

AUTOINFO INC
Form 10-Q
November 06, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: SEPTEMBER 30, 2008
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934
For the transition period from _____ to _____
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 number)

6413 Congress Ave., Suite 260, Boca Raton, FL 33487

(Address of principal executive office)

(561) 988-9456

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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

LARGE ACCELERATED FILER

ACCELERATED FILER

NON-ACCELERATED FILER

SMALLER REPORTING COMPANY

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of shares outstanding of the Registrant's common stock as of November 5, 2008: 32,946,000 shares of common stock.

AUTOINFO, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTSAUTOINFO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2008	December 31, 2007
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,258,000	\$ 270,000
Accounts receivable, net of allowance for doubtful accounts of \$418,000 and \$326,000 as of September 30, 2008 and December 31, 2007, respectively	36,410,000	24,224,000
Deferred income taxes (Note 2)	1,258,000	1,000,000
Current portion of advances and other assets	2,724,000	1,583,000
	<u>42,650,000</u>	<u>27,077,000</u>
Total current assets	42,650,000	27,077,000
Fixed assets, net of accumulated depreciation	626,000	477,000
Deferred income taxes (Note 2)	835,000	2,037,000
Advances and other assets, net of current portion	5,832,000	3,599,000
	<u>\$ 49,943,000</u>	<u>\$ 33,190,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,596,000	\$ 10,584,000
	<u>16,643,000</u>	<u>8,790,000</u>
Loan payable	16,643,000	8,790,000
	<u>16,643,000</u>	<u>8,790,000</u>
Stockholders' equity:		
Preferred stock – authorized 10,000,000 shares \$.001 par value; issued and outstanding – 0 shares as of September 30, 2008 and December 31, 2007	—	—
Common stock - authorized 100,000,000 shares \$.001 par value; issued and outstanding -32,946,000 shares as of September 30, 2008 and 32,586,000 shares as of December 31, 2007	33,000	33,000
Additional paid-in capital	19,877,000	19,635,000
Deficit	(4,206,000)	(5,852,000)
	<u>15,704,000</u>	<u>13,816,000</u>
Total stockholders' equity	15,704,000	13,816,000

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	<hr/>	<hr/>
	\$ 49,943,000	\$ 33,190,000
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The accompanying notes are an integral part of these consolidated financial statements.

AUTOINFO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2008	2007	2008	2007
Gross revenues	\$ 134,540,000	\$ 77,357,000	\$ 52,744,000	\$ 29,079,000
Cost of transportation	111,805,000	61,825,000	44,291,000	23,548,000
Net revenues	22,735,000	15,532,000	8,453,000	5,531,000
Commissions	14,660,000	9,896,000	5,548,000	3,511,000
Operating expenses	4,971,000	3,443,000	1,829,000	1,153,000
	19,631,000	13,339,000	7,377,000	4,664,000
Income from operations	3,104,000	2,193,000	1,076,000	867,000
Interest expense	353,000	172,000	141,000	71,000
Income before income taxes	2,751,000	2,021,000	934,000	796,000
Income taxes (Note 2)	1,105,000	809,000	374,000	293,000
Net income	\$ 1,646,000	\$ 1,212,000	\$ 560,000	\$ 503,000
Net income per share:				
Basic	\$.05	\$.04	\$.02	\$.02
Diluted	\$.05	\$.03	\$.02	\$.01
Weighted average number of common shares:				
Basic	32,717,000	32,693,000	32,901,000	33,001,000
Diluted	34,740,000	35,947,000	34,406,000	35,362,000

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

AUTOINFO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 1,646,000	\$ 1,212,000
Adjustments to reconcile net income to net cash used in operating activities:		
Change in allowance for doubtful accounts	92,000	68,000
Depreciation and amortization	117,000	86,000
Stock-based compensation expense	187,000	129,000
Deferred income taxes	944,000	691,000
Changes in operating assets and liabilities:		
Accounts receivable	(12,278,000)	(3,528,000)
Advances and other assets	(3,373,000)	(1,754,000)
Accounts payable and accrued liabilities	7,012,000	2,165,000
	(5,653,000)	(931,000)
Cash flows from investing activities:		
Capital expenditures	(266,000)	(212,000)
	(266,000)	(212,000)
Cash flows from financing activities:		
Exercise of stock options	54,000	250,000
Increase in loan payable, net	7,853,000	880,000
	7,907,000	1,129,000
Net change in cash and cash equivalents	1,988,000	(14,000)
Cash and cash equivalents, beginning of period	270,000	146,000
	\$ 2,258,000	\$ 132,000

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

AUTOINFO, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Forward Looking Statements

Certain statements made in this Quarterly Report on Form 10-Q are “forward-looking statements regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In 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 forward-looking statements include, but are not limited to, the factors set forth under the headings “Business,” and “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2007 as filed with the United States Securities and Exchange Commission (“SEC”).

Note 1. - Business and Summary of Significant Accounting Policies

Business

The Company, through its wholly-owned subsidiary, Sunteck Transport Co., Inc. (Sunteck), is a non-asset based transportation services company. 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 its strategic alliances with less than truckload, truckload, air, rail, ocean common carriers and independent owner-operators to service customers’ needs. The Company’s brokerage and contract carrier services are provided through a network of independent sales agents throughout the United States and Canada. During its most recently completed fiscal year, the Company generated revenue, net revenue and net income of approximately \$110.3 million, \$21.3 million and \$1.6 million, respectively.

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”).

The consolidated financial statements, which are unaudited, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In management’s opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for the nine months ended September 30, 2008 and 2007 are not necessarily indicative of results to be expected for the entire year. Pursuant to SEC rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted from these statements. The consolidated financial statements and notes thereto should be read in

conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2007.

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 subsidiaries Sunteck Transport Carriers, Inc., and Eleets 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 delivery of freight, at which time the related transportation cost, including commission, is also recognized. At that time, the Company's obligations are completed and collection of receivables is reasonably assured.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks. From time to time, the Company has on deposit at financial institutions cash balances which exceed federal deposit insurance limitations. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Provision For Doubtful Accounts

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

Fixed Assets

Fixed assets as of September 30, 2008 and December 31, 2007, consisting primarily of furniture, fixtures and equipment and computer system development costs, 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.

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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 1,505,000 and 2,361,000, and 2,023,000 and 3,254,000, respectively, for the three and nine month periods ended September 30, 2008 and 2007, 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.

Note 2- Income Taxes

For the three and nine month periods ended September 30, 2008 and 2007, respectively, the provision for income taxes consisted of the following:

	Three Months Ended September 30,			
	2008		2007	
	Current	Deferred	Current	Deferred
Tax expense before application of operating loss carryforwards	\$ 374,000	\$ —	\$ 293,000	\$ —
Tax expense (benefit) of operating loss carryforwards	(320,000)	320,000	(250,000)	250,000
Income tax expense	\$ 54,000	\$ 320,000	\$ 43,000	\$ 250,000

	Nine Months Ended September 30,			
	2008		2007	
	Current	Deferred	Current	Deferred
Tax expense before application of operating loss carryforwards	\$ 1,105,000	\$ —	\$ 809,000	\$ —
Tax expense (benefit) of operating loss carryforwards	(944,000)	944,000	(691,000)	691,000
Income tax expense	\$ 161,000	\$ 944,000	\$ 118,000	\$ 691,000

The deferred tax asset, \$2,093,000 and \$3,037,000 at September 30, 2008 and December 31, 2007, respectively, represents expected future tax savings resulting from the Company's utilization of its net operating loss carryforwards. As

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of December 31, 2007, the Company had net operating loss carryforwards of approximately \$8.9 million for federal income tax purposes which expire through 2014. Utilization of this benefit is primarily subject to the extent of future earning of the Company, and may be limited by, among other things, shareholder changes, including the possible issuance by the Company of additional shares in one or more financing or acquisition transactions.

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 carryforwards before its expiration in 2014.

Item 2. 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. We undertake no obligation to revise or update publicly any forward looking statements for any reason. Examples of forward looking statements include, but are not limited to (i) projections of revenues, income or loss, earnings per share, capital expenditures, dividends, capital structure and other financial items, (ii) statements of our plans and objectives with respect to business transactions and enhancement of shareholder value, (iii) statements of future economic performance, and (iv) statements of assumptions underlying other statements and statements about our business prospects.

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 services include ground transportation coast to coast, local pick up and delivery, air freight and ocean freight. We have strategic alliances with less than truckload, truckload, air, rail and ocean common carriers to service our customers' needs. 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 Sunteck 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, Sunteck operates a non-asset based transportation services business with revenues, net revenues and net income of approximately \$110.3 million, \$21.3 million and \$1.6 million, respectively, during our most recently completed fiscal year and approximately \$134.5 million, \$22.7 million and \$1.6 million respectively, during the nine months ended September 30, 2008.

Our gross revenues and net revenues are readily measured by the number of transactions we process. For the nine months ended September 30, 2008, we processed 93,000 transactions, a 58% increase over the 59,000 transactions processed during the nine months ended September 30, 2007. This increase was a direct result of (i) continued expansion of our agent network, and (ii) 1,100 transactions related to the Hurricane Ike relief effort. The Hurricane Ike related transactions generated approximately \$4.3 million in gross revenues during the quarter ended September 30, 2008. Gross revenues for the quarter ended September 30, 2008 increased by 74% over the prior year period and net revenues increased by 46% over the prior year period. The net revenues percentage was adversely impacted by higher transportation costs primarily reflecting the increase in fuel costs which we were not able to pass along to our customers. Given the volatility in fuel cost, and other factors, there is no assurance that this trend will not continue in future periods.

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**For the Three and Nine Month Periods Ended September 30, 2008 and 2007**

During the quarter ended September 30, 2008, 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 service 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net revenues	100.0%	100.0%	100.0%	100.0%
Commissions	65.6%	63.5%	64.5%	63.7%
Operating expenses	21.7%	20.8%	21.9%	22.2%
Interest expense	1.7%	1.3%	1.5%	1.1%
Income taxes	4.4%	5.3%	4.9%	5.2%
Net income	6.6%	9.1%	7.2%	7.8%

Revenues

Gross revenues, consisting of freight fees and other related services revenues, totaled \$52,744,000 for the three months ended September 30, 2008, as compared with \$29,079,000 in the same period of the prior year, an increase of 81%. Net revenues were \$8,453,000 for the three months ended September 30, 2008, as compared with \$5,531,000 in the same period of the prior year, an increase of 53%. This is the direct result of the special Hurricane Ike relief effort and expansion of our agent network and customer base which resulted in a 57% increase in the number of transactions processed. The net revenues percentage was adversely impacted by higher transportation costs primarily reflecting the increase in fuel costs which we were not able to pass along to our customers.

Gross revenues, consisting of freight fees and other related services revenues, totaled \$134,540,000 for the nine months ended September 30, 2008, as compared with \$77,357,000 in the same period of the prior year, an increase of 74%. Net revenues were \$22,735,000 for the nine months ended September 30, 2008, as compared with \$15,532,000 in the same period of the prior year, an increase of 46%. The net revenues percentage was adversely impacted by higher transportation costs primarily reflecting the increase in fuel costs which we were not able to pass along to our customers.

Costs and expenses

Commissions

For the three months ended September 30, 2008, commissions totaled \$5,548,000 as compared with \$3,511,000 in the same period of the prior year. As a percentage of net revenues, commissions were 66% as compared with 64% in the same period of the prior year.

For the nine months ended September 30, 2008, commissions totaled \$14,660,000 as compared with \$9,896,000 in the same period of the prior year. As a percentage of net revenues, commissions were 65% as compared with 64% in the same period of the prior year.

These increases are the result of agent and revenue mix as well as agent rate increases based upon achieving revenue and profitability benchmarks.

Operating expenses

For the three months ended September 30, 2008, operating expenses totaled \$1,829,000 as compared with \$1,153,000 in the same period of the prior year. As a percentage of net revenues, operating expenses were 22% as compared with 21% in the prior year period.

For the nine months ended September 30, 2008, operating expenses totaled \$4,971,000 as compared with \$3,443,000 in the same period of the prior year. As a percentage of net revenues, operating expenses were 22% in both nine month periods.

These increases are the direct result of the increase in selling, general and administrative expenses in connection with our business expansion. We presently have adequate facilities and management to handle the present and anticipated transaction volume without a significant increase in overhead.

Interest Expense

For the three months ended September 30, 2008, interest expense totaled \$141,000 as compared with \$71,000 in the same period of the prior year.

For the nine months ended September 30, 2008, interest expense totaled \$353,000 as compared with \$172,000 in the same period of the prior year.

These increases are primarily the result of increased borrowings under our \$20,000,000 million line of credit offset to a degree by decreasing interest rates.

Income tax

Income tax expense for the three months ended September 30, 2008 of \$374,000 consisted of the utilization of the deferred tax benefit of \$320,000 and state income taxes of \$54,000 compared to an income tax expense of \$293,000 for the three months ended September 30, 2007 which consisted of the utilization of the deferred tax benefit of \$250,000 and state income taxes of \$43,000.

Income tax expense for the nine months ended September 30, 2008 of \$1,105,000 consisted of the utilization of the deferred tax benefit of \$944,000 and state income taxes of \$161,000 compared to an income tax expense of \$809,000 consisted of the utilization of the deferred tax benefit of \$691,000 and state income taxes of \$118,000.

The increase in income taxes is directly related to higher pre-tax income.

Trends and uncertainties

The transportation industry is highly competitive and highly fragmented. 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. We also compete with customers' and shippers' internal traffic and transportation departments as well as carriers internal sales and marketing departments directly seeking shippers' freight. We anticipate that competition for our services will continue to increase. Many of our competitors have substantially greater capital resources, sales and marketing resources and experience. We cannot assure you that we will be able to effectively compete with our competitors in effecting our business expansion plans. The most significant trend contributing to our growth during the past four years has been the expansion of our brokerage services agent network and expansion of our 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 nine months ended September 30, 2008, our gross revenues increased to \$134,540,000 from \$77,357,000 in the same period of the prior year. As of September 30, 2008, we had stockholders' equity of \$15,704,000 which included an accumulated deficit of \$4,206,000. Factors that could adversely affect our operating results include:

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

Depending on our ability to generate revenues, we may require additional funds to expand Sunteck's 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 Sunteck's operations may be materially adversely affected.

Inflation and changing prices did not have a material impact on our revenues or results of operations for the period ended September 30, 2008. During this period, however, rapidly rising fuel prices, among other factors, contributed to higher transportation costs and resulted in a decline in the net revenues percentage. Given the volatility of the cost of fuel and other factors, there is no assurance that this trend will not continue in future periods.

Liquidity and capital resources

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

At September 30, 2008, we had outstanding \$16,643,000 under our \$20,000,000 line of credit. The line of credit facility, initially obtained from a bank in May 2003, is at an interest rate of LIBOR plus 1.25%, is subject to the maintenance of certain financial covenants, is secured by accounts receivable and other operating assets, and matures in June 2010. 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 September 30, 2008, we had liquid assets of approximately \$2,258,000.

The following table presents our debt instruments and their weighted average interest rates as of September 30, 2008 and 2007, respectively:

	Balance	Weighted Average Rate	Balance	Weighted Average Rate
	2008		2007	
Line of Credit	\$ 16,643,000	5.18%	\$ 4,330,000	6.37%

Critical accounting policies

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

Revenue Recognition

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

Emerging Issues Task Force No. 99-19, "Reporting Revenues Gross as a Principal Versus Net as an Agent" (EITF 99-19), establishes criteria for recognizing revenues on a gross or net basis. We are the primary obligor in our transactions, have all credit risk, maintain substantially all risk and rewards, have discretion in selecting the supplier, and have 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 carryforwards. As of December 31, 2007, we had net operating loss carryforwards of approximately \$8.9 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 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.

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A smaller reporting company is not required to provide the information required by this Item.

Item 4T. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our president and chief financial officer, carried out an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 (the “Exchange Act”) Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this report (the “Evaluation Date”). Based upon that evaluation, the president and chief financial officer concluded that as of the Evaluation Date, 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 (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to our management, including our president and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended September 30, 2008, we issued 120,000 shares of Common Stock upon the exercise of options by two consultants. The issuance of these shares was pursuant to an exemption from registration provided under section 4(2) of the Securities Act of 1933, as amended (the "Act"). All of the stock certificates issued for the shares were imprinted with a legend restricting transfer unless pursuant to an effective registration statement or an available exemption under the Act.

Item 6. EXHIBITS.

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

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

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

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

*Filed as an exhibit hereto.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUTOINFO, INC.

/s/ Harry Wachtel

Harry Wachtel
President and Chief Executive Officer
(Principal Executive Officer)

/s/ William Wunderlich

William Wunderlich
Chief Financial Officer
(Principal Financial Officer)

Date: November 5, 2008