profit for the remaining term of the agreement, if any.

We have granted options that remain outstanding under our 2006 Incentive Stock Option Plan (the "2006 Plan"). The 2006 Plan contains certain change in

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

control provisions to ensure that our executives remain with us through the closing of any sale of the business.

### The 2006 Plan

Under our 2006 Plan, in the event of a "change in control" as defined in the 2006 Plan, the following occurs with respect to options granted under the 2006 Plan:

- o Each outstanding option automatically accelerates so that each option becomes fully exercisable for all of the shares of the related class of common stock at the time subject to such option immediately before the change in control;

A change of control for purposes of the 2006 Plan is deemed to have occurred if:

- o Any "person" (a) other than us or any of our subsidiaries, (b) any of our or our subsidiaries' employee benefit plans, (c) any "affiliate," (d) a company owned, directly or indirectly, by our stockholders, or (e) an underwriter temporarily holding our securities pursuant to an offering of such securities, becomes the "beneficial owner," directly or indirectly, of more than 50% of our voting stock;

- o The individuals who constitute our board on the effective date of the 2006 Plan (or any individual who was appointed to the board of directors by a majority of the individuals who constitute our board of directors as of the effective date of the 2006 Plan) cease for any reason to constitute at least a majority of our board of directors.

- o A merger or consolidation transferring greater than 50% of the voting power of our outstanding securities to a person or persons different from the persons holding those securities immediately prior to such transaction; or

- o The disposition of all or substantially all of our assets in a complete liquidation or dissolution.

### Tax Deductibility of Executive Compensation

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 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. We currently intend to structure the performance-based portion of our executive officers' compensation to achieve maximum deductibility under Section 162(m) of the code with minimal sacrifices in flexibility and corporate objective.

Although deductibility of compensation is preferred, tax deductibility is not a primary objective of our compensation programs. We believe that achieving our compensation objectives set forth above is more important than the benefit of tax deductibility and we reserve the right to maintain flexibility in how we compensate our executive officers that may result in limiting the deductibility of amounts of compensation from time to time.

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

### Summary Compensation Table

The following table sets forth certain information with respect to compensation for the year ended December 31, 2006 earned by or paid to our chief executive officer, chief financial officer and our other most highly compensated executive officers in 2006 whose total compensation exceeded \$100,000 (the "named executive officers").

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Total (\$)
Harry M. Wachtel, President and chief executive officer	2006	\$ 250,000	\$ 269,000	\$ 519,000
William I. Wunderlich, Executive vice president and chief financial officer	2006	\$ 175,000	\$ 229,000	\$ 404,000
Mark Weiss, National account executive	2006	\$ 137,000	--	\$ 137,000

### Discussion of Summary Compensation

Our executive compensation policies and practices, pursuant to which the compensation set forth in the Summary Compensation Table was paid, are described above under "Compensation Discussion and Analysis." A summary of certain material terms of our compensation plans and arrangements is set forth below.

### Indemnification Arrangements

Our Certificate of Incorporation provides that we indemnify and hold harmless each of our directors and officers to the fullest extent authorized by the Delaware General Corporation Law, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith.

Our Certificate of Incorporation also provides that a director will not be personally liable to us or to our stockholders for monetary damages for breach of the fiduciary duty of care as a director. This provision does not eliminate or limit the liability of a director:

- o for breach of his or her duty of loyalty to us or to our stockholders;
- o for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- o under Section 174 of the Delaware General Corporation Law (relating to unlawful payments or dividends or unlawful stock repurchases or redemptions); or
- o for any improper benefit.

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

### Outstanding Equity Awards

The following table sets forth certain information with respect to outstanding equity awards at December 31, 2006 with respect to the named executive officers.

#### Outstanding Equity Awards at Fiscal Year-End

Name -----	Option Awards		
	Number of Securities Underlying Unexercised Options Exercisable(1) -----	Option Exercise Price -----	Option Expiration Date -----
William I. Wunderlich	270,000	\$ 0.10	5/22/2007
William I. Wunderlich	500,000	\$ 0.10	11/30/2009

(1) Fully vested

### Compensation of Directors

We do not pay any directors' fees. Directors are reimbursed for the costs relating to attending board and committee meetings. During 2006, 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 \$0.65 to \$1.48 per share, 115% of the fair market value on the date of grant.

The following table provides compensation information for the year ended December 31, 2006 for each of the independent members of our board of directors.

### Director Compensation

Name -----	Option Awards (1) -----	Total -----
Thomas C. Robertson	\$21,700 (2)	\$21,700
Peter C. Einselen	\$21,700 (2)	\$21,700

(1) Amounts are calculated using the provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, Share-based Payments.

(2) During 2006, each of Mr. Robertson and Mr. Einselen was granted four option awards exercisable for 100,000 shares of our common stock in the aggregate, respectively. Each award was for options exercisable for 25,000 shares of our common stock. The award grant dates were 1/26/2006, 4/2/2006, 7/14/2006 and 10/12/2006 and the fair values (computed in accordance with SFAS 123R) on such dates were \$3,400, \$4,500, \$7,900 and \$5,900, respectively.

# Edgar Filing: AUTOINFO INC - Form 10-K

Year Ended December 31, 2006

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
	(a)	(b)
Equity compensation plans approved by security holders (1985, 1986, 1989, 1992, 1997, 1999, and 2003) .....	5,262,000	\$0.55
Equity compensation plans not approved by security holders (1)	6,030,000	\$0.82
	=====	=====
Total.....	11,292,000	\$0.70
	=====	=====

(1) Includes the following equity compensation plans:

- o In 2006, our board of directors adopted the 2006 Plan to provide incentives to employees, directors and consultants whose performance will contribute to our long-term success and growth, to strengthen our ability to attract and retain employees, directors and consultants of high competence, to increase the identity of interests of such people with those of our stockholders and to help build loyalty to us through recognition and the opportunity for stock ownership. Generally, the option price of both incentive stock options and non-qualified stock options must be at least equal to 100% of the fair market value of our common stock on the date of grant. The maximum term of each option is 10 years. For any participant who owns shares possessing more than 10% of the voting rights of our outstanding common stock, the exercise price of any incentive stock option must be at least equal to 110% of the fair market value of our common stock on the date of grant and the term of the option may not be longer than five years. The 2006 Plan will be presented to stockholders for approval at our next annual meeting of stockholders during 2007.
  
- o In addition to the 2006 Plan, we established the 2006 Independent Sales Agent Stock Option Plan (the "Sales Agent Plan") to align the interests of our independent sales agents and affiliates with those of our stockholders, to afford an incentive to such sales agents to continue as such, to increase their efforts on our behalf and to promote the success of our business. Generally, the Sales Agent Plan is administered by our board of directors and provides (i) for the granting of non-qualified stock options, (ii) that the maximum term for options granted under the plan is 10 years and (iii) that the exercise price for the options may not be less than 115% of the fair market value of our common stock on the date of grant.
  
- o In 2005, we established the 2005 Independent Sales Agent Stock



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

Option Plan (the "2005 Sales Agent Plan") to align the interests of our independent sales agents and affiliates with those of our stockholders, to afford an incentive to such sales agents to continue as such, to increase their efforts on our behalf and to promote the success of our business. Generally, the 2005 Sales Agent Plan is administered by our board of directors and provides (i) for the granting of non-qualified stock options, (ii) that the maximum term for options granted under the plan is 10 years and (iii) that the exercise

29

price for the options may not be less than 100% of the fair market value of our common stock on the date of grant.

### 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 20, 2007, 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. All information with respect to beneficial ownership has been furnished to us by the respective stockholder.

Name of Beneficial Owner (1)	Shares of Common Stock Beneficially Owned	Percentage Of Ownership
 (i) Directors and Executive Officers		
Harry Wachtel	6,785,000 (2)	20.6%
Thomas C. Robertson	555,000 (3)	1.7%
Peter C. Einselen	685,000 (4)	2.1%
Mark Weiss	1,075,000 (6)	3.3%
William I. Wunderlich	1,622,000 (5) (7)	4.8%
All executive officers and directors as a group (6 persons)	9,440,000 (8)	26.9%
 (ii) 5% Stockholders		
James T. Martin	6,270,000	19.3%
Kinderhook Partners, LP	6,038,000	18.6%
Wasatch Advisors, Inc	3,224,000	9.9%

-----

(1) Unless otherwise indicated below, each director, executive officer and each 5% stockholder has sole voting and investment power with respect to all shares beneficially owned. The address for Mr. Wachtel, Mr. Weiss and Mr. Wunderlich is c/o AutoInfo, Inc., 6413 Congress Avenue, Suite 260,

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

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 1,282,000 shares with respect to which Mr. Wachtel has been granted voting rights pursuant to voting proxy agreements.
- (3) Includes 455,000 shares issuable upon the exercise of stock options.
- (4) Includes 385,000 shares issuable upon the exercise of stock options
- (5) Includes 770,000 shares issuable upon the exercise of stock options.
- (6) Includes 875,000 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.
- (7) 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.
- (8) Assumes that all currently exercisable options or warrants owned by members of this group have been exercised.

30

### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Since the beginning of our fiscal year ended December 31, 2006, we did not have any related party transactions pursuant to Item 404 of Regulation S-K of the Exchange Act.

#### Director Independence

The Board has determined that Thomas Robertson and Peter Einselen (the "Independent Directors") are independent as that term is defined in the listing standards of the Nasdaq. As disclosed above, Messrs. Robertson and Einselen are the sole members of our audit committee and our compensation committee and are independent for such purposes.

In determining director independence, the Board considered the option awards to the Independent Directors for the year ended December 31, 2006, disclosed in "Item 11 - Executive Compensation - Director Compensation" above, and determined that such awards were compensation for services rendered to the Board and therefore did not impact their ability to continue to serve as Independent Directors.

31

### Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The aggregate fees billed by our principal accounting firm, Dworken, Hillman, LaMorte & Sterczala, P.C., for the fiscal years ended December 31, 2006 and 2005 are as follows:

2006

2005

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

	-----	-----
Audit fees	\$61,000	\$55,000
Audit related fees	--	--
Tax fees	--	--
All other fees	--	--
Total fees	\$61,000	\$55,000

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

## PART IV

### Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) Financial Statements - See the Index to the consolidated financial statements on page F-1

(b) 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 January 1, 2007.\*

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

- No. 10J      \*\*Employment Agreement between AutoInfo, Inc. and William I. Wunderlich dated January 1, 2007.\*
- 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, 2005.(11)
- No. 10P      First Amendment to Revolving Credit and Security Agreement between Wachovia Bank and AutoInfo, Inc., et al (10)
- No. 10Q      Second Amendment to Revolving Credit and Security Agreement between Wachovia Bank and AutoInfo, Inc., et al (11)
- No. 10R      Third Amendment to Revolving Credit and Security Agreement between Wachovia Bank and AutoInfo, Inc., et al \*
- No. 10S\*\*     2003 Stock Option Plan (12)
- No. 10T\*\*     2005 Independent Sales Agent Stock Option Plan\*
- No. 10U\*\*     2006 Stock Option Plan\*
- No. 10V\*\*     2006 Independent Sales Agent Stock Option Plan\*
- 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.\*
- No. 31A      Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- No. 31B      Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- No. 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.\*
- No. 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.

\*\*     Management contract or compensatory plan or arrangement.

(1)    This Exhibit was filed as an Exhibit to our definitive proxy statement dated October 20, 1986 and is incorporated herein by reference.

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

- (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.
- (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.
- (11) This Exhibit was filed as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 2005 and is incorporated herein by reference.
- (12) This Exhibit was filed with our Definitive Information Statement on Schedule 14C, filed on July 7, 2003 and is incorporated herein by reference.

(c) 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.

34

### 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 28, 2007 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 Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.



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

We have audited the accompanying consolidated balance sheets of AutoInfo, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. 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, 2006 and 2005 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the consolidated financial statements, in 2006 the Company adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payment."

February 26, 2007  
Shelton, Connecticut

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

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

F-2

### AUTOINFO, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	December 31,	
	2006	2005
ASSETS (Note 3)		
Current assets:		
Cash and cash equivalents	\$ 146,000	\$ 41,000
Accounts receivable, net of allowance for doubtful accounts of \$249,000 and \$201,000 as of December 31, 2006 and 2005, respectively	16,967,000	12,730,000
Deferred income taxes (Note 5)	1,445,000	86,000
Other current assets	363,000	25,000
	18,921,000	14,266,000
Total current assets	18,921,000	14,266,000

Edgar Filing: AUTOINFO INC - Form 10-K

Fixed assets, net of depreciation	324,000	29
Deferred income taxes (Note 5)	2,502,000	2,04
Advances and other assets	2,075,000	3
	-----	-----
	\$ 23,822,000	\$ 16,64
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Loan payable (Note 3)	\$ 3,451,000	\$ 1,28
Accounts payable and accrued liabilities	8,375,000	7,23
	-----	-----
Total current liabilities	11,826,000	8,51
	-----	-----
Commitments and contingencies (Note 6)		
Stockholders' equity : (Note 7)		
Common stock - authorized 100,000,000 shares, \$.001 par value; issued and outstanding 32,102,000 and 31,624,000 as of December 31, 2006 and 2005, respectively	32,000	3
Additional paid-in capital	19,420,000	19,18
Deficit	(7,456,000)	(11,08
	-----	-----
Total stockholders' equity	11,996,000	8,13
	-----	-----
	\$ 23,822,000	\$ 16,64
	=====	=====

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,		
	2006	2005	2004
	-----	-----	-----
Gross revenues	\$ 84,111,000	\$ 68,040,000	\$ 46,492,000
Cost of transportation	66,368,000	54,486,000	37,758,000
	-----	-----	-----
Net revenues	17,743,000	13,554,000	8,734,000
	-----	-----	-----



Edgar Filing: AUTOINFO INC - Form 10-K

Commissions	11,044,000	8,348,000	5,179,000
Operating expenses	3,840,000	3,005,000	2,519,000
	-----	-----	-----
	14,884,000	11,353,000	7,698,000
	-----	-----	-----
Income from operations	2,859,000	2,201,000	1,036,000
Interest expense (Note 4)	113,000	56,000	50,000
	-----	-----	-----
Income before income taxes (benefit)	2,746,000	2,145,000	986,000
Income taxes (benefit) (Note 5)	(882,000)	(1,463,000)	(480,000)
	-----	-----	-----
Net income	\$ 3,628,000	\$ 3,608,000	\$ 1,466,000
	=====	=====	=====
Net income per share:			
Basic	\$ .11	\$ .11	\$ .05
Diluted	\$ .10	\$ .11	\$ .04
Weighted average number of common shares:			
Basic	31,915,000	31,520,000	30,915,000
Diluted	36,005,000	33,920,000	33,438,000

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

F-4

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

	Shares of Common Stock Outstanding	Common Stock	Additional Paid - In Capital	Deficit
	-----	-----	-----	-----
Balance, January 1, 2004	27,383,000	\$27,000	\$18,023,000	\$(16,158,000)
Sale of common shares	1,333,000	2,000	415,000	
Conversion of subordinated debentures (Note 4)	2,300,000	2,000	573,000	
Exercise of stock options	202,000	--	15,000	
Stock-based compensation expense			47,000	
Net income				1,466,000
	-----	-----	-----	-----
Balance, December 31, 2004	31,218,000	\$31,000	\$19,073,000	\$(14,692,000)

Edgar Filing: AUTOINFO INC - Form 10-K

Exercise of stock options	406,000	1,000	21,000	
Stock-based compensation expense			89,000	
Net income				3,608,000
	-----	-----	-----	-----
Balance, December 31, 2005	31,624,000	\$32,000	\$19,183,000	\$(11,084,000)
Exercise of stock options	478,000		103,000	
Stock-based compensation expense			134,000	
Net income				3,628,000
	-----	-----	-----	-----
Balance, December 31, 2005	32,102,000	\$32,000	\$19,420,000	\$(7,456,000)
	=====	=====	=====	=====

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,		
	2006	2005	2004
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 3,628,000	\$ 3,608,000	\$ 1,466,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in allowance for doubtful accounts	48,000	76,000	65,000
Depreciation and amortization expenses	104,000	85,000	40,000
Stock-based compensation expense	134,000	89,000	47,000
Deferred income taxes	(1,040,000)	(1,586,000)	(537,000)
Changes in assets and liabilities:			
Accounts receivable	(4,279,000)	(3,153,000)	(4,842,000)
Other current assets	(108,000)	424,000	(398,000)
Advances and other assets	(2,037,000)	(8,000)	105,000
Accounts payable and accrued liabilities	1,140,000	1,850,000	2,612,000
	-----	-----	-----
Net cash provided by (used in) operating activities	(2,410,000)	1,385,000	(1,442,000)
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures	(137,000)	(307,000)	(37,000)
	-----	-----	-----
Net cash used in investing activities	(137,000)	(307,000)	(37,000)

Edgar Filing: AUTOINFO INC - Form 10-K

Cash flows from financing activities:			
Sale of common shares	--	--	417,000
Exercise of stock options	103,000	21,000	15,000
Increase (decrease) in loan payable, net	2,171,000	(718,000)	952,000
	-----	-----	-----
Net cash provided by (used in) financing activities	2,274,000	(697,000)	1,384,000
	-----	-----	-----
Net change in cash and cash equivalents	(273,000)	381,000	(95,000)
Cash and cash equivalents, beginning of year	419,000	38,000	133,000
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 146,000	\$ 419,000	\$ 38,000
	=====	=====	=====

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, 2006, 2005 and 2004

Note 1 - Business and Summary of Significant Accounting Policies

Business Overview

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

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

eliminate inefficiencies in its customers' supply chain management.

The Company's contract carrier services 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 its name. In the fourth quarter of 2006, the Company upgraded its driver safety and compliance standards under the direction of a new safety director as part of its effort to improve safety ratings and the quality of its owner operator network. These changes resulted in a short-term reduction in the number of owner operators and corresponding number of transactions in the fourth quarter of 2006. While the Company expects that this will have a residual impact in the first and second quarters of 2007, it does not anticipate any adverse long-term effect.

F-7

### 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).

#### 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 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.

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

### 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.

F-8

### Fixed Assets

Fixed assets as of December 31, 2006 and 2005, 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.

### Advances

During 2006, in connection with the expansion of its sales agent network, the Company made advances to independent commissioned sales agents. According to the terms of the agreements, these advances will be offset against commissions earned over the lives of the agreements.

### 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 4,090,000, 2,400,000, and 2,523,000 for the years ended December 31, 2006, 2005 and 2004, 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 period that includes the enactment date.

### Recently Issued Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires the recognition of a tax position when it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based upon the technical merits of the position. The provisions of FIN 48 are effective for the Company on January 1, 2007. The Company does not expect the adoption of FIN 48 to have a

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

material impact on its financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (SFAS 157), which provides guidance for using fair value to measure assets and liabilities. SFAS 157 defines fair value and establishes a framework for measuring fair value; however, SFAS 157 does not expand the use of fair value in any new circumstances. The provisions of SFAS 157 are effective for the Company on January 1, 2008. The Company does not expect the adoption of SFAS 157 to have a material impact on its financial statements.

F-9

### 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.

### Reclassification

Certain prior year balances have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

### Note 2 - Change in Accounting Principle

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" (SFAS 123R). The pronouncement requires companies to measure and recognize compensation expense for all share-based payments to employees in the financial statements based on the fair value at the date of the grant. In the first quarter of 2006, the Company adopted SFAS 123R using the modified prospective method. Under the modified prospective method, compensation cost is recognized for all share-based payments granted after the adoption of SFAS 123R and for all awards granted to employees prior to the adoption date of SFAS 123R that were unvested on the adoption date. Accordingly, no restatements were made to prior periods.

Prior to the adoption of SFAS 123R, the Company applied SFAS 123 to account for its stock option plans. As permitted by SFAS 123, the Company had chosen to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for its employee stock compensation plans. Accordingly, no compensation expense was recognized for its employee stock option issuances, as stock options are issued with an exercise price at least equal to the closing price at the date of grant.

### Note 3 - Debt

#### Loan Payable

In May 2003, the Company entered into a \$1.5 million Line of Credit 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 and in 2006 this line was increased to \$4.0 million. The Line of Credit expires in June 2008. The Line of Credit provides for interest at the LIBOR plus 2% (7.3% at December 31, 2006) and the maintenance of certain financial covenants.

Edgar Filing: AUTOINFO INC - Form 10-K

Note 4 - 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 was charged to operations in 2004.

F-10

Note 5- Income Taxes

For the years ended December 31, 2006, 2005 and 2004, the provision for income taxes consisted of the following:

	2006		2005		Cur
	Current	Deferred	Current	Deferred	
Income tax expense before application of operating loss carryforwards	\$ 1,083,000	\$ --	\$ 841,000	\$ --	\$ 39
Income tax expense (benefit) of operating loss carryforwards	(925,000)	925,000	(718,000)	718,000	(33
Change in valuation allowance		(1,965,000)		(2,304,000)	
Income tax expense (benefit)	\$ 158,000	\$ (1,040,000)	\$ 123,000	\$ (1,586,000)	\$ 5

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, 2006, 2005 and 2004:

	2006	2005	2004
Federal Statutory Rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	5.8	3.4	5.7
Effect of:			
Utilization of operating loss carryforward	(34.0)	(34.0)	(34.0)
Change in valuation allowance	(37.9)	(44.0)	(54.4)
	(32.1)%	(40.6)%	(48.7)%

Deferred taxes are comprised of the following at December 31, 2006 and 2005:

December 31, December 31,

Edgar Filing: AUTOINFO INC - Form 10-K

	2006	2005
	-----	-----
Deferred tax asset:		
Net operating loss carryforward	\$ 3,947,000	\$ 4,872,000
	-----	-----
Gross deferred tax asset	3,947,000	4,872,000
Less: valuation allowance	--	(1,965,000)
	-----	-----
Deferred tax asset	\$ 3,947,000	\$ 2,907,000
	=====	=====

The deferred tax asset represents expected future tax savings resulting from the Company's net operating loss carryforward. As of December 31, 2006, the Company has a net operating loss carryforward of approximately \$11.6 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

F-11

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.

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 all of the net operating loss carryforward before its expiration in 2014. Accordingly, in 2006, 2005 and 2004 the valuation allowance was reduced by \$1,965,000, \$2,304,000, and \$873,000, respectively. However, there can be no assurance that the Company will meet its expectations of future income.

Note 6 - 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 \$73,000, \$68,000, \$70,000 and \$24,000 for the years ending December 31, 2007, 2008, 2009 and 2010, respectively. Rent expense for the years ended December 31, 2006, 2005 and 2004 was \$105,000, \$97,000, and \$76,000, respectively.

Other Agreements

The Company has employment agreements with Messrs. Wachtel and Wunderlich, its chief executive officer and chief financial officer, respectively, who are also stockholders. The agreements expire in December 31, 2011 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 \$269,000 and \$229,000 for the year ended December 31, 2006, respectively, and \$125,000 for the years ended December 31, 2005 and 2004.

Litigation

The Company is involved in certain litigation arising in the ordinary



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

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 7 - Stockholders' Equity

#### Stock Option Plans

The Company has ten stock option plans; its 1985, 1986, 1989, 1992, 1997, 1999, 2003, 2005 and two 2006 Plans (collectively, the Plans). Pursuant to the Plans, a total of 20,342,500 shares of common stock were made available for grant of stock options. Under the Plans, options have been granted to key personnel to purchase shares at not less than fair market value on the date of grant. Stock options generally vest ratably over a period of three to five years from the date of grant and must be exercised within ten years from the date of grant. The Company's policy is to recognize compensation expense on a straight-line basis over the requisite service period for the entire award. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated at the date of

F-12

grant based on the Company's historical experience and future expectations. 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 11,292,000 as of December 31, 2006, 8,873,000 have been granted to independent sales agents.

Option activity for the years ended December 31, 2006, 2005 and 2004 was as follows:

	Shares Subject to Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in millions)
	-----	-----	-----	-----
Outstanding, January 1, 2004	4,095,000	\$ .15	7.5	\$ 0.6
Forfeited	(736,000)	.16		
Exercised	(202,000)	.07		
Granted	2,437,000	.44		
	-----	-----		
Outstanding, December 31, 2004	5,594,000	\$ .28	5.9	\$ 1.8
Forfeited	(611,000)	.33		
Exercised	(406,000)	.13		
Granted	2,504,000	.54		
	-----	-----		
Outstanding, December 31, 2005	7,081,000	\$ .37	5.1	\$ 1.5
Forfeited	(192,000)	.56		

Edgar Filing: AUTOINFO INC - Form 10-K

Exercised	(478,000)	.22		
Granted	4,881,000	1.11		
-----				
Outstanding December 31, 2006	11,292,000	\$ .70	4.6	\$ 3.7
-----				
Exercisable, December 31, 2006	3,684,000	\$ .32	3.9	\$ 2.6
-----				

As of December 31, 2006, there were 6,539,000 shares of common stock available for issuance pursuant to future stock option grants. Additional information regarding options outstanding as of December 31, 2006 is as follows:

Range of exercise prices	Options outstanding			Options exercisable	
	Shares	Weighted average remaining contractual life (years)	Weighted average exercise price	Shares	Weighted average exercise price
\$ .05 - .20	1,804,000	4.2	\$ .13	1,804,000	\$ .13
.24 - .65	4,936,000	3.9	.49	1,730,000	.49
.72 - .88	484,000	5.3	.87	50,000	.87
1.07 - 1.48	4,068,000	5.5	1.17	100,000	1.17
-----					
\$ .05 - 1.48	11,292,000	4.6	\$ .70	3,684,000	\$ .70
-----					

F-13

Weighted average grant-date fair value of options granted:

2006	\$ 1.11
2005	\$ 0.54
2004	\$ 0.44

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.

	2006	2005	2004
Risk-free interest rate	4.52%	3.00%	3.00%
Expected dividend yield	0%	0%	0%
Expected volatility factor	18.16%	22.29%	25.24%
Expected option term, in years	6.00	6.00	5.48

The Company recognized stock-based compensation expense related to stock options of \$134,000, \$89,000 and \$47,000 for the years ended December 31, 2006, 2005 and 2004, respectively. As of December 31, 2006, the Company had \$1.4 million of unrecognized stock-based compensation expense related to nonvested stock option plans that will be recognized over a period of five years.

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

### Note 8 - 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.

F-14

### Note 9 - Quarterly Results of Operations (Unaudited)

	Year Ended December 31, 2006			
	Quarter Ended			
	Mar 31	June 30	Sep 30	Dec 31
Gross revenues	\$18,096,000	\$20,858,000	\$22,442,000	\$ 22,715,000
Net income	\$ 1,155,000	\$ 1,044,000	\$ 986,000	\$ 443,000
Basic net income per share	\$ .04	\$ .03	\$ .03	\$ .01
Diluted net income per share	\$ .03	\$ .03	\$ .03	\$ .01

	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	\$ .01	\$ .01	\$ .02	\$ .07
Diluted net income per share	\$ .01	\$ .01	\$ .02	\$ .07

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

### Note 10 - Supplemental Disclosure of Cash Flow Information and Non-Cash Financing Activities

Cash paid for interest in 2006, 2005 and 2004 was \$113,000, \$56,000 and \$50,000 respectively.

The Company paid income taxes \$118,000, \$47,000 and \$24,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

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

F-15