

NowAuto Group, Inc.
Form 10QSB
May 15, 2007

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

FORM 10-QSB

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

For the fiscal quarter ended:
March 31, 2007

Commission file number:
000-50709

NOWAUTO GROUP, INC.

(Exact name of registrant as specified in its charter)

Nevada

77-0594821

(State or other jurisdiction
of incorporation)

(I.R.S. Employer
Identification No.)

2090 East University, Suite 112, Tempe, Arizona 85281

(address of principal executive offices, including zip code)

(480) 990-0007

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports 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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Title of Each Class</u>	<u>Outstanding at March 31, 2007</u>
Common Stock, par value \$0.001 per share	9,843,046

NowAuto Group, Inc
Consolidated Condensed Balance Sheets

	Assets	March 31, 2007 Unaudited	December 31, 2006
Current Assets			
Cash		10,779	45,977
Accounts Receivable - Net		2,740,999	2,067,787
Inventory		445,662	635,187
Other Current Assets		81,825	81,305
		3,279,265	2,830,257
Long Term Notes Receivable		2,878,016	3,620,788
Equipment - Net		89,093	92,244
Goodwill		928,497	928,497
		7,174,872	7,471,787
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts Payable		362,945	422,694
Taxes Payable		270,166	279,921
Line of Credit		1,464,593	1,708,200
Accrued Payroll		53,576	70,978
Other Loans		227,814	174,547
Total Current Liabilities		2,379,093	2,656,339
Long Term Notes Payable		3,524,658	2,797,207
Total Liabilities		5,903,751	5,453,546
Stockholders' Equity			
Common Stock, authorized 100,000,000 shares, \$0.001 par value; Issued and outstanding March 31, 2007 - 9,843,046 shares;			
Paid in Capital		4,575,474	4,575,474
Retained Earnings/(Deficit)		(3,304,353)	(2,557,233)
Total Stockholder's Equity		1,271,121	2,018,241
		7,174,872	7,471,787

NowAuto Group, Inc**Consolidated Condensed Statements of Operations**

	3 months Ended March 31, 2007 (unaudited)	3 months Ended March 31, 2006 (unaudited)	9 months Ended March 31, 2007 (unaudited)	9 months Ended March 31, 2006 (unaudited)
Income				
Vehicle & Finance Income	1,662,846	3,572,269	5,622,835	8,957,276
Cost of Goods Sold	939,995	2,405,843	3,454,262	6,351,921
Gross Profit/Loss	722,851	1,166,426	2,168,573	2,605,355
Gross Margin	43.5%	32.7%	38.6%	29.1%
Expenses				
Selling and Financing Costs	848,866	201,462	1,791,666	692,486
General and Administrative	621,105	395,013	1,667,779	1,906,303
Write off of Reserves		0		213,887
Profit before Income Taxes	(747,120)	569,951	(1,290,872)	(207,321)
Provision for Income Tax				
NOL Carry Forward				
Net Income (Loss)	(747,120)	569,951	(1,290,872)	(207,321)
Earnings Per Share	(0.08)	0.06	(0.13)	(0.02)
Shares O/S	9,843,046	9,777,661	9,843,046	9,777,661

NowAuto Group, Inc**Consolidated Stockholders' Equity**

	Shares	Amount	Paid in Capital	Subscriptions Receivable	Accumulated Deficit	Total Equity
Balance June 30, 2005	8,157,662	8,157	3,523,116	0	(1,628,393)	1,902,880
Stock Scribed				1,005,500		1,005,500
Purchase of Global-E Investments	1,550,000	1,550	(1,550)			0
Stock for services	50,000	50	24,950			25,000
Stock for services	20,000	20	5,180			5,200
Common shares issued for cash	26,923		3,500			3,500
Common shares issued for cash	38,461		5,000			5,000
Net (Loss)			1,005,500	(1,005,500)	(441,926)	(441,926)
Balance, June 30, 2006	9,843,046	9,777	4,565,696	0	(2,070,319)	2,505,154
Net Income (Loss)					(1,234,033)	(1,234,033)
Balance December 31, 2006	9,843,046	9,777	4,565,696	0	(3,304,353)	1,271,120

NowAuto Group, Inc

Consolidated Statements of Cash Flows

	3 months Ended March 31, 2007 (unaudited)	3 months Ended March 31, 2006 (unaudited)
Operating Activities		
Net Income (Loss)	(747,120)	(207,180)
Adjustments to reconcile Net Income(Loss) to Net Cash used in Operating Activities		
Significant Non-Cash Transactions		
Common Stock for services		30,200
Depreciation/Amortization Expense	3,151	36,645
Changes in assets and liabilities		
(Increase)/Decrease in Receivables	(648,558)	(3,116,013)
(Increase)/Decrease in Inventory	189,176	31,636
(Increase)/Decrease in Other Current Assets	6,757	(22,637)
(Decrease)/Increase in Accounts Payable	(58,437)	429,221
(Decrease)/Increase in Other Liabilities	(226,529)	674,716
Net Cash (Used) by Operating Activities	(1,481,561)	(2,143,412)
Investing Activities		
Purchase of Fixed Assets	0	(26,689)
Long Term Notes Receivable	718,912	
	718,912	(26,689)
Financing Activities		
Stock Subscriptions Sold/Paid		1,005,500
Bank loan	727,451	512,527
	727,451	1,518,027
Net Increase/(Decrease) in Cash	(35,198)	(652,074)
Cash, Beginning of Period	45,977	736,910
	10,779	84,836
Supplemental Information:		
Period interest	189,215	8,602
Income Taxes paid	0	0

Note 1. ORGANIZATION AND BUSINESS

NowAuto, Inc. (the Company) was organized in the state of Nevada on August 19, 1998 under the name WH Holdings, Inc. On June 8, 2004 the name was changed to Automotive Capital Group, Inc and the Company increased its authorized common stock. On August 31, 2004 the name was changed to NowAuto, Inc.

The Company focuses mainly on the "Buy Here/Pay Here" segment of the used car market. The Company primarily sells 1999 and newer model year used vehicles. Many of the Company's customers have limited financial resources and would not qualify for conventional financing as a result of limited credit histories or past credit problems. As of December 31, 2006, the Company had four operating lots located in metropolitan Phoenix and Tucson, Arizona. The Company also has a wholly owned subsidiary, Navicom GPS, Inc., which markets GPS tracking units.

On July 21, 2005 the Company was purchased by Global-E Investments, Inc. Since Global-E was a non-operating company, this purchase was accounted for as a recapitalization stock exchange reverse acquisition. This means that for legal purposes the continuing entity is Global-E Investments, Inc. and for historically accounting purposes the accounting records of Now Auto will be shown. Global-E Investments has changed its name to NowAuto Group, Inc.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of NowAuto Group, Inc. and its subsidiary. All significant inter-company accounts and transactions have been eliminated. The Company operates on a June 30 fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 period. Actual results could differ from those estimates.

Concentration of Risk

The Company provides financing in connection with the sale of substantially all of its vehicles. Periodically, the Company maintains cash in financial institutions in excess of the amounts insured by the federal government.

Cash Equivalents

The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

The Company originates installment sale contracts from the sale of used vehicles at its dealerships. Finance receivables are collateralized by vehicles sold and consist of contractually scheduled payments from installment contracts.

Used Car Inventory

Inventory consists of used vehicles and is valued at the lower of cost or market on a specific identification basis. Vehicle reconditioning costs are capitalized as a component of inventory. Repossessed vehicles are recorded at fair value, which approximates wholesale value. The cost of used vehicles sold is determined using the specific identification method.

Equipment

Property and equipment are stated at cost. Expenditures for additions, renewals and improvements are capitalized. Costs of repairs and maintenance are expensed as incurred. Leasehold improvements are amortized over the shorter of the estimated life of the improvement or the lease period. The lease period includes the primary lease term plus any extensions that are reasonably assured. Depreciation is computed principally using the straight-line method generally over the following estimated useful lives:

Furniture, fixtures and equipment	3 to 7 years
Leasehold improvements	5 to 15 years

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying values of the impaired assets exceed the fair value of such assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Sales Tax

The Company pays sales taxes to local and state governmental agencies on vehicles sold. Calculations for sales taxes are made on an accrual basis. Vehicle repossessions are allowed as a deduction from taxable sales in the month of repossession. Customers often make their down payments in periodic increments over a period of four to six weeks. The Company does not report the sale for sales tax purposes until the down payments are fully paid. This is congruent with industry standard and complies with state tax codes. The Company is current with its filings of reports. The Company does owe back sales taxes. Arrangements have been made with all taxing authorities and the company is in full compliance with all of them.

Income Taxes

Income taxes are accounted for under the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled.

Revenue Recognition

Revenues from the sale of used vehicles are recognized when the sales contract is signed, the customer has taken possession of the vehicle and, if applicable, financing has been approved.

Revenue from GPS units devices is recognized when a unit has been ordered and shipped. Revenue from access time purchased is recognized ratably over the term of the access contracts. Access terms can vary from one month to 36 months. A Deferred Revenue account is set up for any access time paid for but not yet earned.

Advertising Costs

Advertising costs are expensed as incurred and consist principally of radio, television and print media marketing costs. Advertising costs amounted to \$80,441 and \$21822 for the quarters ended December 31, 2005 and 2006, respectively.

Earnings per Share

Basic earnings per share are computed by dividing net income by the average number of common shares outstanding during the period. Diluted earnings per share takes into consideration the potentially dilutive effect of common stock equivalents, such as outstanding stock options and warrants, which if exercised or converted into common stock would then share in the earnings of the Company. In computing diluted earnings per share, the Company utilizes the treasury stock method and anti-dilutive securities are excluded.

Stock Option Plans

As of March 31, 2007 the Company had no employee stock ownership plan.

Repossession Accrual

The repossession accrual represents the amount of the loss expected to be experienced upon repossession of cars adjusted by the actual loss experienced. The company believes that it is more profitable to keep the customer in the car. Great effort has been made to accomplish this goal and the need for repossession accruals is reduced.

Note 3. FINANCE AND ACCOUNTS RECEIVABLES - NETFinanced Contract Receivable-net

The Company originates installment sale contracts from the sale of used vehicles at its lots. These installment sale contracts typically a) include interest rates of 29.99% per annum, b) are collateralized by the vehicle sold and c) provide for payments over a period of 36 months. At June 30, 2005, the Company was not holding any of its own contracts. As of March 31, 2007 the Company was holding financed contracts. These are shown below.

	March 31, 2007	March 31, 2006
Financed Contracts Receivable	\$ 4,817,737	\$ 2,613,164
Allowance for doubtful accounts	(32,836)	(191,117)
Financed Contracts-net	\$ 4,784,901	\$ 2,422,047

Note 4. PROPERTY AND EQUIPMENT

A summary of equipment and accumulated depreciation as follows:

	December 31, 2006	December 31, 2006
Furniture, fixtures and Equipment	\$ 39,416	\$ 39,416
Leasehold improvements	56,987	56,987
Computers & Software	12,292	12,292
Less accumulated depreciation	(19,601)	(16,450)
Net Equipment	\$ 89,093	\$ 92,244

Note 5. GOODWILL

During the fiscal year ending June 30, 2005, the Company purchased the rights to three used car lots and its subsidiary Navicom Corporation. Details of these purchases are in a subsequent note. The company performed an analysis of its booked Goodwill compared to the present value of projected future profits for the next five years. Based on that analysis the recorded Goodwill will hold its value. The recorded Goodwill on December 31, 2006 was as follows:

<u>Year Ending</u>		
<u>June 30,</u>	2006	2005
	\$ 928,497	\$ 1,628,482

The change in Goodwill reflects the impairment of Sunburst Goodwill recorded on June 30, 2006.

Note 6. INCOME TAXES

The provision for income taxes for the fiscal quarters ended December 31, 2006 and 2005 were as follows below. A valuation account has been set up in the amount of the deferred asset.

<u>Quarter ended</u>		
<u>March 31,</u>	2007	2006
Provision for income taxes:		
Current taxes payable	\$ 0	\$ 0
Change in the deferred tax asset (net of the valuation account)	0	0
Total	\$ 0	\$ 0

Note 7. STOCKHOLDERS' EQUITYCommon Stock

NowAuto, Inc. (the Company) was organized in the state of Nevada on August 19, 1998 under the name WH Holdings, Inc. On June 8, 2004 the name was changed to Automotive Capital Group, Inc and the Company increased its authorized common stock to 100,000,000 shares with a par value of \$0.001. On August 31, 2004 the name was changed to NowAuto, Inc.

On June 30, 2004 had 14,984,544 shares outstanding. During the twelve months ended June 30, 2005 the Company issued an additional 21,490,995 issued for the purchase of new lots and services rendered. 13,333,333 shares were cancelled. In the period ending June 30, 2006 1,685,384 shares were issued for capital purchases and services rendered. No shares have been issued since that date.

Note 8. COMPANY ACQUISITIONSNavicom Corporation

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On September 3, 2004 The Company issued 536,002 shares valued at \$214,401 to purchase Navicom Corporation. Listed below is the balance sheet of Navicom at the date of purchase:

Assets

Cash	\$	1,689
Accounts Receivable		26,223
Furniture & Fixtures		1,551
Total Assets	\$	29,463

Liabilities and
Stockholders Equity

Accounts Payable	\$	11,744
Payroll		908
Sales Tax Payable		364
Loan		15,000
Total Liabilities		28,016
Net Equity		1,447
Total Liabilities and Stockholders Equity	\$	29,463

NowAuto Mesa Car Lot

On October 18, 2004 the Company assumed the lease and lot operations of a used car lot located in Mesa, Arizona. The Company issued 430,126 shares of common stock valued at \$86,025 and \$412,003 accounts receivable in the form of auto financing contracts for a total purchase price of \$498,028.

NowAuto Tucson Car Lot

The Company assumed the lease of a used car lot located in Tucson, Arizona during May 2005. The Company issued \$164,318 worth of accounts receivable in the form of auto financing contracts for the purchase.

Sunburst Lot

On January 17, 2005 the Company agreed to purchase the lot lease and name use (Sunburst) from Sunburst Car Company, Inc. The agreement was revised and finalized on March 30, 2005 and the Company paid \$751,735 cash as described below. The Company took possession of the lot on July 7, 2005.

Equipment & fixtures	\$ 250,000
Leasehold Improvement	100,000
Non Compete Covenant	5,000
Goodwill	375,000
Escrow Costs	1,735
Total Investment	\$ 751,735

Note 9. NAVICOM

The Company has two segments, its cars sales and its GPS unit sales (Navicom). Currently, Navicom is in the process of changing its product brand and business model. Great effort has been made to seek a GPS product with more cost effective feature sets that will better serve its customers. During this search, daily operations at Navicom have been on hiatus. Navicom is now adding a starter interrupt system *called On Time*. This system will remind the customer when a payment is due and prevent the vehicle from starting if the payments are behind.

Note 10. STOCK OPTIONS AND WARRANTS

Currently the Company has no outstanding options or warrants.

Note 11. COMMITMENTS AND CONTINGENCIESFacility Leases

The Company leases certain car lots and office facilities under various operating leases. Lot leases are generally for periods from one to three years and may contain multiple renewal options. As of December 31, 2006, the aggregate rentals due under such leases, including renewal options that are reasonably assured, are as follows:

2006	\$ 237,679
2007	257,010
2008	257,010
2009	257,010
2010	257,010

Note 12. THE EFFECT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Below is a listing of the most recent accounting standards SFAS 150-154 and their effect on the Company.

Statement No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (Issued 5/03)

This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity.

Statement No. 151 Inventory Costs-an amendment of ARB No. 43, Chapter 4 (Issued 11/04)

This statement amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that "...under some circumstances, items such as idle facility expense, excessive spoilage, double freight and re-handling costs may be so abnormal as to require treatment as current period charges..." This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities.

Statement No. 153 Exchanges of Non-monetary Assets (an amendment of APB Opinion No. 29)

The guidance in APB Opinion No. 29, Accounting for Non-monetary Transactions, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, includes certain exceptions to the principle. This Statement amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange.

Statement No. 154 - Accounting Changes and Error Corrections (a replacement of APB Opinion No. 20 and FASB Statement No. 3)

This Statement replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those

provisions should be followed.

The adoption of these new Statements is not expected to have a material effect on the Company's current financial position, results or operations, or cash flows.

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Note 13. GOING CONCERN

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. The Company sustained a material loss in the year ended June 30, 2005. This loss continued through June 30, 2006. This raised substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

Management has made efforts to improve the profitability of the Company by increasing the margins on cars sold. They have also hired new finance and accounting personnel to better track the Company's profitability and negotiate selling contracts. Investor funds have been solicited to maintain cash flows until the Company becomes profitable.

The quarter ended March 31, 2007 reflects a substantial net loss. The Company did report a profit for the year ended June 30, 2006, before impairment of Goodwill. The Company needs to attract equity investors to continue in existence. No assurance can be made that these investors will be forthcoming.

Note 14. COMPENSATION OF OFFICERS

Scott Miller, CEO entered into an agreement with the company on January 20, 2005 for \$250,000 as a retention bonus. The company has been unable to honor the full agreement. Currently, Mr. Miller receives a salary of \$130,000 per year. He drives a company-owned vehicle most of the time as does other company management. Theodore Valenzuela serves as the COO. He receives an annual salary of \$140,000. The other officer currently receives salary of less than \$100,000.

Note 15. CONTRACT FINANCING

During the quarter ended March 31, 2006 the Company initiated relations with a new finance company to finance installment contracts from customers. The monies advanced are based upon the contract price and vary per car. The individual car is used as collateral for the advanced funds. Substantially all of the installment contracts financed requires the Company's customers to make their monthly payments via ACH (automatic account withdrawal). The Company pays a variable interest rate over the Prime Rate for its financing. The finance company receives all of the payments from the customers, removes its portion (interest and principal) and then makes the remainder available for the Company to pull from when needed. The Company retains ownership of these contracts and is active in the collection of delinquent accounts from these contracts. The Company also has contracts, which it administers itself.

Note 16. Financial Reports

The Statement of Operations has been changed to report selling and financing costs as a separate line item. In the past, only the selling costs have been broken out. It is believed that this gives the reader better information about the operations of the company. Prior period statements are adjusted to reflect the change.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company's consolidated financial statements and notes thereto appearing elsewhere in this report.

Forward-looking Information

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. Certain information included in this Quarterly Report on Form 10-QSB contains, and other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company or its management) contain or will contain, forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words "believe," "expect," "anticipate," "estimate," "project" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. The Company undertakes no obligation to publicly update or revise any forward-looking statements. Such forward-looking statements are based upon management's current plans or expectations and are subject to a number of uncertainties and risks that could significantly affect current plans, anticipated actions and the Company's future financial conditions and results. As a consequence, actual results may differ materially from those expressed in any forward-looking statements made by or on behalf of the Company as a result of various factors. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

Overview

Since 2004, NowAuto Group, Inc., a Nevada corporation (the "Company") is a publicly held retailer focused on the "Buy Here/Pay Here" segment of the used vehicle market. The Company generally sells 1999 and newer model-year used vehicles and provides financing for substantially all of its customers. Many of the Company's customers have limited financial resources and would not qualify for conventional financing as a result of limited credit histories or past credit problems. As of December 31, 2006 the Company had four stores, all of which are located in the State of Arizona.

The market for used vehicle sales in the United States is significant. Used vehicle retail sales typically occur through franchised new vehicle dealerships that sells used vehicles, or independent used vehicle dealerships. The Company operates in the "Buy Here/Pay Here" segment of the independent used vehicle sales and finance market. Buy Here/Pay Here dealers sell and finance used vehicles to individuals with limited credit histories or past credit problems. Buy Here/Pay Here dealers typically offer their customers certain advantages over more traditional financing sources, such as broader and more flexible credit terms, attractive payment terms, including scheduling payments on a weekly or bi-weekly basis to coincide with a customer's payday, and the ability to make payments in person, an important feature to individuals who may not have checking accounts. In turn, interest rates on vehicle loans provided by the Company are generally higher than those offered to individuals who purchase from other new or used vehicle dealers or who have better credit histories.

The Company's primary focus is on collections. The Company is responsible for its own collections through its internal collection department with supervisory involvement of the corporate office. For the six months ended December 31, 2006 estimated credit losses as a percentage of contracts were 16.3%. The Company intends to increase the focus of store management on credit quality and on collections. In addition to the experience of store management and the seasoning of the customer base, credit losses are also impacted, to some degree, by economic conditions in the markets in which the Company serves. In recent months, energy costs have risen at a rate much faster than the general rate of inflation. While the Company believes the most significant factor affecting credit losses is the proper execution (or lack thereof) of its business practices, the Company also believes that higher energy and fuel costs have a negative

impact on collection results.

Hiring, training and retaining qualified personnel are critical to the Company's success. The number of trained managers the Company has at its disposal will limit the rate at which the Company adds new stores. Excessive turnover, particularly at the store manager level, could impact the Company's ability to add new stores. During the twelve months ended June 30, 2006 the Company added resources to train and develop personnel. The Company expects to continue to invest in the development of its workforce.

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The Company also offers GPS tracking services through its NaviCom GPS, Inc. subsidiary that allows users, including vehicle dealers and others, to locate, track and monitor motor vehicles and other personal property.

Nine Months Ended March 31, 2007 vs. Nine Months Ended March 31, 2006

Revenue for the three months ending March 31, 2007 was \$1,662,704 verses revenue of \$3,572,269 for the three months ended March 31, 2006. The decline in revenue was due primarily to discontinuation of the Company's unprofitable public auto auction and relocation of the Company's largest retail store during this period.

Revenue for the nine months ended March 31, 2007 was \$5,662,835 versus revenue of \$8,957,276 for the nine months ended March 31, 2006. The decline in revenue was a result of (i) increased credit and underwriting criteria; and (ii) cessation of auction activities in the September 2006 quarter.

The Company's gross profit as a percentage of sales during the nine months ending March 31, 2007 was 43.5% vs. 32.7% for the nine months ended March 31, 2006. The increase in gross profit margin was primarily due to the Company's focus on higher margin vehicle finance sales and finance income.

During the three months ended March 31, 2007, the Company experienced higher than normal increase in bad debt expense due to higher than normal repossessions. While the Company believes that proper execution (or lack thereof) of its business practices is that most significant factor affecting credit losses, the Company also believes that general economic conditions, including but not limited to higher energy and fuel costs, adversely affected collection efforts and resulted in higher than normal vehicle repossessions during the quarter ended March 31, 2007. General and administrative expenses as a percentage of sales were 29% for the nine months ended March 31, 2007 versus 21% for the nine months ended March 31, 2006. Because the Company now retains its own contracts, it created a collections department thereby increasing operating expenses. Furthermore, interest expense has increased substantially as a result of line of credit financing (See Note 15). The Company has also become more cost-effective in other areas.

Financial Condition

The following sets forth the major balance sheet accounts of the Company as of the dates specified.

	March 2007	March 2006
Accounts Receivable (net)	5,619,016	2,973,196
Inventory	445,662	304,750
Equipment	89,093	339,273
Goodwill	928,747	1,331,008
Accounts Payable	362,945	758,646
Taxes Payable	270,309	506,430

As of June 30, 2005 the Company held no contracts. During the quarter ended September 30, 2005 management made the decision to begin its own financing. This accounts for the increase in accounts receivable. Inventory rose as a result of increased sales. The Company had no significant increase in equipment purchase for the quarter. The increase noted is actually a transfer of assets. The Sunburst lot was purchased on July 7, 2005. As of that date \$350,000 in fixed assets was transferred from other assets to equipment and depreciation was initiated. The increase in accounts payable was a result of increased volume of business and strained cash flow.

Liquidity and Capital Resources

During the twelve months ended June 30, 2006 the Company had investment equity infusions to shore up the lack of cash flow. The Company has not had any investments since September 30, 2005. Since the middle of August 2005 the Company has also kept most of its contracts as opposed to selling the contracts to third parties. This has put a severe strain on the cash flow of the Company and has made it difficult to pay normal overhead expenses on an ongoing basis. During the three month period ended March 31, 2006 the Company executed a finance agreement with an independent finance company to fund the Company's installment contracts. Without a source to finance or purchase the contracts the Company has only as its cash flow cash sales from its weekly auction and monthly payments from its contracts receivable portfolio. Currently, this cash flow stream is not adequate to meet weekly overhead cash needs.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the Company's estimates. The Company believes the most significant estimate made in the preparation of the accompanying consolidated financial statements relates to the determination of its allowance for doubtful accounts, which is discussed below.

The Company maintains an allowance for doubtful accounts on an aggregate basis at a level it considers sufficient to cover estimated losses in the collection of its finance receivables. The allowance for doubtful accounts is based primarily upon recent historical credit loss experience, with consideration given to trends in the industry, delinquency levels, collateral values, and economic conditions and collections practices. The allowance for doubtful accounts is periodically reviewed by management with any changes reflected in current operations. Although it is at least reasonably possible that events or circumstances could occur in the future that are not presently foreseen which could cause actual credit losses to be materially different from the recorded allowance for credit losses, the Company believes that it has given appropriate consideration to all factors and has made reasonable assumptions in determining the allowance for doubtful accounts.

Recent Accounting Pronouncements

In December 2004, The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards 123R, "Share-Based Payment" (SFAS 123R), which is a revision of SFAS 123. SFAS 123R supersedes APB Opinion No. 25. Generally, the approach in SFAS 123R is similar to the approach described in SFAS 123, except that SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statements based on fair values. Pro forma disclosure is no longer an alternative under SFAS 123R. SFAS 123R was originally issued with the implementation required for interim and annual periods beginning after June 15, 2005. On April 15, 2005 the Securities and Exchange Commission delayed the required effective date of SFAS 123R to the beginning of the first fiscal year that begins after June 15, 2005.

The Company has a policy of immediate compliance with all new accounting standards. It has complied with these new requirements since the beginning of its prior fiscal year, July 1, 2004.

Seasonality

The Company's vehicle sales and finance business is seasonal in nature. The period October through December is historically the slowest period for vehicle sales. Many of the Company's operating expenses such as administrative personnel, rent and insurance are fixed and cannot be reduced during period of decreased sales. Conversely, the period January through May is historically the busiest time for vehicle sales as many of the Company's customers use income

tax refunds as down payment on the purchase of a vehicle.

Item 3. Quantitative And Qualitative Disclosures about Market Risk

As of March 31, 2006 the Company had obtained long term institutional financing in the form of collateral debt, and as such the Company's earnings are impacted by interest paid. Interest rates charged by the Company on the vehicles financed by the Company are fixed and are below lending rate regulations in the State of Arizona.

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Item 4. Controls and Procedures

The Company's management has evaluated the effectiveness of the design and operation of its financial and operating controls and procedures as of the end of the period covered by this annual report on Form 10-K, and, based on their evaluation have concluded that these controls and procedures were not effective as a result of weakness in the information technology ("IT") controls.

During the twelve months ended June 30, 2006 the Company made a number of improvements in the IT area including (i) hiring a seasoned chief accountant; (ii) installing new software programs specific to the Company's business; and (iii) improving operational reporting procedures and controls. While the Company's management believes improvements have been made, as of the end of December 31, 2006 this new system is not totally functional. The Company intends to be totally operational by the end of the December 31, 2007 quarter.

PART II

Other Information

Item 1. Legal Proceedings
None

Item 6. Exhibits

31.1	Rule 13a-14(a) certification
31.2	Rule 13a-14(a) certification
32.1	Rule Section 1350 certification

Exhibit Index

31.1. Rule 13a-14(a) certification
31.2. Rule 13a-14(a) certification
32.1. Rule Section 1350 certification