

NowAuto Group, Inc.
Form 10-K/A
May 22, 2009

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

FORM 10-K/A

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

For the fiscal year ended: Commission file number:
June 30, 2006 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 NO

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

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

Title of Each Class	Outstanding at June 30, 2006
Common Stock, par value \$0.001 per share	9,843,046

NowAuto Group, Inc
Table of Contents

Part I	3
Item 1 - Description of Business	3
Item 2 - Description of Properties	10
Item 3 - Legal Proceedings	10
Item 4 - Submission of Matters to Vote of Security Holders	11
Part II	12
Item 5 - Market for Common Equity, Dividends, Related Stockholder Matters and Small Business issuer Purchases of Equity Securities	12
Item 6 - Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 7 - Financial Statements	17
Item 7A - Notes to the Financial Statements	22
Part III	32
Item 8 - Directors, Executive Officers, Promoters, Control Person and Corporate Governance: Compliance With Section 16(a) of The Exchange Act	32
Item 9 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	33
Item 10 - Certain Relationships and Related Transactions, and Directory Independence	33
Item 11 - Principal Accountant Fees and Services	33

Special Note Regarding Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. Forward-looking statements are statements other than historical information or statements of current condition. Certain information included in this Quarterly Report on Form 10-QSB contains, and other materials filed or to be filed by us with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by us or our 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. We undertake 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. In light of these risks and uncertainties inherent in all such projected operational matters, the inclusion of forward-looking statements in this Form 10-KSB should not be regarded as a representation by us or any other person that any of our objectives or plans will be achieved or that any of our operating expectations will be realized. As a consequence, actual results may differ materially from those expressed in any forward-looking statements made by or on behalf of us 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.

Part I

Item 1 - Description of Business

History

NowAuto, Inc. 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 we increased our authorized common stock. On August 31, 2004 the name was changed to NowAuto, Inc.

On July 22, 2005, we were 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.

Business Model in Non-Prime Markets

Consumers in the non-prime finance market are individuals with challenged credit. While some consumers enter and exit this category, others stay there for life. They are there for one of three reasons:

- 1) They have suffered a catastrophic financial event. Usually, this includes a major illness, divorce, or a period of unemployment.
- 2) They fail to practice good financial judgment. This is usually due to lack of training or understanding of personal financial management.
- 3) They have no established credit.

The Buy Here/Pay Here (BHPH) industry has existed for many years. We believe that this market has been underserved or at least in-appropriately served in the past. Many competitors use a business model that tends to take unfair advantage of customers. We attempt to use a model that partners with the customer in order to keep them in their vehicle, assists them with repairing damaged credit, or teaches better fiscal habits.

A GPS unit is installed in every vehicle. Customers are informed of the device at purchase. It is an anti-theft device and also allows us to locate the vehicle in the event that repossession becomes necessary.

Lending Processes

In the application process, the customer is required to provide proof of residence, employment, and insurance as well as a valid driver's license, and 8 personal references. The Company promotes itself as the home of the no credit check therefore credit bureaus are not pulled. Company policy also requires a review of the customer's total income to car payment ratio to ensure that the customer can afford the vehicle.

Once approved, the customer is expected to agree to an ACH payment or some other form of automatic electronic payment method. While some customers have difficulty with this type of payment method due in part to a lack of understanding, this generally improves payment collection. Customers are not required to remain on this type of payment, but our experience is that a request to come off this payment plan is usually a prelude to a troubled account.

Down payments are made in cash or, on rare occasions, with a trade in. Amounts are approximately 15% to 18% of the price of the vehicle depending on the stability score. Although approximately 60% of the down payment must be made upon taking possession of the vehicle, some customers are allowed up to 30 days to pay the remaining down payment. Terms are usually 36 to 39 months with a monthly or semi monthly payment. Interest rates range from 21.99% to 29.99%.

Monitoring and Managing Accounts

Communication is the key to our account maintenance and keeps us proactive rather than reactive. Through out the contract life, we admonish our customers to keep in contact with their account manager. Our account managers are provided a certain amount of latitude in working with our customers including modifying payment dates or partial payments.

If an account falls behind, we will make every reasonable effort to the keep the customer in the car if they maintain communication, willingness to cooperate, and the ability to make at least partial payments. There are a series of steps that are required before a decision to repossess is considered. A highly experienced collection manager then makes the decision. This means that some vehicles are picked up very quickly if the customer is uncooperative. Under Arizona law, customers have 10 days in which to redeem their vehicle. In order to do so, they must pay a repossession fee, which will reimburse our cost and bring their account current again.

The Executive Team takes a hands-on approach to monitoring accounts. They are committed to keeping happy customers in good cars. Status reports are generated and reviewed on a daily basis. Great effort is made to improve the accountability and ultimate success of the collection process.

Inventory

It is our experience that the success of a loan in this market is largely predicated on the condition of the vehicle as this directly affects their ability and motivation to make payments. This is as true at the end of the contract period as it is at the beginning. Therefore, great care and attention is giving to repair and servicing of vehicles from the moment of acquisition to the end of the contract. Some inventory is purchased from wholesalers. The wholesale is responsible for vehicle warranties. These vehicles are purchased on terms. There is no flooring plan as we prefer to keep encumbrances to a minimum.

Inventory is also replenished through repossessions. These vehicles are inspected by the Service Department who are also responsible for any necessary repairs.

After the vehicle is sold, we will assist customer with repairs at the Service Department. Below market labor rates are offered as well as financing for more expensive repairs. Currently, we warranty the vehicle for 500 miles or 15 days as

required by State law.

4

Employees

As of June 30, 2006, we had 26 full time employees. Twelve are operational including the Service Department, eleven are administrative support including collections, and three are executives. Our relationship with employees is generally considered to be good. Turnover rates are within acceptable limits.

Regulation

The BPHH industry is subject to regulation and licensing from various federal, state, and local governments. We believe that we maintain all requisite licenses and are in material compliance with all applicable laws and regulations. The following list constitutes certain of the statutes and ordinances with which we must comply.

- Ø State Licensing Requirements - We maintain a banking license and dealership licenses required in Arizona.
- Ø Fair Debt Collection Act - The Fair Debt Collection Act prohibits us from contacting customer during certain times and at certain places, from using certain threatening practices and from making false implications when attempting to collect a debt.
- Ø Truth in Lending Act - The Truth in Lending Act requires us to make certain disclosures to customers, including the terms of repayment, the total finance charge and the annual percentage rate charged on each contract.
- Ø Equal Credit Opportunity Act - The Equal Credit Opportunity Act prohibits creditors from discriminating against loan applicants on the basis of race, color, sex, age or marital status. Regulation B, in the Equal Credit Opportunity Act, requires creditors to make certain disclosures regarding consumer rights and advises consumers whose credit applications are not approved of the reason for the rejection.
- Ø Fair Credit Reporting Act - The Fair Credit reporting Act requires us to provide certain information to consumers whose credit applications are not approved on the basis of a report obtained from a consumer-reporting agency.
- Ø Gramm-Leach-Bliley Act - The Gramm-Leach-Bliley Act requires us to maintain privacy with respect to certain consumer data in our possession and to periodically communicate with consumers on privacy matters.
- Ø Solders' and Sailors Civil Relief Act - The Solders' and Sailors' Civil Relief Act requires us to reduce the interest rate charged on each loan to customer who have subsequently joined, enlisted, been inducted or called in active military duty.
- Ø Electronic Funds Transfer Act - The Electronic Funds Transfer Act prohibits us from requiring our customer to repay a loan or other credit by electronic funds transfer ("EFT"). We are also required to provide certain documentation to our customer when an EFT is initiated and to provide certain notifications to our customer with regard to preauthorized payments.
- Ø Telephone Consumer Protection Act - The Telephone Consumer Protection Act prohibits telephone solicitation calls to a customer's home before 8 a.m. or after 9 p.m. In addition, if we make a telephone solicitation call to a customer's home, the representative making the call must provide his or her name, our name, and telephone number or address at which our representative may be contacted. The Telephone Consumer Protection Act also requires that we maintain a record of any requests by customer not to receive future telephone solicitations, which must be maintained for five years.
- Ø

Bankruptcy - Federal bankruptcy and related state laws may interfere with or affect our ability to recover collateral or enforce a deficiency judgment.

Risk Factors

Going Concern - The accompanying financial statements have been prepared assuming that we will continue as a going concern. We sustained a material loss in the year ended June 30, 2005 and in June 30, 2006 after impairment of Goodwill. This raises substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

Since that initial loss, great efforts have been made to improve our profitability. Margins on cars sold have increased. Costs, especially overhead, have been reduced. Head count is kept to a minimum. Our loss rate has improved. We have also hired new finance and accounting personnel to better track our profitability and negotiate selling contracts.

We reported a substantial loss for the Fiscal Year Ended June 30, 2005. The fiscal year ended June 30, 2006 reflects a substantial net loss, however, we did report a profit for the year ended June 30, 2006, before impairment of Goodwill. We may need to attract capital investors to continue in existence. No assurance can be made that these investors will be forthcoming.

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 June 30, 2006 this new system is not totally functional. The Company intends to be totally operational by the end of the June 30, 2007 quarter.

We may require additional capital to implement our business plan, and, if additional capital is not available, we may have to curtail or cease operations. We believe that the most efficient manner to increase shareholder value is to execute our business plan, which will require additional capital. However, there is no assurance that we will be successful in the short-term of raising additional funds to fulfill our business plan, or that we will ever be successful in raising additional capital for the business, which could have a material adverse effect on our results of operations and cash flows.

Limited Assets and Operating History - We have no operating history as a finance company prior to the fiscal year ended June 30, 2005 and do not have nor expected to have, any significant assets other than the contracts that we originate. We give no assurance that our efforts to engage in the specialty finance business will be successful. As a business with a limited operating history, if we fail to establish a profitable business, compete effectively in our market, attract qualified employees, build an adequate infrastructure or enhance our technologies, we may not obtain or maintain profitability.

Ability to Manage Growth; Risks Associated with Expansion and Changes in Business - Our future growth will depend in large part on our ability to open additional used car stores, manage expansion, control costs in our operations, underwrite and collect finance receivables without significant losses, develop the human resources necessary to support rapid growth and establish and maintain the infrastructure necessary to execute our business plan.

Our growth has placed significant demands on all aspects of our business, including our management, administrative, operational financial reporting and other system personnel. Additional growth may further strain our system and resources, and there can be no assurance that our operations, resources, procedures, and controls will be adequate to support further expansion. As growth continues, we will review our management infrastructure; systems and financial controls, new store locations and any acquired used car dealership operations and make adjustments or reorganizations as appropriate. Unforeseen capital and operating expenses, liability, and barriers to entry in the markets in which we have little or no prior experience, or other difficulties, complications and delays frequently encountered in connection with the expansion and integration of operations, could inhibit or growth. In order for us to recognize the full benefits of a significant acquisition, we will need to integrate the acquisition with our administrative, finance, sales, personnel, and marketing organizations.

Our ability to continue to grow our specialty retail business will also be dependent upon, among other things, our ability to attract and retain competent management, the availability of capital to fund expansion and the availability of suitable store locations and, to a lesser extent, suitable acquisition candidates.

Our finance receivables portfolio has grown and this is expected to continue. This growth creates the risk that our provision for credit losses will not be sufficient to cover actual losses on the portfolio. Our failure to maintain a sufficient provision for credit losses could have a material adverse effect on our financial condition, results of operations or cash flows.

The diversion of management's attention required by the integration of multiple stores, as well as any other difficulties which may be encountered in the transition and integration process, could have a material adverse effect on our financial condition, results of operations or cash flows. There can be no assurance that we will successfully open additional stores or identify suitable acquisition candidates. There can be no assurance acquisitions will be consummated on acceptable terms or that we will be able to integrate successfully the expanded operations or manage the related increase in personnel.

Unseasoned Loan Portfolio - Due to our loan portfolio growth, a significant portion of the loans are unseasoned. Accordingly, delinquency and loss rates in the portfolio will most likely fluctuate unpredictably. Vehicles that serve as collateral will, in most cases, be worth less than the unamortized principal and interest charges. The resale prices of used vehicles will affect the amount realized following repossession of collateral. Further, we may also incur significant costs before and after repossessing a financed vehicle. We do not intend to purchase insurance to protect against loan defaults or make up the loss realized on the resale of the repossessed vehicle that secured such defaulted loan. There is no assurance that loans made by us to our customers will ultimately be repaid, which would result in our having to write off such loans and would materially and adversely affect our financial condition, results of operations or cash flows.

High Leverage - We are highly leveraged. A substantial portion of such debt is collateralized by our finance contracts. Our substantial leverage could have adverse consequences, including (i) limiting our ability to obtain additional financing, (ii) requiring us to use substantial portions of operating cash flow to meet interest and principal repayment obligations, (iii) exposing us to interest rate fluctuations due to floating interest rates on certain borrowing, (iv) increasing our vulnerability to changes in general economic conditions and competitive pressures, and (v) limiting our ability to capitalize on potential growth opportunities.

Substantial Need for Additional Capital - We may require additional capital in order to fund our expansion. If adequate funds are not available on terms acceptable to us, we may be required to significantly curtail our expansion plans. Our ability to fund the planned expansion is directly related to the availability of funding sources.

The operation of used car dealership and finance companies is capital intensive. We require capital to (i) acquire and maintain inventories of cars and parts, (ii) originate finance contracts, (iii) purchase and maintain service equipment, and (iv) maintain our facilities. We finance the purchase on inventory and lease the properties on which we conduct business. Consequently, we incur significant operating, borrowing and fixed occupancy cost. Should the capital expenditure requirements exceed current estimates, we could be required to seek additional financing in the future. There can be no assurance that we will be able to obtain such financing when needed or on acceptable terms. As a result, we may be forced to reduce or delay additional expenditures or otherwise delay, curtail or discontinue some or all of our operations. Further, if we are able to access additional capital through borrowings such debt will increase our already substantial debt obligations, which could have a material adverse effect on our financial condition, result of operations or cash flows.

Our financing transaction terms are affected by a number of other factors that are beyond our control, including among others, conditions in the securities and finance markets generally, prevailing interest rates, and prevailing economic conditions. If we raise additional funds by issuing equity securities, dilution to the holders of common stock may result.

Sensitivity to Interest Rates - a substantial portion of our finance contract income results from the difference between the rate of interest we pay on the funds we borrow and the rate of interest we earn pursuant to our contracts. While our contracts bear interest at fixed rates, our indebtedness generally bears interest at floating rates. If our interest expense increases, we would seek to compensate for such increases by raising the interest rate on our newly originated contracts or raising our retail car sales prices. To the extent we are unable to do so because of legal limitations or

otherwise, our net contract margins would decrease, thereby adversely affecting our financial condition, results of operations or cash flows.

7

Fluctuations in Operating Results - Our operating results have varied in the past and may vary significantly in the future. Factors causing fluctuations in operating results include, among other things, seasonality in car purchases, changes in our pricing policies, changes in operating expenses, changes in our strategy, personnel changes, the effect of acquisitions and general economic factors. We have limited or no control over many of these factors.

Business Cycle - sales of vehicles historically have been cyclical, fluctuating with general economic cycles. During economic downturns, the automotive retailing and financing industry tends to experience the same periods of decline and recession as those experienced in the general economy. We believe that the industry is influenced by general economic conditions and particularly by consumer confidence, employment rates, the level of personal discretionary spending, interest rates and credit availability. There can be no assurance that the industry will not experience sustained periods of declines in vehicle sales in the future. Any such declines would have a material adverse effect on our financial condition, results of operations or cash flows.

Potential Adverse Effect of Economic Slowdown - Our business is directly related to sales of used vehicles, which are affected by employment rates, prevailing interest rates and other general economic conditions. A future economic slowdown or recession could lead to increased delinquencies, repossessions and credit losses on contracts could hinder our business and planned expansion. Due to our focus on customer with challenged credit, our actual rate of delinquencies, repossessions and credit losses on contracts could be higher under adverse conditions than those experienced in the automobile finance industry in general. Economic changes are uncertain and weakness in the economy could have a material adverse effect on our financial condition, results of operations or cash flows.

Geographic Concentration - Our specialty retailing operations are presently concentrated in the Phoenix and Tucson, Arizona metropolitan areas. An economic slow down or recession, a change in the regulatory or legal environment, natural disasters or other adverse conditions in either of the two metropolitan areas could have a material adverse effect on our financial condition, results of operations or cash flows.

Sourcing Used Cars - We acquire a significant amount of our used car inventory through auctions, wholesalers and trade-ins at our car stores. An affiliated entity provides a floor plan for our existing inventory requirements. There can be no assurance that sufficient inventory will continue to be available to us, the affiliated entity will continue to provide us an inventory floor plan, or will be available at comparable costs, particularly if changes occur in the type of used vehicles that are sold in auctions or if competitive pressure increase as a result of new entrants into our market. Any reduction in available inventory or increase in inventory wholesale costs that cannot be reflected in retail market prices could have a material adverse effect on our financial condition, results of operations or cash flows.

Environmental Risks - we are subject to federal, state, local laws, ordinances and regulations that establish various health and environmental quality standards, liability related thereto, and provide penalties for violations of those standards. Under certain laws and regulations a current or previous owner or operator of real property may be liable for the cost of removal and remediation of hazardous or toxic substances or wastes on, under, in or emanating from such property. Such laws typically impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substance or wastes. Certain laws, ordinances and regulations may impose discharges into waters of the state, including groundwater. Under certain other laws, generators of hazardous or toxic substances or wastes that send such substances or wastes to disposal, recycling or treatment facilities may be liable for remediation of contamination at such facilities. Other laws govern the generation, handling, storage, transportation and disposal of hazardous and toxic substances and wastes, the operating and removal of underground storage tanks, the discharge of pollutants into surface waters and sewers, emissions of certain potentially harmful substance into the air and employee health and safety. Our business operations are subject to such laws including the use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, transmission fluid, anti freeze, freon, batteries, solvent, lubricants, degreasing agents, and gasoline.

Certain laws, including those governing air emissions are emended periodically to require compliance with new or more stringent standards as of future dates. We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist in the future. Compliance with new or more stringent laws or regulations, stricter interpretation of existing laws, or the future discovery of environmental conditions may require expenditures by us, some which may be material.

Creditworthiness of Contract Obligor - Substantially all of our contracts are non-prime consumer credits. The non-prime consumer finance market is comprised of borrowers who are unable to obtain traditional financing due to various credit challenges. Consequently, the incidence of delinquency or default is significantly higher for non-prime consumer credits than in the case of prime consumer credits. For these reason, such contracts bear interest at rates significantly higher than in the case of prime consumer credits and can be purchased at a discount to the principal balance, but also involve a higher probability of default and greater servicing costs. Our profitability depends, in part, upon our ability to properly evaluate the creditworthiness of non-prime consumers and efficiently service such contracts. Loan losses may exceed the proceeds of the performing loans, thus impairing our ability to be successful.

Network Infrastructure and Computer Systems May Fail - The continuing and uninterrupted performance of our network infrastructure and computer systems is critical to success. Operations are dependant upon our ability to protect our computer systems against damage from fire, storms, power loss, telecommunications failures, vandalism and other malicious acts and similar unexpected events. Any damage or failure that interrupts or delays our operations could have a materially adverse effect on our business and financial results.

We must Maintain Confidentiality - We receive highly confidential information from customers that is stored in our files and on our computer systems. Our security procedures may fail to adequately protect information that we are obligated to keep confidential. Any breach of security relating to customers' confidential information could result in legal liability for us and a harmful reduction in the use of our website by our customers.

Competition and Market Conditions - The non-prime consumer automobile sales and finance market is very fragmented and highly competitive. We believe that there are numerous non-traditional consumer sales and finance sources serving this market. Traditional automobile financing sources include commercial banks, savings and loans, credit unions, captive finance companies of automobile manufacturers and other consumer lenders. In recent years, these traditional sources have begun to enter the market in increasing numbers. To the extent that they expand their activities in this market, our ability to execute our business and growth strategy may be adversely affected. We may also be effected by certain demographic, economic and industry trends. For example, these trends include increased sales of used vehicles, the rising price of new vehicles compared to U.S. median family income, the rising of gasoline, and the overall over all of interest rates in general. We believe that recent trends favor increased growth in the portion of the automobile sales and finance industry that serves non-prime consumers. However, a reversal of any of these trends could have a material adverse affect on our operations, profitability and growth.

Performance Dependent on Executive Officers - Our performance is highly dependent on the continued services of our executive officers and other key personnel, the loss of any of whom could materially affect our business, results of operations and financial condition.

Dilution of shareholder Ownership Interest - Holders of our common stock have no preemptive rights with respect to future issuances of common stock and accordingly, will not be able to maintain their current ownership interest in us. Our articles of incorporation and applicable provisions of Nevada law provide that, under certain circumstance, we may issue authorized capital at the approval of our board of directors, and no shareholder vote or other form of shareholder approval is required to issue such capital. Consequently, we may issue shares of common stock in connection with future financings or acquisition and any future such issuances will significantly dilute all current

shareholders' ownership percentage in us.

9

Extensive Regulatory Requirements - Our business is subject to extensive supervision and regulation under federal, state, and local laws and regulations which, among other things, requires us to obtain and maintain certain licenses and qualifications, limits interest rates, fees and other charges associated with the contracts purchased by us, requires specified disclosures by dealers to consumer and limit our right to repossess and sell collateral. An adverse change in, modification to or clarification of any of these laws or regulations, or judicial interpretations as to whether and in what manner such laws or regulations apply to contracts purchased or originated by us, could result in interpretations as to whether and in what manner such laws or regulations apply to contract purchased or originated by us, could result in potential liability related to existing contracts and could have a material adverse effect on our financial condition and results of operations. In addition, due to the consumer-oriented nature of the industry in which we operate and uncertainties with respect to the application of various laws and regulations in certain circumstance, industry participants frequently are named as defendants in litigation involving alleged violations of federal and state consumer lending or other similar laws and regulations.

Penny Stock Rules - Trading in our securities will be subject to the “penny stock” rules for the foreseeable future. The Securities and Exchange Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to person other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to execute the transaction. Unless an exception is available, the regulations require the deliver, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker0dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our common stock and consequently adversely affect the market price.

No dividends - Holders of our securities will only be entitled to receive those dividends that are declared by our board of directors out of surplus. We do not expect to have surplus available for declaration of dividends in the foreseeable future. Indeed, there is no assurance that such surplus will ever materialize to permit payment of dividends. The board of directors will determine future dividend policy based upon our results of operations, financial condition, capital requirements, reserve needs and other circumstances.

Item 2 - Description of Properties

Our corporate offices at 2239 N. Hayden are leased and consists of approximately 1,500 sq ft. All administrative staff is located here. The current lease has a \$1,600 monthly payment and is sublet on a month to month basis.

We currently operate 4 lots, one in Tucson, Arizona and three in the Phoenix area. All the properties are rented. This allows a certain flexibility when local markets change or relocate.

Item 3 - Legal Proceedings

John Pappas

A former employee has sued NavicomGPS, Inc, NowAuto.com, Inc, and NowAuto, Inc. claiming that he was owed a bonus and other compensation with treble damages. NowAuto Group, Inc was not named. The employee is seeking compensation from the debtor companies.

Other

In the normal course of business we may become involved with various other litigation. Other than as described above, we know of no pending or threatened legal proceedings to which we are or will be a party which, if successful, might result in a material adverse change in our business, properties or financial condition.

Item 4 - Submission of Matters to Vote of Security Holders

No matters were submitted during our fourth quarter of the fiscal year covered by this report to a vote of our shareholders.

11

Part II

Item 5 - Market for Common Equity, Dividends, Related Stockholder Matters and Small Business issuer Purchases of Equity Securities

Market Information

Our stock first began trading in July of 2004 on the Pink Sheets under the symbol NWAU.PK. As a result of the merger (see Item 1), stock began trading on the OTC Bulletin Board under the symbol NAUG.BB. The reported high and low bid prices listed below are for the common stock reported for NAUG.BB for the periods indicated.

Fiscal 2006	High	Low
Fourth Quarter	\$ 0.84	\$ 0.17
Third Quarter	\$ 0.50	\$ 0.30
Second Quarter	\$ 1.07	\$ 0.35
First Quarter	N/A	N/A

Holders

As of June 30, 2006, we had approximately 1,250 beneficial owners of record of our common stock.

Dividends

We have never paid dividends on our common stock. We anticipate that all of our future earnings will be retained for the development of our business and do not expect to pay any cash dividends in the foreseeable future. Any actual payment of future dividends will be at the discretion of our board of directors and will be based on our future earnings, financial condition, capital requirements and other relevant factors.

Item 6 - Management's Discussion and Analysis of Financial Condition and Results of Operations

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 us with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by us or our 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. We undertake 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 our 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 us 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.

Business 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 June 30, 2006 the Company has 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 three months ended June 30, 2006 estimated credit losses as a percentage of contracts were 14%. 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.

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. Originally organized as a reseller of GPS products for the Company's Buy Here/Pay Here operations and a small group of external customers, NaviCom GPS, Inc. specializes in tracking and monitoring solutions for fleet management, law enforcement and finance applications as well as tracking vehicles.

Fiscal Year Ended June 30, 2006 vs. Fiscal Year Ended June 30, 2005

For the quarter ended June 30, 2005 the Company was just beginning and did not have any significant sales. As such, a comparison with the quarters would be ineffectual. The discussion below focuses on the twelve months ended June 30, 2006 vs. the twelve months ended June 30, 2005.

Revenue from financed vehicles generally fall in a price range of \$7,000 to \$9,000. Vehicle sales represented 78% of revenue for the period and NaviCom GPS, Inc. 2%.

The Company's gross profit as a percentage of sales during the twelve months ended June 30, 2006 was 31% vs. 6% for the period ended June 30, 2005.

General and administrative expenses as a percentage of sales were 27% for the twelve months ended June 30, 2006 and 75% for the period ended June 30, 2005. Regulatory oversight expenses may affect this as the Company grows.

Financial Condition

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

	6/30/06	6/30/05
Accounts Receivable (net)	4,175,483	48,300
Inventory	624,898	336,386
Equipment	40,733	3,920
Goodwill	928,747	1,628,482
Accounts Payable	406,002	329,425
Taxes Payable	391,757	117,680

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 put a severe strain on the cash flow of the Company and 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 is 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.

Off-Balance Sheet Arrangements

As of June 30, 2006, we did not have any relationship with unconsolidated entities or financial partnerships, which other companies have established for the purpose of facilitating off-balance sheet arrangements as defined in Item 303(c)(2) of SEC Regulation S-B. Therefore, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

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.

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

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 within lending rate regulations in the State of Arizona.

The Company generally finances vehicles on behalf of high risk borrowers with poor credit histories. A portion of these loans become delinquent and require repossession of the vehicles. Charges in the company's delinquency expense caused by changes in economic conditions or other factors could increase the Company's bad debt charge-offs and provision for losses which would adversely affect profitability. Moreover, increased credit losses could substantially reduce the Company's working capital and limit operations.

Our vehicle sales and finance business is seasonal in nature. The period October through December is historically the slowest period for vehicle sales. Many of our 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 our customers use income tax refunds as down payment on the purchase of a vehicle.

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, while improved over last year, are not effective in part due to a 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. During the twelve months ended June 30, 2007 the Company has continued to enhance and improve its business systems. While the Company's management believes improvements have been made, there is still work to be done to improve integration and control of data flow.

Item 7 - Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Now Auto Inc.
Las Vegas, Nevada

We have audited the accompanying balance sheet of Now Auto Inc. as of June 30, 2006 and 2005, and the related statements of operations, stockholders' equity and cash flows for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Now Auto Inc. as of June 30, 2006 and 2005 and the results of its operations and its cash flows for the years ended June 30, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 14 to the financial statements, the Company's recurring losses raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Moore & Associates Chartered
Las Vegas, Nevada
October 12, 2006

2675 S. Jones Blvd. Suite 109, Las Vegas, NV 89146 (702) 253-7511 Fax (702) 253-7501

NowAuto Group, Inc
Consolidated Balance Sheets

	June 30, 2006	June 30, 2005
Assets		
Current Assets		
Cash	27,433	736,910
Accounts Receivable – Net	1,582,495	48,300
Inventory	624,898	336,386
Other Current Assets	189,046	6,029
	2,423,872	1,127,625
Equipment – Net	40,733	3,920
Long Term Portion of Notes Receivable	2,592,988	
Goodwill	928,747,	1,628,482
	5,986,340	2,760,027
Liabilities and Stockholders' Equity		
Liabilities		
Accounts Payable	406,002	329,425
Taxes Payable	391,757	117,680
Line of Credit	2,480,571	
Accrued Payroll Payable	56,303	17,455
Repossession Accrual		118,616
Other Loans	146,554	99,565
Total Liabilities	3,481,186	682,741
Stockholders' Equity		
Common Stock, authorized 100,000,000 shares, \$0.001 par value; Issued and outstanding June 30, 2006 - 9,863,045 shares June 30, 2005 - 8,157,661 shares	1,005,500	8,157
Paid in Capital	3,569,974	3,523,117
Retained Earnings/(Deficit)	(2,070,319)	(1,453,988)
Total Stockholder's Equity	2,505,154	2,077,286

5,986,340 2,760,027

NowAuto Group, Inc

Consolidated Statements of Operations

	Year Ended June 30, 2006	Year Ended June 30, 2005
Income		
Vehicle & Finance Income	11,683,864.65	2,092,912
Cost of Goods Sold	8,039,314.50	1,960,587
Gross Profit/Loss	3,644,550.15	132,325
Expenses		
General and Administrative Stock for Services	3,191,063.35	1,582,313
Write off of Reserves	213,887.00	
Profit before Income Taxes	239,599.80	(1,449,988)
Impairment of Goodwill	686,867.64	
Provision for Income Tax		
Net Income (Loss)	(447,267.84)	(1,449,988)
Basic and Diluted		
Earnings per Share before Impairment	0.02	
Net (Loss) per Common Share	(0.05)	(0.15)

NowAuto Group, Inc

Consolidated Stockholders' Equity

	Shares	Amount	Paid in Capital	Subscriptions Receivable	Accumulated Deficit (Restated)	Total Equity
Balance June 30, 2003	319,878	320	(320)			0
Common Shares Issued to Founders	13,333,333	13,333	(9,333)			4,000
Common Shares Subscribed	1,333,333	1,333	998,667	(1,000,000)		0
Net (Loss)					(178,405)	(178,405)
Balance June 30, 2004	14,986,544	14,986	989,014	(1,000,000)	(178,405)	(174,405)
Cash received on Subscriptions Receivable with additional Shares Issued	3,666,667	3,667	(3,667)	1,000,000		1,000,000
Common shares issued for cash	1,900,001	1,900	1,548,174			1,550,074
Common shares issued for acquisition	322,042	322	300,105			300,427
Common shares canceled	(13,333,333)	(13,333)	9,333			(4,000)
Common shares for service	615,741	616	680,157			680,773
Net (Loss)					(1,449,988)	(1,449,988)
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	70,000	70	30,130			30,200
Common shares issued for cash	65,384		8,500			8,500
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

NowAuto Group, Inc

Consolidated Stockholders' Equity

	Year ended June 30, 2006	Year ended June 30, 2005
Operating Activities		
Net Income	(441,926)	(1,449,988)
Significant Non-Cash Transactions		
Goodwill Purchase		300,426
Shares cancelled		1,764,018
Common stock for services	30,200	(4,000)
Depreciation/Amortization Expense	49,613	571
Changes in assets and liabilities		
(Increase)/Decrease in Receivables	(4,227,953)	(150,435)
(Increase)/Decrease in Inventory	(288,512)	(336,386)
(Increase)/Decrease in Other Current Assets	(89,617)	373,153
(Decrease)/Increase in Accounts Payable	76,577	118,264
(Decrease)/Increase in Other Liabilities	342,067	
Net Cash (Used) by Operating Activities	(4,107,626)	2,065,611
Investing Activities		
Purchase of Fixed Assets	(121,568)	(4,491)
Write off Reserves	213,887	
Impairment of Goodwill	686,868	(1,627,035)
Purchase of Goodwill		
	779,186	(1,631,526)
Financing Activities		
Proceeds from sale of stock		2,021,779
Proceeds from Shareholders loans		99,565
Stock Subscriptions Sold/Paid	1,005,500	
Common Stock sold		
Bank loan	2,055,389	
	3,060,889	2,121,344
Net Increase/(Decrease) in Cash	(709,477)	732,288
Cash, Beginning of Period	736,910	

	27,433	732,288
Significan Non-cash transactions		
Purchase of Navicom, see notes		
Merger with Global-E Investments see notes		
Stock for Services, 50,000 shares @ \$0.05	25,000	
Stock for Services, 20,000 shares @ \$0.26	5,200	
Supplemental Information:		
Period interest	79,455	
Income Taxes paid		

Item 7A - Notes to the Financial Statements

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 June 30, 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.

GPS Devices Inventory

The Company purchases all of its GPS devices for sale. These devices are stated at cost.

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 of 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 \$268,024 and \$68,647 for the fiscal years ended June 30, 2006 and 2005, 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 June 30, 2006 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 - NET

Financed 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. Currently the Company sells a portion of its contracts to third party finance companies. At June 30, 2005, the Company was not holding any of its own contracts. As of June 30, 2006 the Company was holding financed contracts. These are shown below.

Financed Contracts Receivable	\$ 3,557,142
Allowance for doubtful accounts	(100,000)
Financed Contracts-net	\$ 3,457,142

Accounts Receivable - Net

The Company's subsidiary Navicom maintains a trade accounts receivable and allowance for doubtful accounts as follows:

	June 30, 2006	June 30, 2005
Accounts Receivable	\$ 432,071	\$ 341,913
Less: Allowance for Doubtful Accounts	(7,690)	(13,677)
Net Accounts Receivable	\$ 424,381	\$ 328,236
Total Receivables net	\$ 3,989,213	

Note 4. PROPERTY AND EQUIPMENT

A summary of equipment and accumulated depreciation as follows:

	June 30, 2006	June 30, 2005
Furniture, fixtures and Equipment	\$ 35,916	\$ 4,491
Leasehold improvements	2,624	0
Computers & Software	9,396	
Less accumulated depreciation	(7,203)	(571)
Net Equipment	\$ 40,733	\$ 3,920

Note 5. GOODWILL (Including Recent Purchases)

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 June 30, 2006 was as follows:

Year Ending June 30,	2006	2005
Navicom purchase	\$ 214,401	\$ 214,401
Mesa Lot Purchase	498,028	498,028
Tucson Lot Purchase	212,318	164,318
Sunburst Lot Purchase	4,000	751,735
Total	\$ 928,747	\$ 1,628,482

In the above figures the purchase of the Sunburst lot is included in the Goodwill amount as of June 30, 2005.

On July 7, 2005 the depreciable portion of the purchase price listed above, \$350,000, was reallocated to equipment and furniture.

Impairment

The company has selected the final quarter as its period to evaluate the goodwill for impairment on an annual basis. Certain significant events have occurred that focused attention on Sunburst goodwill.

Sunburst's auction business was the key reason for its acquisition. It was expected to be a profitable alternative means of disposing of vehicles not eligible for finance (BHPH) sales. Since the acquisition of Sunburst, a number of events have converged which adversely affected the goodwill of the Sunburst lot, including but not limited to the following:

- 1)The auction proceeds did not achieve the expected results in terms of cash flow and profitability. While the Company devoted considerable capital and advertising to expand the auction, the results still failed to achieve the Company's expectations.
- 2)The Company determined that the Sunburst auction was becoming a drain on capital, advertising and labor, thus inhibiting profitability and growth of its BHPH business.
- 3)The Sunburst staff inherited in the acquisition did not perform to expectations [NOTE: none of those employees are still with the company]

As a result, the Company elected to change the way it disposes of vehicles not eligible for finance sales, focus on its core competency of BHPH sales and reduce redundant and burdensome cost. Therefore, goodwill for the Sunburst lot has been reduced by \$395,000 bringing its value to \$0.

In June of 2006, the landlord of the Sunburst lot announced that he had an offer to sell the land. In view of the events discussed above, the company decided to decline to exercise its lease option to stay. Therefore, the under-performing Sunburst auction was closed down. Certain fixed assets that could not be legally or practically removed were abandoned. The lot was moved to a new location. These events resulted in a write off of fixed assets for \$231,518 to impairment and a reduction of overhead of \$338,364 per year. However, the company believes that the new location will be as productive in financed sales as the old lot had been.

Note 6. INCOME TAXES

The provision for income taxes for the fiscal quarters ended June 30, 2006 and 2005 were as follows below. A valuation account has been set up in the amount of the deferred asset.

Quarter ended March 31,	2006	2005
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' EQUITY

Common 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 and as of June 30, 2004 had 44,959,633 common shares issued and outstanding that includes 4,000,000 shares issued for \$1,000,000 subscriptions receivable for a 504 offering. On August 31, 2004 the name was changed to NowAuto, Inc.

During the twelve months ended June 30, 2005 the Company issued an additional 1,000,000 common shares in receipt of \$1,000,000 cash payment for the subscriptions receivable executed during the prior period 504 offering.

On October 19, 2004 the Company issued 430,126 shares valued at \$86,025 to assume a 100% interest in a used auto dealership and the receipt of a non complete agreement.

On September 3, 2004, the company issued 536,002 common shares valued at \$214,401 to purchase its wholly owned subsidiary Navicom Corporation.

In November, 2004 the Company authorized issue of 1,500,000 common shares valued at \$330,000 to its CEO for professional services.

On February 4, 2005 the Company issued 500,000 restricted common shares in a private placement for \$450,075 cash.

On February 16, 2005 Company issued 50,000 common shares to the founder for services and the surrender of 40,000,000 shares that where immediately cancelled.

On May 6, 2005 the Company issued 297,223 shares for services rendered to the company valued at \$350,723.

On June 21, 2005 the Company issued 200,000 common shares in a private placement for \$100,000 cash.

During the quarter ended September 30, 2005 the Company received \$1,005,500 as stock subscriptions through private placements.

On November 1, 2005 the Company authorized the 50,000 shares of restricted common sock for consulting services. For the quarter ended March 31, 2006 the Company authorized 20,000 shares of restricted common stock for consulting services.

NOTE 8. COMPANY ACQUISITIONS

Navicom Corporation

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
No Compete Covenant	5,000
Goodwill	375,000
Escrow Costs	1,735
Total Investment	\$ 751,735

Note 9. SEGMENT REPORTING

The Company has two segments, its cars sales and its GPS unit sales (Navicom). Following is an analysis of these segments for the three months ended June 30, 2006.

	Cars	GPS Units	Total
Sales	\$ 2,651,686	\$ 74,902	\$ 2,726,588
Costs of Goods Sold	1,551,166	85,218	1,636,384
Gross Profit	\$ 1,100,520	\$ (10,316)	\$ 1,090,204

Note 10. STOCK OPTIONS AND WARRANTS

Currently the Company has no outstanding options or warrants.

Note 11. COMMITMENTS AND CONTINGENCIES

Facility 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 June 30, 2006, the aggregate rentals due under such leases, including renewal options that are reasonably assured, are as follows:

2006	\$ 237,679
2007	253,983
2008	253,983
2009	253,983
2010	253,983

Note 12. RELATED PARTY TRANSACTIONS

Shareholders have advanced the Company funds to cover operational expenses. These were demand notes and currently carried no interest. At December 31, 2005, \$350,000 was converted to a note payable with 6% interest. This note is secured by the assets of the corporation. The total notes payable to Company shareholders are \$164,955.98 at March 31, 2006 and \$99,565 at June 30, 2005. These notes have now been fully satisfied through transfer of customer contracts.

Beginning during the quarter the Company began utilizing a flooring company which previously has been utilized for purchase of contracts. This finance company is owned by the same shareholder that has loaned funds to the Company as mentioned in the previous paragraph.

Note 13. 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. 152 Accounting for Real Estate Time-Sharing Transactions (an amendment of FASB Statements No. 66 and 67)

This Statement amends FASB Statement No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions.

This Statement also amends FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, states that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs are subject to the guidance in SOP 04-2.

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.

Note 14. 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 has 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 December 31, 2005 reflected a substantial net loss. The Company did report a profit for the year ended June 30, 2006; however, the Company needs to attract equity investors to continue in existence. No assurance can be made that these investors will be forthcoming.

Note 15. 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. The other officers currently receive salaries of less than \$100,000.

Note 16. 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.

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, while improved over last year, are not effective in part due to a 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, there is still work to be done to improve integration and control of data flow.

Our management has evaluated the effectiveness of the design and operation of our financial and operating controls and procedures, and, based on their evaluation have concluded that these controls and procedures, while improved over last year, are not effective. Three major areas are listed below:

- Ø Use of multiple nonintegrated computer systems, some of which are lacking adequate security
 - Ø Inadequate security of sensitive information
 - Ø Collection of cash payments by the lots

Note 17. As a result of this restatement, certain items are reclassified as Other Assets instead of Goodwill. This is to correct an error made on consolidation. The changes are as follows:

Description	2006	
	Before	After
Prepaid Expense/Other Assets	\$ 95,646	189,046
Goodwill and Intangibles	1,022,147	928,747

There is no change to the Income Statement or Statement of Cash Flows.

Part III

Item 8 - Directors, Executive Officers, Promoters, Control Person and Corporate Governance: Compliance With Section 16(a) of The Exchange Act

Our executive officers are as follows:

Name	Age	Position with the Company
Scott Miller	46	Chief Executive Officer and Director
Theodore Valenzuela II	45	Chief Operations Officer
Faith Forbis	52	Chief Financial Officer

Scott Miller has been President and CEO of NowAuto since September 2004. Prior to joining NowAuto, Mr. Miller had over fifteen years of investment banking and business consulting experience.

Theodore Valenzuela II has been Vice President and COO of NowAuto since September of 2004. Prior to joining NowAuto, Mr. Valenzuela was the general manager for Western Skies, Inc from 1994 to 2004.

Faith Forbis is a CPA with a Masters of Information Systems Management. She has several years experience in the account field and as a consultant for mid-range accounting and business systems.

Family Relationships

There are no family relationships among any of our officers or directors.

Involvement in certain legal proceeding

Other than as disclosed in this annual report under Item 3 - Legal Proceedings, none of our officers or director has been involved in a legal proceeding requiring disclosure in the last five years.

Board of Directors

Scott Miller serves as the only Director.

Committees

There are no committees of the Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Under federal securities laws, our directors, officers, and 10% shareholders are required to report to the SEC their beneficial ownership of common stock and any changes in that ownership. We believe that all filings were made timely during fiscal 2008.

Code of Ethics

The officers and managers have collectively created our Core Values. They are listed below:

- Ø Treat each co-worker with dignity, as an individual.
- Ø Respect and improve the lives of our customers.

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- Ø Tolerate honest mistakes borne of well-meaning effort.
- Ø Promote opportunities from within to our co-workers.
- Ø Honesty, passion, and integrity in everything we do.
- Ø Lead the industry with innovative products and services.

Posters of these values are displayed in every place of business.

32

Executive Compensation

Scott Miller, CEO entered into an agreement with us on January 20, 2005 for \$250,000 as a retention bonus. We have 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. Faith Forbis was appointed CFO on July 1, 2006. She receives an annual salary of \$71,000. There is no stock option plan or any other form of equity compensation.

Director's Compensation

Our director does not receive any compensation for service as a member of the board of directors.

Item 9 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

No one, including officers and director owns more than a 5% share of common stock outstanding.

Item 10- Certain Relationships and Related Transactions, and Directory Independence

There are none.

Item 11 - Principal Accountant Fees and Services

The following table shows the aggregate fees billed to us for professional services by our independent registered public accounting firm during fiscal 2006 and 2007.

	Fiscal 2006	Fiscal 2005
Audit fees	\$ 18,015	\$ 17,500
Tax fees	0	0
Total fees	\$ 18,015	\$ 17,500

Audit fees - This category includes the aggregate fees billed for professional services rendered for the review and audits of our financial statements for fiscal year 2005 and 2006, for the reviews of the financial statements included in our quarterly reports on Form 10-QSB during fiscal 2005 and 2006, and for services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for the relevant fiscal years.

Tax fees - this category includes the aggregate fees billed in each of the last two fiscal year for professional services rendered by the independent auditors for tax compliance, tax planning and tax advice.

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

34
