

AUTOINFO INC
Form 10-Q
August 05, 2011

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: JUNE 30, 2011

.. 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

(State or other jurisdiction of
incorporation
or organization)

13-2867481

(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 x NO ..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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):

ACCELERATED FILER ..

LARGE 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 August 3, 2011: 34,042,728 shares of common stock.

AUTOINFO, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

AUTOINFO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2011 Unaudited	December 31, 2010 Audited
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 375,000	\$ 316,000
Accounts receivable, net of allowance for doubtful accounts of \$841,000 and \$392,000 as of June 30, 2011 and December 31, 2010, respectively	50,083,000	49,736,000
Current portion of advances and other assets	10,615,000	2,117,000
Prepaid expenses	1,535,000	1,139,000
Deferred income taxes	135,000	135,000
Total current assets	62,743,000	53,443,000
Fixed assets, net of accumulated depreciation	591,000	479,000
Advances and other assets, net of current portion	4,677,000	12,805,000
Total assets	\$ 68,011,000	\$ 66,727,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 26,229,000	\$ 23,188,000
Loan payable	19,028,000	22,432,000
Commitments and contingencies		
Stockholders' equity:		
Common stock - authorized 100,000,000 shares, \$.001 par value; issued and outstanding 34,043,000 and 33,513,000 as of June 30, 2011 and December 31, 2010, respectively	34,000	34,000
Additional paid-in capital	20,310,000	20,228,000
Retained earnings	2,410,000	845,000
Total stockholders' equity	22,754,000	21,107,000
Total liabilities and stockholders' equity	\$ 68,011,000	\$ 66,727,000

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

AUTOINFO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2011	2010	2011	2010
Gross revenues				
Transportation services	\$ 161,381,000	\$ 125,500,000	\$ 86,438,000	\$ 69,070,000
Agent support services	1,063,000	976,000	527,000	491,000
Total revenues	162,444,000	126,476,000	86,965,000	69,561,000
Operating expenses				
Purchased transportation	132,788,000	102,526,000	71,001,000	56,503,000
Commissions	21,788,000	17,715,000	11,711,000	9,662,000
Operating expenses	5,036,000	3,994,000	2,661,000	2,016,000
	159,612,000	124,235,000	85,373,000	68,181,000
Income from operations	2,832,000	2,241,000	1,592,000	1,380,000
Interest expense	283,000	354,000	122,000	193,000
Income before income taxes	2,549,000	1,887,000	1,470,000	1,187,000
Income taxes (Note 2)	984,000	734,000	565,000	459,000
Net income	\$ 1,565,000	\$ 1,153,000	\$ 905,000	\$ 728,000
Net income per share:				
Basic	\$.05	\$.03	\$.03	\$.02
Diluted	\$.04	\$.03	\$.03	\$.02
Weighted average number of common shares:				
Basic	33,760,000	33,496,000	33,916,000	33,496,000
Diluted	35,415,000	34,548,000	35,515,000	34,711,000

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

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

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 1,565,000	\$ 1,153,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in allowance for doubtful accounts	449,000	277,000
Depreciation and amortization	104,000	128,000
Stock-based compensation expense	65,000	63,000
Deferred income taxes	-	627,000
Changes in operating assets and liabilities:		
Accounts receivable	(796,000)	(8,106,000)
Prepaid expenses	(396,000)	(406,000)
Accounts payable and accrued liabilities	3,039,000	2,880,000
Net cash provided by (used in) operating activities	4,030,000	(3,384,000)
Cash flows from investing activities:		
Advances and other assets	(370,000)	102,000
Capital expenditures	(215,000)	(73,000)
Net cash provided by (used in) investing activities	(585,000)	29,000
Cash flows from financing activities:		
Exercise of stock options	18,000	-
Increase (decrease) in loan payable, net	(3,404,000)	3,358,000
Net cash provided by (used in) financing activities	(3,386,000)	3,358,000
Net change in cash and cash equivalents	59,000	3,000
Cash and cash equivalents, beginning of period	316,000	67,000
Cash and cash equivalents, end of period	\$ 375,000	\$ 70,000

The accompanying notes are an integral part of these unaudited 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 sections entitled “Business,” and “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2010 as filed with the United States Securities and Exchange Commission (“SEC”), which discloses all material factors known to us that we believe could cause actual results to differ materially from those expressed or implied by forward-looking statements.

Note 1. - Business and Summary of Significant Accounting Policies

Business

AutoInfo, Inc., through its wholly-owned subsidiaries, Sunteck Transport Group, Inc. and Eleets Logistics, Inc. (collectively, the “Company,” “we,” “us,” or “our”), operates in two business segments, non-asset based transportation services and agent support services. The non-asset based transportation services segment includes our brokerage and contract carrier services which are provided through a network of independent sales agents throughout the United States and Canada. Revenue in this segment is generated from freight transportation transactions. The agent support services segment includes an array of services that we provide to our agent network to support and encourage the expansion of our agents’ businesses, primarily financial support through interest bearing long-term loans and non-interest bearing short-term loans, as well as other services including training, margin analysis, marketing assistance, industry and market segment data, and business analysis tools. Revenue in this segment consists primarily of interest on interest bearing loans made to agents. This segment also includes potential revenues related to profit participations and realization on options to acquire equity that the Company may receive related to a loan or advance extended to an agent.

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, income from operations and net income of approximately \$279.7 million, \$5.7 million and \$3.1 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 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 three and six months ended June 30, 2011 and 2010 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, 2010.

Principles of Consolidation

The consolidated financial statements include the accounts of the AutoInfo, Inc., its wholly-owned subsidiaries, Sunteck Transport Group, Inc. and Eleets Logistics, Inc. 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

Gross revenues from transportation services 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. Gross revenues and profits from agent support services consist primarily of interest on interest bearing loans.

Accounting Standards Codification Topic 605-45 "Revenue Recognition – Principal Agent Considerations" (ASC 605-45), 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 ASC 605-45.

Income on all loans is recognized on the interest method. Accrual of interest is suspended at the earlier of the time at which collection becomes doubtful or the loan becomes delinquent. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks.

Provision For Doubtful Accounts

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

Fixed Assets

Fixed assets as of June 30, 2011 and December 31, 2010, 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.

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 1,599,000 and 1,215,000, and 1,655,000 and 1,052,000, respectively, for the three and six month periods ended June 30, 2011 and 2010, 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. 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.

Segment Information

The Company operates in two business segments, non-asset based transportation services and agent support services. The non-asset based transportation services segment includes our brokerage and contract carrier services which are provided through a network of independent sales agents throughout the United States and Canada. Revenue in this segment is generated from freight transportation transactions. The agent support services segment includes an array of services that we provide to our agent network to support and encourage the expansion of our agents' businesses, primarily financial support through interest bearing long-term loans and non-interest bearing short-term loans, as well as other services including training, margin analysis, marketing assistance, industry and market segment data, and business analysis tools. Revenue in this segment consists primarily of interest on interest bearing loans. This segment also includes potential revenues related to profit participations and realization on options to acquire equity that the Company may receive related to a loan or advance extended to an agent.

Note 2- Income Taxes

For the three and six month periods ended June 30, 2011 and 2010, respectively, the provision for income taxes consisted of the following:

	Three Months Ended June 30,			
	2011		2010	
	Current	Deferred	Current	Deferred
Tax expense before application of operating loss carryforwards	\$ 565,000	\$ -	\$ 459,000	\$ -
Tax expense (benefit) of operating loss carryforwards	-	-	(392,000)	392,000
Income tax expense	\$ 565,000	\$ -	\$ 67,000	\$ 392,000

	Six Months Ended June 30,			
	2011		2010	
	Current	Deferred	Current	Deferred
Tax expense before application of operating loss carryforwards	\$ 984,000	\$ -	\$ 734,000	\$ -
Tax expense (benefit) of operating loss carryforwards	-	-	(627,000)	627,000
Income tax expense	\$ 984,000	\$ -	\$ 107,000	\$ 627,000

Note 3 - Segment Reporting

The Company operates in two business segments, non-asset based transportation services and agent support services. The non-asset based transportation services segment includes the Company's brokerage and contract carrier services which are provided through a network of independent sales agents throughout the United States and Canada. Revenue in this segment is generated from freight transportation transactions. The agent support services segment includes an array of services that the Company provides to its agent network to support and encourage the expansion of agents' businesses, primarily financial support through interest bearing long-term loans and non-interest bearing short-term loans, as well as other services including training, margin analysis, marketing assistance, industry and market segment data, and business analysis tools. Revenue in this segment consists primarily of interest on interest bearing loans. This segment also includes potential revenues related to profit participations and realization on options to acquire equity that the Company may receive related to a loan or advance extended to an agent.

Results of operations by segment for the three and six months ended June 30, 2011 and 2010 as well as total assets as of June 30, 2011 and 2010, are summarized below:

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	Three months ended June 30, 2011			Three months ended June 30, 2010		
	Transportation Services	Agent Support Services	Total	Transportation Services	Agent Support Services	Total
Gross revenues	\$ 86,438,000	\$ 527,000	\$ 86,965,000	\$ 69,070,000	\$ 491,000	\$ 69,561,000
Purchased transportation	71,001,000	-	71,001,000	56,503,000	-	56,503,000
Commissions	11,711,000	-	11,711,000	9,662,000	-	9,662,000
Operating expenses	2,595,000	66,000	2,661,000	1,943,000	73,000	2,016,000
Income from operations	1,131,000	461,000	1,592,000	962,000	418,000	1,380,000
Interest expense	122,000	-	122,000	193,000	-	193,000
Income taxes	388,000	177,000	565,000	297,000	162,000	459,000
Net income	\$ 621,000	\$ 284,000	\$ 905,000	\$ 472,000	\$ 256,000	\$ 728,000

	Six months ended June 30, 2011			Six months ended June 30, 2010		
	Transportation Services	Agent Support Services	Total	Transportation Services	Agent Support Services	Total
Gross revenues	\$ 161,381,000	\$ 1,063,000	\$ 162,444,000	\$ 125,500,000	\$ 976,000	\$ 126,476,000
Purchased transportation	132,788,000	-	132,788,000	102,526,000	-	102,526,000
Commissions	21,788,000	-	21,788,000	17,715,000	-	17,715,000
Operating expenses	4,905,000	131,000	5,036,000	3,855,000	139,000	3,994,000
Income from operations	1,900,000	932,000	2,832,000	1,404,000	837,000	2,241,000
Interest expense	283,000	-	283,000	354,000	-	354,000
Income taxes	624,000	360,000	984,000	408,000	326,000	734,000
Net income	\$ 993,000	\$ 572,000	\$ 1,565,000	\$ 642,000	\$ 511,000	\$ 1,153,000
Assets	\$ 52,719,000	\$ 15,292,000	\$ 68,011,000	\$ 46,381,000	\$ 15,278,000	\$ 61,659,000

Note 4 - Subsequent Event

On July 8, 2011 the Company acquired substantially all of the operating assets of the truck agent business division from a significant agent. Under the terms of the Acquisition Agreement, as filed by the Company on Form 8-K on July 13, 2011, the Company acquired from the agent all right, title and interest in and to all of the assets and properties, tangible and intangible, owned, held or used in connection with the truck agent business division. The purchase price for the acquired assets totaled approximately \$10 million and principally consisted of an unconditional release and discharge of the agent from approximately \$9.4 million of indebtedness due to the Company and its affiliated entities plus the assumption of certain liabilities.

Prior to the acquisition, and since 2007, this agent was a significant independent agent of the Company to which the Company provided agent support services, including loans and advances. The Company received interest on the loans and advances extended to the agent at rates ranging from 8% to 20% and was entitled to receive a fee equal to 25% of the agent's pre-tax income, if any. However, no pre-tax income was generated during the periods preceding June 30, 2011. Pursuant to the Acquisition Agreement, all previous contractual arrangements between the Company and its

affiliated entities and the agent were terminated. The Company will continue to provide the agent with certain support services for its asset based trucking business and brokerage business through December 31, 2011.

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 subsidiaries, Sunteck Transport Group, Inc. and Eleets Logistics, Inc. (collectively, "we," "us," or "our"), we operate in two business segments, non-asset based transportation services and agent support services. The non-asset based transportation services segment includes our brokerage and contract carrier services which are provided through a network of independent sales agents throughout the United States and 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 strategic alliances with less than truckload, truckload, air, rail, ocean common carriers and independent owner-operators to service customers' needs. Our brokerage and contract carrier services are provided through a network of independent sales agents throughout the United States and Canada. Revenue in this segment is generated from freight transportation transactions.

Our agent support services segment includes an array of services that we provide to our agent network to support and encourage the expansion of their businesses, primarily financial support through interest bearing long-term loans and non-interest bearing short-term loans, as well as other services including training, margin analysis, marketing assistance, industry and market segment data, and business analysis tools. Revenue in this segment consists primarily of interest on interest bearing loans. This segment also includes potential revenues related to profit participations and realization on options to acquire equity that we may receive related to a loan or advance extended to an agent.

During 2010 and the six month period ended June 30, 2011, our contractual arrangement with one of our significant independent agents (the "Agent") provided for the Agent's retention of all of the gross profit earned on the transactions it generates. The Agent paid us interest on loans and advances we extended to it at rates ranging from 8% to 20% plus a fee equal to 25% of the Agent's pre-tax income, as defined in the applicable agreement. In addition, the Agent had granted to us an option to convert a portion of outstanding loans into a 25% equity ownership interest in the Agent's business.

On July 8, 2011 we acquired substantially all of the operating assets of the truck agent business division from the Agent. Under the terms of the Acquisition Agreement, as filed by the Company on Form 8-K on July 13, 2011, we acquired from the Agent all right, title and interest in and to all of the assets and properties, tangible and intangible, owned, held or used in connection with the truck agent business division. The purchase price for the acquired assets totaled approximately \$10 million and principally consisted of an unconditional release and discharge of the Agent

from approximately \$9.4 million of indebtedness due to the Company and its affiliated entities plus the assumption of certain liabilities. Pursuant to the Acquisition Agreement, all previous contractual arrangements between the Company and its affiliated entities and the Agent were terminated, including cancellation of the option to convert a portion of outstanding loans into a 25% equity ownership interest in the Agent's business. We will continue to provide the Agent with certain support services for its asset based trucking business and brokerage business divisions through December 31, 2011.

During the three and six month periods ended June 30, 2011 and 2010, we received interest payments of \$507,000 and \$473,000, and \$996,000 and \$926,000, respectively, on loans and advances to this Agent but no incremental amounts were earned on either profit participation or realization on options to acquire equity since the Agent did not generate pre-tax income in 2011 or 2010.

This significant Agent generated approximately 40% and 42%, and 41% and 43% of our gross transportation services revenues for the three and six months ended June 30, 2011 and 2010, respectively.

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

Results of operations

For the three and six months ended June 30, 2011 and 2010

Revenues

For the three months ended June 30, 2011 and 2010:

Gross revenues totaled \$86,965,000 for the three months ended June 30, 2011, as compared with \$69,561,000 in the same prior year period, an increase of approximately 25%.

Gross revenues from transportation services, consisting of freight fees and other related services revenue, totaled \$86,438,000 for the quarter ended June 30, 2011, as compared with \$69,070,000 in the same prior year period, an increase of approximately 25%. This increase is the direct result of the expansion and growth of the agent network resulting in a 7% increase in the number of transactions and a 13% increase in the average revenue per transaction.

Gross revenues from agent support services, consisting primarily of interest on loans, totaled \$527,000 for the quarter ended June 30, 2011, as compared with \$491,000 in the same prior year period, an increase of approximately 7%. This increase is the direct result of the increase in interest bearing loans and advances from \$10.0 million at June 30, 2010 to \$11.5 million at June 30, 2011.

For the six months ended June 30, 2011 and 2010:

Gross revenues totaled \$162,444,000 for the six months ended June 30, 2011, as compared with \$126,476,000 in the same prior year period, an increase of approximately 28%.

Gross revenues from transportation services, consisting of freight fees and other related services revenue, totaled \$161,381,000 for the six months ended June 30, 2011, as compared with \$125,500,000 in the same prior year period, an increase of approximately 29%. This increase is the direct result of the expansion and growth of the agent network resulting in a 12% increase in the number of transactions and a 12% increase in the average revenue per transaction.

Gross revenues from agent support services, consisting primarily of interest on loans, totaled \$1,063,000 for the six months ended June 30, 2011, as compared with \$976,000 in the same prior year period, an increase of approximately 9%. This increase is the direct result of the increase in interest bearing loans and advances from \$10.0 million at June 30, 2010 to \$11.5 million at June 30, 2011.

Costs and expenses

Purchased transportation

Purchased transportation totaled \$71,001,000 for the three months ended June 30, 2011, as compared with \$56,503,000 in the same prior year period, an increase of 26%. This is the direct result of the increase in gross revenues from transportation services.

Purchased transportation totaled \$132,788,000 for the six months ended June 30, 2011, as compared with \$102,526,000 in the same prior year period, an increase of 30%. This is the direct result of the increase in gross revenues from transportation services of 28% during the period as well as the increased cost of purchased transportation during the period ended June 30, 2011 based upon an increase in demand for transportation and a decrease in the availability of truck capacity. This decreased capacity is the direct result of the economic downturn which began at the end of 2008 and continued into 2010 and the negative impact it has had on asset based providers as well as the number of owner operators.

Commissions

Commissions, all of which were attributable to our transportation services segment, totaled \$11,711,000 for the three months ended June 30, 2011, as compared with \$9,662,000 in the same prior year period, an increase of 21%. This increase is the result of the increase in gross revenues of 25% offset by an increase in purchased transportation cost of 26% and a decrease of 1% in the rate of commission paid based upon the mix of revenues generated by agents with higher commission rates during the three months ended June 30, 2011.

Commissions, all of which were attributable to our transportation services segment, totaled \$21,788,000 for the six months ended June 30, 2011, as compared with \$17,715,000 in the same prior year period, an increase of 23%. This increase is the result of the increase in gross revenues of 25% offset by an increase in purchased transportation cost of 30% and a decrease of .9% in the rate of commission paid based upon the mix of revenues generated by agents with higher commission rates during the six months ended June 30, 2011.

Operating expenses

Operating expenses totaled \$2,661,000 for the three months ended June 30, 2011, as compared to \$2,016,000 in the same prior year period, an increase of 32%. For the three months ended June 30, 2011, \$2,595,000 of these expenses were attributable to our transportation services segment and \$66,000 were attributable to our agent support services segment, as compared with \$1,943,000 attributable to our transportation services segment and \$73,000 attributable to our agent support services segment in the same prior year period.

Operating expenses totaled \$5,036,000 for the six months ended June 30, 2011, as compared to \$3,994,000 in the same prior year period, an increase of 26%. For the six months ended June 30, 2011, \$4,906,000 of these expenses were attributable to our transportation services segment and \$131,000 were attributable to our agent support services segment, as compared with \$3,855,000 attributable to our transportation services segment and \$139,000 attributable to our agent support services segment in the same prior year period.

These increases primarily consist of increases in personnel and support service costs as a result of the increase in gross revenues of 25% and 28% for the three and six month periods ended June 30, 2011, respectively.

Interest expense

Interest expense, all of which was attributable to our transportation services segment, was \$122,000 for the three months ended June 30, 2011, as compared with \$193,000 in the same prior year period, a decrease of approximately 37%. This decrease is primarily the result of decreased average borrowings under our available line of credit of \$2.4 Million to support growth and working capital needs as well as a decrease in interest rates from 3.25% during the three month period ended June 30, 2010 to 2.2% during the three month period June 30, 2011 as a direct result of entering into a modification of our credit facility with Regions Bank in April, 2011.

Interest expense, all of which was attributable to our transportation services segment, was \$283,000 for the six months ended June 30, 2011, as compared with \$354,000 in the same prior year period, a decrease of approximately 20%. This decrease is primarily the result of decreased average borrowings and the decrease in interest rates during the three month period ended June 30, 2010 as noted above.

Income tax

Income tax expense for the three months ended June 30, 2011 of \$565,000 consisted of federal income taxes of \$483,000 and state income taxes of \$82,000 compared to \$459,000 for the three months ended June 30, 2010 which consisted of the utilization of the deferred tax benefit of \$392,000 and state income taxes of \$67,000. The increase in income taxes is directly related to higher pre-tax income.

Income tax expense for the six months ended June 30, 2011 of \$984,000 consisted of federal income taxes of \$840,000 and state income taxes of \$144,000 compared to \$734,000 for the three months ended June 30, 2010 which consisted of the utilization of the deferred tax benefit of \$627,000 and state income taxes of \$107,000. 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. In our brokerage services, our primary competitors are other non-asset based as well as asset based third party logistics companies, freight brokers, carriers offering logistics services and freight forwarders. In our contract carrier services, our competitors are other contract carriers and common carriers. We also compete with customers' and shippers' internal traffic and transportation departments as well as carriers' internal sales and marketing departments directly seeking shippers' freight. We anticipate that competition for our services will continue to increase. Many of our competitors have substantially greater capital resources, sales and marketing resources and experience. We cannot assure you that we will be able to effectively compete with our competitors in effecting our business expansion plans. The most significant trend contributing to our growth during the past two years has been the expansion of our brokerage services agent network and contract carrier agent and owner operator network. Sales agents are independent contractors and, as such, there are no assurances that we can either maintain our existing agent network or continue to expand this network.

For the six months ended June 30, 2011, our total revenues increased to \$162.4 million from \$126.5 million in the same prior year period. Factors that could adversely affect our operating results include the success of Sunteck in expanding its business operations and 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.

Advances and other assets

An integral component of our growth strategy is, and has been, the expansion of our independent sales agent network. During the past two years, we have expanded this strategy to include independent sales agents with the experience and opportunity to build the infrastructure required to generate opportunities for significant increases in revenues. As our year-over-year results reflect, this initiative has been successful. In identifying these opportunities, we analyze a prospective sales agent's customer relationships, financial stability, industry experience and past performance. Based upon the results of such analysis we determine our level of interest in affiliating with the target sales agent and evaluate such sales agent's capital needs to support its integration into our business and to maximize the agent's potential revenue growth, and thus revenue contribution.

Our agent expansion and recruiting program includes several components which are tailored to the specific needs of individual agent groups. Each of these situations has differing characteristics and are addressed and evaluated on a case-by-case basis. The options we consider to support a new sales agent's business expansion include signing bonuses, short-term advances, non-interest bearing loans, long-term advances and interest bearing loans.

Loans have been utilized in a limited number of sales agent opportunities and the loan proceeds are restricted in use. Such funds can be used by independent sales agents only to invest in operating facilities, equipment and personnel, which typically includes both sales and operating staff. These are viewed by us as contributing to future revenue enhancement that we will benefit from.

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 June 30, 2011, we had an outstanding balance of \$19,028,000 under our line of credit and approximately \$15,500,000 available for drawdown. In April 2011, we modified our credit facility with Regions Bank to (a) increase our line of credit from \$30 million to \$35 million, (b) extend the maturity date from March 2012 to June 2014, and (c) change the interest rate from LIBOR plus 2.5% with a floor ranging from 3.0 – 3.5% to LIBOR plus 1.75% - 2.25%, with no floor, subject to the maintenance of the following financial covenants: 1) fixed charge coverage ratio not less than 1.30:1; 2) funded debt to EBITDA ratio not more than 7.50:1 for 2010, 6.00:1 for 2011, 5.00:1 for 2012, and 4.00:1 for 2013 and thereafter; and 3) working capital ratio not less than 1.00:1. As of June 30, 2011 we were in compliance, and not at risk of breach, with respect to each of these covenants.

We believe that we have sufficient working capital to meet our short-term operating needs.

At June 30, 2011, we had liquid assets of approximately \$375,000. Available cash is used to reduce borrowings on our line of credit.

The total amount of debt outstanding as of June 30, 2011 and 2010 was \$19,028,000 and \$22,008,000, respectively. The following table presents our debt instruments and their weighted average interest rates as of June 30, 2011 and 2010, respectively:

	Balance	Weighted		Balance	Weighted	
	2011	Average Rate		2010	Average Rate	
Line of Credit	19,028,000	2.21 %		22,008,000	3.25 %	

Inflation had no material impact on our revenues or the results of operations for the period ended June 30, 2011.

Critical accounting policies

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

Revenue recognition

Gross revenues from transportation services consist of the total dollar value of services purchased by shippers. Gross profits are gross revenues less the direct costs of transportation. 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. Gross revenues and profits from agent support services consist primarily of interest on interest bearing loans.

Accounting Standards Codification Topic 605-45 “Revenue Recognition – Principal Agent Considerations” (ASC 605-45), 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 ASC 605-45.

Income on all loans is recognized on the interest method. Accrual of interest is suspended at the earlier of the time at which collection becomes doubtful or the loan becomes delinquent. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

Allowance 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

As a smaller reporting company we are not required to provide the information required by this Item.

Item 4. 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, as amended (the “Exchange Act”) Rules 13a-15(e) and 15d-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 6. EXHIBITS

Exhibit No.	Description
10.1	Asset Purchase Agreement dated July 8, 2011 (1)
31A	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31B	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32A	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32B	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

*Filed as an exhibit hereto.

(1) Filed with the SEC on July 13, 2011 as an exhibit to our Current Report on Form 8-K and incorporated herein by reference.

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: August 3, 2011