Baying Ecological Holding Group Inc.
Form 10-Q
October 12, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **MARCH 31, 2017**

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number **000-51974**

BAYING ECOLOGICAL HOLDING GROUP, INC.

(Exact name of registrant as specified in its charter)

Nevada	**N/A**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

850 Stephenson Highway, Suite 310, Troy, Michigan 90265

(Address of principal executive offices) (Zip Code)

(310) 887-6391

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (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.

Class	Outstanding at September 27, 2017
Common Stock, $.001 par value per share	**260,983**

BAYING ECOLOGICAL HOLDING GROUP, INC.

FORM 10-Q

FOR THE PERIOD ENDED MARCH 31, 2017

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Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Information included in this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Baying Ecological Holding Group, Inc. (the "Company"), to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," or "project" or the negative of these words or other variations on these words comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Actual results of the Company could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, the Company has no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

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BAYING ECOLOGICAL HOLDING GROUP, INC
BALANCE SHEETS

	March 31, 2017 (Unaudited)	June 30, 2016
Assets		
Current Assets		
Cash	$ 2,263	$ 1,978
Total Current Assets	2,263	1,978
Other assets	-	-
Total Assets	2,263	1,978
Liabilities		
Current Liabilities		
Accrued expenses	3,000	9,755
Due to related parties	158,447	126,762
Total Current Liabilities	161,447	136,517
Total Liabilities	161,447	136,517
Commitment & contigencies	-	-
Stockholders' Deficit		
Common stock, par value $0.001, Authorized 75,000,000; 260,983 issued and outstanding as of March 31, 2017 and June 30, 2016	261	261
Preferred stock, $0.001 par value, 20,000,000 shares authorized; 0 share issued and outstanding, respectively	-	-
Additional paid-in capital	1,009,713	1,009,713
Deficit accumulated during development stage	(1,169,158)	(1,144,513)
Total Stockholders' Deficit	(159,184)	(134,539)
Total Liabilities and Stockholders' Deficit	$ 2,263	$ 1,978

See accompanying notes to financial statements

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BAYING ECOLOGICAL HOLDING GROUP, INC
STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016	For the Nine Months Ended March 31, 2017	For the Nine Months Ended March 31, 2016
Revenues	$ -	$ -	$ -	$ -
Cost of Sales	-	-	-	-
Gross Margin	-	-	-	-
Operating Expenses				
Professional fees	4,811	2,500	10,011	16,500
Management fees	4,500	4,500	13,500	13,500
General and administrative expenses	993	750	1,134	3,135
Stock compensation expense	-	-	-	-
Total Operating Expenses	10,304	7,750	24,645	33,135
Loss from operations	(10,304)	(7,750)	(24,645)	(33,135)
Other Income (Expenses)				
Other Income (Expenses)	-	-	-	-
Total Other Income (Expenses)	-	-	-	-
Net Loss before Income Taxes	(10,304)	(7,750)	(24,645)	(33,135)
Income Tax Benefit	-	-	-	-
Net Loss	$ (10,304)	$ (7,750)	$ (24,645)	$ (33,135)
Net Loss per Common Share - Basic and Diluted	$ (0)	$ (0)	$ (0)	$ (0)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	260,983	260,983	260,983	260,983

See accompanying notes to financial statements

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BAYING ECOLOGICAL HOLDING GROUP, INC
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended March 31, 2017	March 31, 2016
Cash Flows from Operating Activities		
Net Loss	$ (24,645)	$ (33,135)
Adjustment to reconcile net loss from operations:		
Contribution to additional paid-in capital	-	3,000
Stock Compensation Expense	-	-
Changes in Operating Assets and Liabilities		
Accrued expenses	(6,755)	10,600
Due to related parties		
Net Cash Used in Operating Activities	**(31,400)**	**(19,535)**
Cash Flows from Investing Activities		
Investment in Franchise		
Proceeds from Issuance of Common Stock		
Proceeds from Susbcription Receivables		
Net Cash Provided by Investing Activities	**-**	**-**
Cash Flows from Financing Activities		
Issuance of capital stock for cash	-	-
Proceeds from related parties	31,685	21,425
Note payable		
Net Cash Provided by Financing Activities	**31,685**	**21,425**
Net Increase (Decrease) in Cash	**285**	**1,890**
Cash at Beginning of Period	**1,978**	**-**
Cash at End of Period	**$ 2,263**	**$ 1,890**
Supplemental Cash Flow Information:		
Income Taxes Paid	**$ -**	**$ -**
Interest Paid	**$ -**	**$ -**

See accompanying notes to financial statements

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Baying Ecological Holding Group, Inc.

Notes to Financial Statements

March 31, 2017

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Baying Ecological Holding Group, Inc. was formerly Toro Ventures Inc., which was incorporated on April 11, 2005, under the laws of the State of Nevada. The Company was originally in the fast food services industry.

The Company changed its name on January 9, 2014 to better reflect its new business direction, of a holding company eventually with various entities being managed. The Company has been identifying and seeking potential corporate partnerships with walnut industry entities.

The Company's accounting year end is June 30.

NOTE 2 – GOING CONCERN

The Company's financial statements as of March 31, 2017 have been prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The Company has incurred significant losses and has no assets.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are presented in United States dollars and have been prepared in accordance with United States generally accepted accounting principles.

Interim Financial Information

The accompanying condensed balance sheet as of March 31, 2017 which has been derived from the Company's audited financial statements as of that date, and the unaudited financial information of the Company as of March 31, 2017 and for the three and nine months ended March 31, 2017, has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X.

In the opinion of management, such financial information includes all adjustments considered necessary for a fair presentation of the Company's financial position at such date and the operating results and cash flows for such periods. Operating results for the interim period ended March 31, 2017 are not necessarily indicative of the results that may be expected for the entire year. Certain information and footnote disclosure normally included in financial statements in accordance with generally accepted accounting principles have been omitted pursuant to the rules of the United States Securities and Exchange Commission ("SEC"). These unaudited financial statements should be read in conjunction with our audited financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2016 filed on September 20, 2016.

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Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates include estimated useful lives and potential impairment of property and equipment, estimate of fair value of share based payments and derivative instruments and recorded debt discount, valuation of deferred tax assets and valuation of in-kind contribution of services and interest.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents.

Net Loss per Share

Net loss per common share is computed by dividing net loss by the weighted average common shares outstanding during the period as defined by Financial Accounting Standards, ASC Topic 260, "Earnings per Share". Basic earnings per common share (“EPS”) calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding.

Business Segments

The Company operates in one segment and therefore segment information is not presented.

Revenue Recognition

The Company will recognize revenue on arrangements in accordance with FASB ASC No. 605, “Revenue Recognition”. In all cases, revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

Fair Value of Financial Instruments

The Company applies the accounting guidance under Financial Accounting Standards Board (“FASB”) ASC 820-10, “Fair Value Measurements”, as well as certain related FASB staff positions. This guidance defines fair value as the price that would be received from m selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact business and considers assumptions that marketplace participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The guidance also establishes a fair value hierarchy for measurements of fair value as follows:

- Level 1 - quoted market prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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The Company's financial instruments consist of accounts payable. The carrying amount of the Company's financial instruments approximates their fair value as of March 31, 2017 and June 30, 2016, due to the short-term nature of these instruments.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases which significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The lessor model stays substantially the same; however, there were modifications to conform lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases requiring significantly more leasing related costs to be expensed upfront. ASU 2016-02 is effective for the Company in the first quarter of fiscal 2020, and the Company is currently assessing the impact this standard will have on the Company's financial statements.

In March 2016, the FASB issued ASU No. 2016-09 "Compensation – Stock Compensation," which identifies areas for simplification involving several aspects of accounting for equity-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 with early adoption permitted subject to certain requirements. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The amendments in this update provided guidance on eight specific cash flow issues. This update is to provide specific guidance on each of the eight issues, thereby reducing the diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2017, which will be effective for the Company for the quarter ending December 31, 2018. Early adoption is permitted. The Company is assessing the impact, if any, of implementing this guidance on its consolidated financial position, results of operations and liquidity.

The Company believes that there were no other accounting standards recently issued that had or are expected to have a material impact on our financial position or results of operations.

NOTE 4 – RELATED PARTY TRANSACTION

Mr. Zhouping Jiao, director of the Company, have advanced working capital to pay expenses of the Company. The advances are due on demand and non-interest bearing. The outstanding amount due to related parties was $158,447 and $126,762 as of March 31, 2017 and June 30, 2016.

Mr. Parsh Patel, director and officer of the Company, provides various consulting and professional services to the Company for which he is compensated. The management fees were $13,500 and $13,500 for the nine months ended March 31, 2017 and 2016, respectively.

NOTE 5 – STOCKHOLDERS' DEFICIT

The Company authorized 75,000,000 common shares with a par value of $0.001.

On October 2015, Mr. Parsh Patel, CEO of the Company has advanced $3,000 as working capital to pay expenses of the Company that was contributed as additional paid-in capital of the Company.

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NOTE 6 – INCOME TAXES

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary different amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following:

	March 31, 2017	June 30, 2016
NOL carryover	$ 137,861	$ 134,021
Less: Valuation allowance	(137,861)	(134,021)
Deferred tax assets, net of valuation allowance	$ -	$ -

The reconciliation of the effective income tax rate to the federal statutory rate is as follows:

	March 31, 2017	June 30, 2016
Federal income tax rate	15%	15%
Less: Valuation allowance	(15)%	(15)%
Effective income tax rate	-%	-%

At March 31, 2017, the Company had net operating loss carry forwards of approximately $919,075 that may be offset against future taxable income to the year 2027. No tax benefit has been reported for the period ended March 31, 2017 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal Income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

NOTE 7 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the filing date of these financial statements and has disclosed that there is no such event that are material to the financial statements to be disclosed.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In this report, unless the context requires otherwise, references to the "Company", "Baying Ecological", "we", "us" and "our" are to Baying Ecological Holding Group, Inc.

CORPORATE HISTORY

We were incorporated pursuant to the laws of the State of Nevada on April 11, 2005 under the name Toro Ventures Inc. We were initially in the fast food services industry. In accordance with the terms and provisions of that certain stock purchase agreement dated December 31, 2013 (the "Stock Purchase Agreement") between Joe Arcaro, seller of control block of restricted shares of common stock of the Company and our sole officer and director ("Arcaro") and The World Financial Holdings Group Co., Ltd., purchaser of the control block of shares of ("World Financial"), there was a change in our control. Arcarco tendered his resignation as the sole member of the Board of Directors and our President/Chief Executive Officer, Secretary, Treasurer/Chief Financial Officer effective February 7, 2014. Effective February 7, 2014, the Board of Directors simultaneously appointed (i) Zhouping Jiao as the sole member of the Board of Directors and as the President/Chief Executive Officer and Treasurer/Chief Financial Officer of the Company; and (ii) Yuehong Yan as our Secretary. In light of the upcoming new business operations, effective May 1, 2014, Zhouping Jiao resigned as the sole member of the Board of Directors and as our President/Chief Executive Officer, Treasurer/Chief Financial Officer and Yuehong Yan resigned as our Secretary. Simultaneously, the Board of Directors effective May 1, 2014 appointed Parsh Patel as the sole member of the Board of Directors and as our President/Chief Executive Officer, Secretary, Treasurer/Chief Financial Officer.

Effective January 9, 2014, our Board of Directors and the majority shareholders approved an amendment to the articles of incorporation to change our name from "Toro Ventures Inc." to "Baying Ecological Holding Group Inc." (the "Name Change Amendment"). The Amendment was filed with the Secretary of State of Nevada on January 23, 2014 changing our name to "Baying Ecological Holding Group Inc." (the "Name Change"). The Name Change was effected to better reflect our future business operations.

OUR BUSINESS

Management believes that agriculture is one of the fastest growing investment areas of the 21st century and is posturing the Company to embark on building an industry leading presence as one of China's walnut conglomerates. Based on management's research, management further believes that in order to capitalize on the growth potential of the walnut market, we will need to revolutionize the industry by building a large scale, all-inclusive, standardized industrial chain. Management intends to achieve this goal by fully utilizing a strong technical force and cultural awareness and heritage to build a strong marketing plan and achieve peak brand operational capability.

Management has been identifying and seeking potential corporate partnerships with the Yangling Modern Agricultural Standardization Institute, which provides an array of technical support for us, as well as Shaanxi Yuanwangda Venture Capital Co., Ltd. in an effort to continue our operational plans. We have been researching an industry-wide chain of production standards for China's entire walnut industry to full realize the development potential that will lead the industry. We intend to incorporate national policy regulations into every step of our business as well as eco-friendly, yet markedly efficient, methods to ensure the very best product is available to our consumers, while also securing the appropriate profit margins for our investors.

As of the date of this Quarterly Report, we intend to meet the following milestones to prepare ourselves for complete self-sufficiency and dominance throughout the walnut industry:

- Successful cultivation of large-scale, eco-efficient walnut reserves (including seed bases and harvesting techniques)
- Independent development of a specialized compound, biological fertilizer that fights the most common forms of walnut disease and create a barrier to prevent future infection
- Acquisition and retention of a top-tier production management team to ensure continued success and growth

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PRODUCTS AND SERVICES

We intend to offer a high quality, new to market brand that encompasses expertly grafted walnut breeds including the American red spike-shaped walnut and premier fragrant walnuts. We have a focus on providing all of our customers with the absolute pinnacle of walnut perfection while also offering our VIPs the ecologically sound, organic products that are in such high demand with our upper-level clientele.

We intend to provide the following products and services:

No.	Items	Individual Membership	Corporate Membership
	Pre-paid consumer credit (RMB)	100--10,000	1,000--20,000
1	Sales	Pre-paid to enjoy double discount	
2	Discount for special products	15% off if paid by cash	Double discount for corporate credit card
3	Discount for consuming in the Club	15% off if paid by cash	Double discount for corporate credit card
4	Discount for normal products	10% off if paid by cash	Double discount for corporate credit card
5	Service fee for group buying	1%--3%	
6	A variety of free workshop	20 hours in total	
7	Annual fruit-picking	Not limited	
8	Group trips	Yes	

As special incentives to our long-term clients we will be prepared to offer the following programs through our retail location, the Baying Precious and Delicious Food Club:

- **Rechargeable Membership Cards:** We will offer a discount to our members that choose to pre-pay for their products using a membership card system.
- **Special Products:** Working in tandem with our cooperative business partners, we will be ready to offer our customers unique products only available through our collaboration.
-

Glamorous VIP Reception Center: At our physical location we intend to feature a VIP tasting experience within our established reception center. Our members will have an opportunity to host guests as they enjoy sampling our offerings at a discount.

- **Superior Offerings:** With a focus on providing our clients with the very best walnuts and related products, we are committed to producing only the finest ecologically sound, organic products for our VIPs.

- **Group Discount Purchasing:** Our VIPs will have the opportunity to purchase products as a group, thereby taking advantage of a bulk discount.

- **Personal and Professional Development Opportunities:** The Fine and Delicious Food Club will be offering free lectures to our clients so as to expand their knowledge base about nutritional and dietary options, health related topics, finance and investment opportunities, as well as classic Chinese cultural studies.

- **Group Enrichment Trips and Annual Fruit Picking Opportunities:** The agricultural hubs of the Baying Company will be made available to our VIPs in an effort to offer true transparency to our top clients. We intend to also offer group trips, organized with both leisure and education in mind, as well as a family-friendly annual fruit picking trip that will cultivate not only an appreciation of the richness of our products, but also a holistic approach to a family’s health and nutrition.

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The Baying Precious & Delicious Food Club was an idea that has allowed us to directly reach our customers as we market our products to them. Specializing in selling high-quality and organic fruits, vegetables, cereals, and precious oils, we believe that this aspect of our corporate strategy will be a strong solidifier of profit and top-of-mind presence. In the end, the Club has nearly infinite profit making applications and as of now we are capitalizing on these: (i) membership card sales; (ii) direct profits from product sales; (iii) cooperation base supply; (iv) public media advertising revenue; and (v) website and periodical advertisement income.

We also intend on applying for and accepting subsidies from the following national organizations/branches of government to enrich our products and our production standards: (i) Department of Commerce: 'Rural Construction Development' project which is designed to assist companies with operations in rural areas who help serve local populations; (ii) Ministry of Agriculture: where the government provides subsidies for the construction of pollution-free base and food deep-processing factories countrywide; (iii) Development and Reform Commission: subsidies from government for agricultural machinery equipment; (iv) The Provincial Labor Union; and(v) funds from SME Promotion Bureau.

As of the date of this Quarterly Report, we have offices located in Troy Michigan and in China on the 6th Floor of Huihao Building, off of 3rd Keji Road, in the heart of Xi'an city.

RESULTS OF OPERATIONS

The following discussions are based on our consolidated financial statements, including our subsidiaries. These charts and discussions summarize our financial statements for the nine months ended March 31, 2017 and March 31, 2016 and should be read in conjunction with the financial statements, and notes thereto, included with our most recent Form 10-K for fiscal year ended June 30, 2016.

SUMMARY COMPARISON OF OPERATING RESULTS

	Nine Month Period ended March 31 ,	
	2017	**2016**
Operating Expenses	$ 24,645	$ 33,135
Other	-0-	-0-
Net Income (Loss)	(24,645)	(33,135)
Net Income (Loss) Per Share	(0.0)	(0.0)

Nine-Month Period Ended March 31, 2017 Compared to Nine-Month Period Ended March 31, 2016.

Our net loss for the nine-month period ended March 31, 2017 was ($24,645) compared to a net loss of ($33,135) during the nine-month period ended March 31, 2016 (a decrease of $8,490). We did not generate any revenues during the nine-month periods ended March 31, 2017 or March 31, 2016, respectively.

During the nine-month period ended March 31, 2017, we incurred operating expenses of $24,645 (2016: $33,135). These operating expenses incurred during the nine-month period ended March 31, 2017 consisted of: (i) management fees of $13,500 (2016: $13,500); (ii) professional fees of $10,011 (2016: $16,500); and (iii) general and administrative expenses of $1,134 (2016: $3,135).

Thus, our operating loss during the nine-month period ended March 31, 2017 was $24,645 compared to $33,135 during the nine-month period ended March 31, 2016.

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During the nine-month periods ended March 31, 2017 and March 31, 2015, respectively, we did not record any other income or expenses.

Therefore, our net loss was ($24,645) or ($0.00) for the nine-month period ended March 31, 2017 compared to a net loss of ($33,135) or ($0.00) during the nine-month period ended March 31, 2016. The weighted average number of shares outstanding was 260,983 for the nine-month periods ended March 31, 2017 and March 31, 2016, respectively.

Three-Month Period Ended March 31, 2017 Compared to Three-Month Period Ended March 31, 2016.

Our net loss for the three-month period ended March 31, 2017 was ($10,304) compared to a net loss of ($7,750) during the three-month period ended March 31, 2016 (an increase of $2,554). We did not generate any revenues during the three-month periods ended March 31, 2017 or March 31, 2016, respectively.

During the three-month period ended March 31, 2017, we incurred operating expenses of $10,304 (2016: $7,750). These operating expenses incurred during the three-month period ended March 31, 2017 consisted of: (i) management fees of $4,500 (2016: $4,500); (ii) professional fees of $4,811 (2016: $2,500); and (iii) general and administrative expenses of $993 (2016: $750).

Thus, our operating loss during the three-month period ended March 31, 2017 was $10,304 compared to $7,750 during the three-month period ended March 31, 2016.

During the three-month periods ended March 31, 2017 and March 31, 2016, respectively, we did not record any other income or expenses.

Therefore, our net loss was ($10,304) or ($0.00) for the three-month period ended March 31, 2017 compared to a net loss of ($7,750) or ($0.00) during the three-month period ended March 31, 2016. The weighted average number of shares outstanding was 260,983 for the three-month periods ended March 31, 2017 and March 31, 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Nine-Month Period Ended March 31, 2017

As at the nine-month period ended March 31, 2017, our current assets were $2,263 and our current liabilities were $161,447, which resulted in a working capital deficit of $159,184. As at fiscal year ended June 30, 2016, our current assets were $1,978 and our current liabilities were $136,517. The increase in current liabilities of $24,930 was primarily due to the increase in amounts due to related parties of $31,685 and in accrued expenses of $6,755. Mr. Parsh Patel, our Chief Executive Officer, advanced $3,000 as working capital to pay our expenses. Mr. Zhouping Jiao, one of our directors, has advanced working capital to pay our expenses. As of March 31, 2017, the outstanding amount due to related parties was $158,447.

Stockholders' deficit increased from ($134,539) for fiscal year ended June 30, 2016 to ($159,184) for the nine-month period ended March 31, 2017.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the nine-month period ended March 31, 2017, net cash flows used in operating activities was $31,400 (2016: $19,535). During the nine-month period ended March 31, 2017, net cash flows used in operating activities consisted primarily of a net loss of ($24,645) (2016: ($33,135)), which was partially adjusted by $-0- (2016: $3,000) in contribution to additional paid in capital. Cash flows was further changed by $6,755 (2016: $10,600) in accrued expenses.

Cash Flows from Investing Activities

For the nine-month periods ended March 31, 2017 and March 31, 2016, respectively, net cash flows used in investing activities was $-0-.

Cash Flows from Financing Activities

We intend to finance our operations primarily from debt or the issuance of equity instruments. For the nine-month period ended March 31, 2017, net cash flows provided from financing activities was $31,685 (2016: $21,425) consisting of proceeds from related parties.

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PLAN OF OPERATION AND FUNDING

We have incurred losses for the past two fiscal years and had a net loss of $24,645 at nine-month period ended March 31, 2017. Management intends to finance our 2017/2018 operations primarily with the potential revenue from walnut product sales and any cash short falls will be addressed through equity or debt financing, if available. We will need to raise additional capital, both internally and externally, to cover cash shortfalls and to compete in our markets. Management believes we will require an additional $1,200,000 in equity financing during the next 12 months to satisfy our cash requirements for operations and to facilitate our business plan.

These operating costs include cost of sales, general and administrative expenses, salaries and benefits and professional fees related to contracting personnel. If we cannot obtain financing to fund our operations in 2017, then we may be required to reduce our expenses and scale back our operations.

Going Concern

If we cannot obtain financing or generate sufficient revenue to fund our operations in 2017, then we may be required to reduce our expenses and scale back our operations. These factors raise substantial doubt of our ability to continue as a going concern. Footnote 2 to our financial statements provides additional explanation of Management's views on our status as a going concern. The audited financial statements contained in this Annual Report do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result should we be unable to continue as a going concern.

Our independent registered accounting firm included an explanatory paragraph June 30, 2016, in their reports on the accompanying financial statements for June 30, 2016 regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

CONTRACTUAL OBLIGATIONS

One of our directors, Mr. Zhouping Jiao, has advanced working capital to pay our expenses. The advances are due on demand and non-interest bearing. Our executive officer, Mr. Parsh Patel, also advanced $3,000 as working capital to pay our expenses. The outstanding amount due to related parties was $158,447 and $126,762 as of March 31, 2017 and June 30, 2016, respectively.

Our executive officer, Mr. Parsh Patel, provides various consulting and professional services to us for which he is compensated. Management fees were $13,500 for both nine-month periods ended March 31, 2017 and March 31, 2016, respectively. These fees remain unpaid and have accrued.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases which significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The lessor model stays substantially the same; however, there were modifications to conform lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases requiring significantly more leasing related costs to be expensed upfront. ASU 2016-02 is effective for the Company in the first quarter of fiscal 2020, and the Company is currently assessing the impact this standard will have on the Company's financial statements.

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In March 2016, the FASB issued ASU No. 2016-09 "Compensation – Stock Compensation," which identifies areas for simplification involving several aspects of accounting for equity-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 with early adoption permitted subject to certain requirements. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The amendments in this update provided guidance on eight specific cash flow issues. This update is to provide specific guidance on each of the eight issues, thereby reducing the diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2017, which will be effective for the Company for the quarter ending December 31, 2018. Early adoption is permitted. The Company is assessing the impact, if any, of implementing this guidance on its consolidated financial position, results of operations and liquidity.

The Company believes that there were no other accounting standards recently issued that had or are expected to have a material impact on our financial position or results of operations.

We have implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer/Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 31, 2017. Based on such evaluation, we have concluded that, as of such date, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer/Principal Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

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Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining internal control over financial reporting for our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over our financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairy reflect our transactions.

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error or circumvention through collusion of improper overriding of controls. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSD) in *Internal-Control-Integrated Framework* and implemented a process to monitor and assess both the design and operating effectiveness of our internal controls. Based on this assessment, management believes that as of December 31, 2016, our internal control over financial reporting was not effective.

We have instituted a remediation plan which involves reeducating our management, the accounting staff, and the administrative staff as to the elements of a completed sale. We increased the oversight of the process by increasing the frequency of involvement of outside accounting consultants. Internal systems are being put into place to track and document significant dates, such as delivery, installation and customer acceptance. In addition, the bookkeeping system has been modified so that all sales of extended warranties are automatically recorded as deferred revenue and that the amount of revenue that is ultimately recognized as warranty revenue is as the result of an analysis of the significant aspects of the warranty such as coverage and period.

Changes in Internal Control Over Financial Reporting

Our management has evaluated, with the participation of our Chief Executive Officer/Chief Financial Officer, changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the third quarter ended March 31, 2017. In connection with such evaluation, there have been no changes to our internal control over financial reporting that occurred since the beginning of our second quarter of 2016 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting. While there have been no changes, we have assessed our internal controls as being deficient and will be taking steps during 2017 to remedy such deficiencies.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

The following exhibits are filed as part of this Form 10-Q:

Exhibit Number	**Description**
(3)	**(i) Articles of Incorporation; and (ii) Bylaws**
3.1	Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2, filed on August 15, 2005).
3.2	Bylaws (incorporated by reference from our Registration Statement on Form SB-2, filed on August 15, 2005).
(10)	**Material Contracts**
10.1	Master Franchise Agreement (incorporated by reference from our Registration Statement on Form SB-2, filed on August 15, 2005).
10.2	Turnkey Agreement between our Company and Nitro Petroleum, Inc. (incorporated by reference from our Current Report on Form 8-K filed on April 4, 2008).
10.3	Employment Agreement between Baying Ecological Holding Group Inc. (incorporated by reference from Current Report on Form 8-K filed on July 31, 2014.
(14)	**Code of Ethics**
14.1	Code of Ethics (incorporated by reference from our Annual Report on Form 10-KSB filed on September 26, 2008).
(31)	**Rule 13a-14(a)/15d-14(a) Certifications**
31.1*	Section 302 Certification under Sarbanes-Oxley Act of 2002
(32)	**Section 1350 Certifications**
32.1*	Section 906 Certification under Sarbanes-Oxley Act of 2002

* Filed herewith.

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SIGNATURES

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

	BAYING ECOLOGICAL HOLDING GROUP INC.
Date: October 12, 2017	By: */s/ Parsh Patel* Parsh Patel President/Chief Executive Officer (Principal executive officer, principal financial officer, and principal accounting officer)

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1

532

533

Net income

4,232

4,232

Balance at April 30, 2007

11,985,958

$

120

$

35,286

$

90,274

$(1,952) $

123,728

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

Notes to Consolidated Financial Statements
America's Car-Mart, Inc.

A - Organization and Business

America's Car-Mart, Inc., a Texas corporation (the "Company"), is the largest publicly held automotive retailer in the United States focused exclusively on the "Buy Here/Pay Here" segment of the used car market. References to the Company typically include the Company's consolidated subsidiaries. The Company's operations are principally conducted through its two operating subsidiaries, America's Car-Mart, Inc, an Arkansas corporation ("Car-Mart of Arkansas") and Colonial Auto Finance, Inc., an Arkansas corporation ("Colonial"). Collectively, Car-Mart of Arkansas and Colonial are referred to herein as "Car-Mart." The Company primarily sells older model 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 April 30, 2007, the Company operated 92 stores located primarily in small cities throughout the South-Central United States.

In October 2001, the Company made the decision to sell all of its operating subsidiaries except Car-Mart, and relocate its corporate headquarters to Bentonville, Arkansas where Car-Mart is based. As a result of this decision, all of the Company's other operating subsidiaries were sold. The Company sold its last remaining discontinued operation in July 2002.

B - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of America's Car-Mart, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Adjustments to Reflect Stock Split

All references to the number of shares of common stock, stock options and warrants, earnings per share amounts, exercise prices of stock options and warrants, common stock prices, and other share and per share data or amounts have been adjusted, as necessary, to retroactively reflect the three-for-two common stock split effected in the form of a 50% stock dividend in April 2005.

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. These sales are made primarily to customers residing in Arkansas, Oklahoma, Texas, Kentucky and Missouri, with approximately 54% of revenues resulting from sales to Arkansas customers. Periodically, the Company maintains cash in financial institutions in excess of the amounts insured by the federal government. Car-Mart's revolving credit facilities mature in April 2009. The Company expects that these credit facilities will be renewed or refinanced on or before the scheduled maturity dates.

Restrictions on Subsidiary Distributions/Dividends

Car-Mart's revolving credit facilities limit distributions from Car-Mart to the Company beyond (i) the repayment of an intercompany loan ($10.0 million at April 30, 2007), and (ii) dividends equal to 75% of Car-Mart of Arkansas' net income. At April 30, 2007, the Company's assets (excluding its $110 million equity investment in Car-Mart) consisted of $25,000 in cash, $3.0 million in other assets and a $10.0 million receivable from Car-Mart. Thus, the Company is limited in the amount of dividends or other distributions it can make to its shareholders without the consent of Car-Mart's lender. Beginning in February 2003, Car-Mart assumed substantially all of the operating costs of the Company.

Cash Equivalents

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

Finance Receivables, Repossessions and Charge-offs and Allowance for Credit Losses

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 net of unearned finance charges and an allowance for credit losses. Unearned finance charges represent the balance of interest income remaining from the total interest to be earned over the term of the related installment contract. An account is considered delinquent when a contractually scheduled payment has not been received by the scheduled payment date. At April 30, 2007 and 2006, respectively, 3.4% and 3.7% of the Company's finance receivable balances were 30 days or more past due.

The Company takes steps to repossess a vehicle when the customer becomes delinquent in his or her payments, and management determines that timely collection of future payments is not probable. Accounts are charged-off after the expiration of a statutory notice period for repossessed accounts, or when management determines that the timely collection of future payments is not probable for accounts where the Company has been unable to repossess the vehicle. For accounts with respect to which the vehicle was repossessed, the fair value of the repossessed vehicle is charged as a reduction of the gross finance receivable balance charged-off. On average, accounts are approximately 52 days past due at the time of charge-off. For previously charged-off accounts that are subsequently recovered, the amount of such recovery is credited to the allowance for credit losses.

The Company maintains an allowance for credit losses on an aggregate basis at a level it considers sufficient to cover estimated losses in the collection of its finance receivables. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends and changes in loan characteristics (i.e., average amount financed and term), delinquency levels, collateral values, economic conditions and underwriting and collection practices. The allowance for credit losses 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 relevant factors and has made reasonable assumptions in determining the allowance for credit losses.

At October 31, 2006 (the end of the Company's second quarter), management increased the allowance for credit loss percentage from 19.2% to 22% due to recent higher credit loss experience and trends. A change in accounting estimate was recognized to reflect the decision to increase the allowance for credit losses, resulting in a pretax, non-cash charge of $5,271,000 for the Company's second quarter of fiscal 2007. No such charge was required in the third or fourth quarters of fiscal 2007.

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.

Goodwill

Goodwill reflects the excess of purchase price over the fair value of specifically identified net assets purchased. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles" ("SFAS 142"), goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. The impairment tests are based on the comparison of the fair value of the reporting unit to the carrying value of such unit. If the fair value of the reporting unit falls below its carrying value, goodwill is deemed to be impaired and a write-down of goodwill would be recognized. There was no impairment of goodwill during fiscal 2007 and 2006.

Property and 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
Buildings and improvements	18 to 39 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.

Cash Overdraft

The Company's primary disbursement bank account is set up to operate with a fixed $100,000 cash balance. As checks are presented for payment, monies are automatically drawn against cash collections for the day and, if necessary, are drawn against one of its revolving credit facilities. The cash overdraft balance principally represents outstanding checks, net of any deposits in transit that as of the balance sheet date had not yet been presented for payment.

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Deferred Sales Tax

Deferred sales tax represents a sales tax liability of the Company for vehicles sold on an installment basis in the State of Texas. Under Texas law, for vehicles sold on an installment basis, the related sales tax is due as the payments are collected from the customer, rather than at the time of sale.

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.

From time to time, the Company is audited by taxing authorities. These audits could result in proposed assessments of additional taxes. The Company believes that its tax positions comply in all material respects with applicable tax law. However, tax law is subject to interpretation, and interpretations by taxing authorities could be different from those of the Company, which could result in the imposition of additional taxes.

Revenue Recognition

Revenues are generated principally from the sale of used vehicles, which in most cases includes a service contract, and interest income and late fees earned on finance receivables. Revenues are net of taxes collected from customers and remitted to government agencies.

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. Revenues from the sale of service contracts are recognized ratably over the five-month service contract period. Service contract revenues are included in sales and the related expenses are included in cost of sales. Interest income is recognized on all active finance receivable accounts using the interest method. Active accounts include all accounts except those that have been paid-off or charged-off. At April 30, 2007 and 2006, finance receivables more than 90 days past due were approximately $115,000 and $178,000, respectively. Late fees are recognized when collected and are included in interest income.

Advertising Costs

Advertising costs are expensed as incurred and consist principally of radio, television and print media marketing costs. Advertising costs amounted to $2,912,000, $2,326,000 and $2,006,000 for the years ended April 30, 2007, 2006 and 2005, respectively.

Employee Benefit Plans

The Company has 401(k) plans for all of its employees meeting certain eligibility requirements. The plans provide for voluntary employee contributions and the Company matches 50% of employee contributions up to a maximum of 2% of each employee's compensation. The Company contributed approximately $156,000, $155,000, and $103,000 to the plans for the years ended April 30, 2007, 2006 and 2005, respectively.

Effective February 1, 2007, the Company began offering employees the right to purchase common shares at a 15% discount from market price under the 2006 Employee Stock Purchase Plan which was approved by shareholders in October 2006. The Company will take a charge to earnings for the 15% discount. Amounts for fiscal 2007 were not material. A total of 200,000 shares have been registered and are available for issuance at April 30, 2007.

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-based Compensation

On May 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards 123R, "Share Based Payment" ("SFAS 123R"), which revises Statement 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS 123R requires the Company to recognize expense related to the fair value of stock-based compensation awards, including employee stock options.

Prior to the adoption of SFAS 123R, the Company accounted for stock-based compensation awards using the intrinsic value method of Opinion 25. Accordingly, the Company did not recognize compensation expense in the statement of operations for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant. As required by Statement 123, the Company also provided certain pro forma disclosures for stock-based awards as if the fair-value-based approach of Statement 123 had been applied.

The Company has elected to use the modified prospective transition method as permitted by SFAS 123R and therefore has not restated financial results for prior periods. Under this transition method, the Company applied the provisions of SFAS 123R to new awards and to awards modified, repurchased, or cancelled after May 1, 2006. All stock options and warrants outstanding at May 1, 2006 were fully vested.

The Company recorded compensation cost for stock-based employee awards of $533,000 ($336,000 after tax effects) during the year ended April 30, 2007. The pretax amount includes $397,000 for restricted shares issued on May 1, 2006 and $136,000 for stock options granted in fiscal 2007. The Company had not previously issued restricted shares. Tax benefits were recognized for these costs at the Company's overall expected effective tax rate.

As a result of the adoption of SFAS 123R, earnings were lower than under the previous accounting method for share-based compensation by the following amounts:

(Dollars in thousands)	Year Ended April 30, 2007
Income before taxes	$136
Net income	$ 85
Basic and diluted net earnings per common share	$ .01

Prior to the adoption of SFAS 123R, the Company presented all tax benefits resulting from the exercise of non-qualified stock options and any disqualifying disposition of vested stock options as operating cash flows in the Consolidated Statement of Cash Flows. During the years ended April 30, 2006 and 2005, tax benefits relating to stock options exercised in the amounts of $114,000 and $304,000, respectively, were included in operating cash flows. SFAS 123R requires that cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) be classified as financing cash flows. For the year ended April 30, 2007, excess tax benefits relating to option and warrant exercises in the amount of $85,000 were included in financing cash flows. The 2006 and 2005 excess tax benefits have been reclassified as a financing cash flow to conform to the 2007 presentation.

The following table illustrates the effect on net income after tax and net income per common share as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based compensation for the years ended April 30, 2006 and 2005:

		Years Ended April 30,	
(Dollars in thousands)		2006	2005
Net income, as reported		$ 16,705	$ 17,976
Deduct:	Stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(100)	(624)
Pro forma net income		$ 16,605	$ 17,352
Basic earnings per common share:			
	As reported	$ 1.41	$ 1.53
	Pro forma	$ 1.40	$ 1.48
Diluted earnings per common share:			
	As reported	$ 1.39	$ 1.49
	Pro forma	$ 1.38	$ 1.44

The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model based on the weighted average assumptions in the table below.

	April 30, 2007	April 30, 2006	April 30, 2005
Expected term (years)	4.8	5.0	5.0
Risk-free interest rate	5.14%	4.5%	4.9%
Volatility	62%	45%	40%
Dividend yield	—	—	—

The expected term of the options is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based on historical volatility of the Company's stock. The Company has not historically issued any dividends and does not expect to do so in the foreseeable future.

Stock Options

The shareholders of the Company have approved three stock option plans, including the 1986 Incentive Stock Option Plan ("1986 Plan"), the 1991 Non-Qualified Stock Option Plan ("1991 Plan") and the 1997 Stock Option Plan ("1997 Plan"). While previously granted options remain outstanding, no additional option grants may be made under the 1986 and 1991 Plans. The 1997 Plan set aside 1,500,000 shares of the Company's common stock for grants to employees, directors and certain advisors of the Company at a price not less than the fair market value of the stock on the date of grant and for periods not to exceed ten years. The options vest upon issuance. At April 30, 2007, there were 28,558 shares of common stock available for grant under the 1997 Plan. Options granted under the Company's stock option plans expire in the calendar years 2008 through 2016.

	Plan		
	1986	1991	1997
Minimum exercise price as a percentage of fair market value at date of grant	100%	100%	100%
Last expiration date for outstanding options	N/A	N/A	April 30, 2016
Shares available for grant at April 30, 2007	0	0	28,558

The following is a summary of the changes in outstanding options for the year ended April 30, 2007:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at beginning of period	287,295	$10.38	61.2 Months
Granted	12,250	$19.75	103.9 Months
Exercised	(13,750)	$5.89	--
Canceled	(11,250)	$20.82	--
Outstanding at end of period	274,545	$10.59	50.3 Months

The grant-date fair value of options granted, net of tax, during fiscal 2007 and 2006 was $85,000 and $100,000, respectively. The total intrinsic value of options exercised during fiscal 2007 and 2006 was $155,621 and $754,257, respectively. The aggregate intrinsic value of outstanding options at April 30, 2007 is $1,487,609.

The Company received cash from options exercised during fiscal 2007 of $81,030. The impact of these cash receipts is included in financing activities in the accompanying Consolidated Statement of Cash Flows.

Warrants

As of April 30, 2007, the Company had outstanding stock purchase warrants issued in 2004 to purchase 18,750 shares at prices ranging from $11.83 to $18.23 per share (weighted average exercise price of $13.11). All of the warrants are presently exercisable and expire between 2008 and 2009. The warrants have a weighted average remaining contractual life of 15.8 months at April 30, 2007. There were 22,329 shares of stock purchased as the result of warrants exercised during the year ended April 30, 2007. The intrinsic value of the warrants exercised was $374,000. The outstanding warrants at April 30, 2007 had an aggregate intrinsic value of $14,800.

Stock Incentive Plan

The Company has a Stock Incentive Plan wherein a total of 39,728 shares were available for award at April 30, 2007. The associated compensation expense for grants of restricted stock is spread equally over the service periods established at award date and is subject to the employee's continued employment by the Company. During the first quarter of fiscal 2007, 57,500 restricted shares were granted with a fair value of $20.07 per share, the market price of the Company's stock on grant date. These restricted shares had a weighted average vesting period of 3.3 years and began vesting on May 1, 2006. In the second quarter of fiscal 2007, 2,522 restricted shares were issued as part of the executive bonus plan. In the third quarter, 250 shares were issued to an employee as a service award. These shares are fully vested.

The Company recorded a pre-tax expense of $397,000 related to the Stock Incentive Plan during the fiscal year ended April 30, 2007.

There have been no modifications to any of the Company's outstanding share-based payment awards during fiscal 2007.

As of April 30, 2007, the Company has $796,000 of total unrecognized compensation cost related to unvested awards granted under the Company's Stock Incentive Plan, which the Company expects to recognize over a weighted-average remaining period of 2.4 years.

Treasury Stock

The Company purchased 30,000 and 72,800 shares of its common stock to be held as treasury stock for a total cost of $454,029 and $1,312,189 during 2007 and 2006, respectively. Treasury stock may be used for issuances under the Company's stock option plan or for other general corporate purposes. All other common shares which have been purchased by the Company under its stock repurchase plan have been cancelled and retired.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies which the Company adopts as of the specified effective date. Unless otherwise discussed, the Company believes the impact of recently issued standards which are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which will require companies to assess each income tax position taken using a two-step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. The interpretation applies to income tax expense as well as any related interest and penalty expense.

FIN 48 requires that changes in tax positions recorded in a company's financial statements prior to the adoption of this interpretation be recorded as an adjustment to the opening balance of retained earnings for the period of adoption. FIN 48 will generally be effective for public companies for the first fiscal year beginning after December 15, 2006. The Company will adopt the provisions of this interpretation during the first quarter of fiscal 2008. No determination has yet been made regarding the materiality of the potential impact of this interpretation on the Company's financial statements.

FASB Statement No. 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS No. 154") was issued in May 2005. SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this new pronouncement in fiscal 2007 did not impact the Company's financial condition, results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The Company will be required to adopt this standard in the first quarter of the fiscal year ending April 30, 2009. The Company is in the process of evaluating the anticipated effect of SFAS 157 on its consolidated financial statements and is not currently in a position to determine such effects.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) 108, "Financial Statements - Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 requires quantification of the impact of all prior year misstatements from both an income statement and a balance sheet perspective to determine if the misstatements are material. SAB 108 is effective for the Company's fiscal year ending April 30, 2007. The adoption of this new pronouncement in fiscal 2007 did not impact the Company's financial condition, results of operations or cash flows.

In February 2007, the FASB issued Statement 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement 115". The statement permits entities to choose to measure certain financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Unrealized gains and losses on any items for which Car-mart elects the fair value measurement option would be reported in earnings. Statement 159 is effective for fiscal years beginning after November 15, 2007. However, early adoption is permitted for fiscal years beginning on or before November 15, 2007, provided Car-mart also elects to apply the provisions of Statement 157, "Fair Value Measurements", at the same time. Car-mart is currently assessing the effect, if any, the adoption of Statement 159 will have on its financial statements and related disclosures.

Reclassifications

Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the fiscal 2007 presentation. Excess tax benefits related to equity instruments and cash overdrafts have been classified as financing cash flows. Proceeds from and repayments of the revolving credit facility have been presented on a gross basis in the financing activities section of the statements of cash flows.

C - Finance Receivables, Net

The Company originates installment sale contracts from the sale of used vehicles at its dealerships. These installment sale contracts typically include interest rates ranging from 6% to 19% per annum, are collateralized by the vehicle sold and provide for payments over periods ranging from 12 to 36 months. The components of finance receivables as of April 30, 2007 and 2006 are as follows:

	April 30,	
(In thousands)	2007	2006
Gross contract amount	$ 199,677	$ 207,378
Less unearned finance charges	(21,158)	(22,135)
Principal balance	178,519	185,243
Less allowance for credit losses	(39,325)	(35,864)
Finance receivables, net	$ 139,194	$ 149,379

Changes in the finance receivables, net balance for the years ended April 30, 2007, 2006 and 2005 are as follows:

	Years Ended April 30,		
(In thousands)	2007	2006	2005
Balance at beginning of year	$ 149,379	$ 123,099	$ 103,684
Finance receivable originations	196,200	196,190	173,446
Finance receivables from acquisition of business	354	845	0
Finance receivable collections	(124,092)	(111,315)	(105,973)
Provision for credit losses	(63,077)	(45,810)	(38,094)
Inventory acquired in repossession	(19,570)	(13,630)	(9,964)
Balance at end of year	$ 139,194	$ 149,379	$ 123,099

Changes in the finance receivables allowance for credit losses for the years ended April 30, 2007, 2006 and 2005 are as follows:

	Years Ended April 30,		
(In thousands)	2007	2006	2005
Balance at beginning of year	$ 35,864	$ 29,251	$ 25,036
Provision for credit losses	63,077	45,810	38,094
Allowance related to acquisition of business, net change	(366)	527	0
Charge-offs, net of recovered collateral	(59,250)	(39,724)	(33,879)
Balance at end of year	$ 39,325	$ 35,864	$ 29,251

D - Property and Equipment

A summary of property and equipment as of April 30, 2007 and 2006 is as follows:

	April 30,	
(In thousands)	2007	2006
Land	$ 5,221	$ 5,234
Buildings and improvements	5,890	5,093
Furniture, fixtures and equipment	4,000	3,673
Leasehold improvements	4,588	3,292
Less accumulated depreciation and amortization	(2,816)	(1,856)
	$ 16,883	$ 15,436

E - Accrued Liabilities

A summary of accrued liabilities as of April 30, 2007 and 2006 is as follows:

	April 30,	
(In thousands)	2007	2006
Compensation	$ 1,970	$ 2,594
Cash overdraft (see Note B)	-	2,441
Deferred service contract revenue (see Note B)	1,812	1,627
Deferred sales tax (see Note B)	928	1,012
Subsidiary redeemable preferred stock (see Note H)	500	500
Interest	286	258
Other	737	311
	$ 6,233	$ 8,743

F – Revolving Credit Facilities

A summary of revolving credit facilities is as follows:

	Revolving Credit Facilities				
	Aggregate	Interest		Balance at	
Primary Lender	Amount	Rate	Maturity	April 30, 2007	April 30, 2006
Bank of Oklahoma	$ 50.0 million	Prime +/-	Apr 2009	$ 30,311,142	$ 43,588,443

On April 28, 2006, Car-Mart and its lenders amended the credit facilities. The amended facilities set total borrowings allowed on the revolving credit facilities at $50 million and established a new $10 million term loan. The term loan was funded in May 2006 and called for 120 consecutive and substantially equal installments beginning June 1, 2006. The interest rate on the term loan is fixed at 8.08%. The principal balance on the term loan was $9.4 million at April 30, 2007. The interest rate on the term loan could decrease to as low as 7.33% in the future if funded debt to EBITDA, as defined, is below 2.25 to 1.00. The combined total for the Company's credit facilities is $60 million. On March 12, 2007 (effective December 31, 2006) Car-Mart and its lenders again amended the credit facilities. The March 12, 2007 amendments served to change the Company's financial covenant requirements and to and adjust the Company's interest rate pricing grid on its revolving credit facilities. The pricing grid is based on funded debt to EBITDA, as defined, and the interest rate on the revolving credit facilities can range from prime minus .25 or LIBOR plus 2.75 to prime plus 1.00 or LIBOR plus 4.00.

The facilities are collateralized by substantially all the assets of Car-Mart including finance receivables and inventory. Interest is payable monthly under the revolving credit facilities at the bank's prime lending rate plus .75% per annum at April 30, 2007 (9.0%) and at the bank's prime lending rate less .25% per annum at April 30, 2006 (7.50%). The interest rate on the revolving credit facilities increased between years due to increases in the prime rate and to the Company's financial performance. The facilities contain various reporting and performance covenants including (i) maintenance of certain financial ratios and tests, (ii) limitations on borrowings from other sources, (iii) restrictions on certain operating activities, and (iv) limitations on the payment of dividends or distributions to the Company. The Company was in compliance with the covenants at April 30, 2007. The amount available to be drawn under the facilities is a function of eligible finance receivables and inventory. Based upon eligible finance receivables and inventory at April 30, 2007, Car-Mart could have drawn an additional $10.2 million under its facilities.

The Company also has a $1.2 million term loan secured by the corporate aircraft. The term loan is payable over ten years and has a fixed interest rate of 6.87%. The principal balance on this loan was $1.1 million at April 30, 2007.

G - Income Taxes

The provision for income taxes for the fiscal years ended April 30, 2007, 2006 and 2005 was as follows:

	Years Ended April 30,		
(In thousands)	2007	2006	2005
Provision for income taxes			
Current	$ 2,206	$ 10,714	$ 10,138
Deferred	(754)	(898)	370
	$ 1,452	$ 9,816	$ 10,508

The provision for income taxes is different from the amount computed by applying the statutory federal income tax rate to income before income taxes for the following reasons:

	Years Ended April 30,		
(In thousands)	2007	2006	2005
Tax provision at statutory rate	$ 1,938	$ 9,282	$ 9,970
State taxes, net of federal benefit	13	643	751
Reduction of tax reserves	(500)	-	-
Other, net	1	(109)	(213)
	$ 1,452	$ 9,816	$ 10,508

The effective income tax rate in 2007 was 26%. This tax rate resulted primarily from the elimination of $500,000 of tax reserves established in prior years for potential issues from the Internal Revenue Service ("IRS") examinations of the Company's 2002 tax returns and certain items in subsequent years. The reserves were eliminated based on notification received from the IRS that the Company would not be assessed any additional taxes, penalties or interest related to the examinations. Also, the Company's state income taxes for 2007 were lower due to the distribution of taxable income among the Company's operating subsidiaries.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of April 30, 2007 and 2006 were as follows:

	April 30,	
(In thousands)	2007	2006
Deferred tax liabilities related to:		
Finance receivables	$ 1,671	$ 2,520
Property and equipment	413	259
Total	2,084	2,779
Deferred tax assets related to:		
Accrued liabilities	1,112	1,035
Inventory	586	479
Share based compensation	51	-
Other	-	176
Total	1,749	1,690
Deferred tax liabilities, net	$ 335	$ 1,089

H - Capital Stock

The Company is authorized to issue up to one million shares of $.01 par value preferred stock in one or more series having such respective terms, rights and preferences as are designated by the Board of Directors. The Company has not issued any preferred stock.

A subsidiary of the Company has issued 500,000 shares of $1.00 par value preferred stock which carries a 6% cumulative dividend. Accumulated but undeclared dividends at April 30, 2007 and 2006 were $30,000. The Company's subsidiary can redeem the preferred stock at any time at par value plus any unpaid dividends. After April 30, 2007, a holder of 400,000 shares of the subsidiary preferred stock can require the Company's subsidiary to redeem such stock for $400,000 plus any unpaid dividends. The subsidiary preferred stock is included in accrued liabilities.

I – Weighted Average Shares Outstanding

Weighted average shares outstanding used in the calculation of basic and diluted earnings per share were as follows for the years ended April 30, 2007, 2006 and 2005:

	Years Ended April 30, 2007	2006	2005
Average shares outstanding – basic	11,850,247	11,852,804	11,737,398
Dilutive options and warrants	103,740	165,737	289,347
Average shares outstanding – diluted	11,953,987	12,018,541	12,026,745
Antidilutive securities not included:			
Options and warrants	88,500	77,250	21,563
Restricted Stock	39,667	-	-

J - Stock Options and Warrants

Stock Options

Since inception, the shareholders of the Company have approved three stock option plans including the 1986 Incentive Stock Option Plan ("1986 Plan"), the 1991 Non-Qualified Stock Option Plan ("1991 Plan") and the 1997 Stock Option Plan ("1997 Plan"). While previously granted options remain outstanding, no additional option grants may be made under the 1986 and 1991 Plans. The 1997 Plan sets aside 1,500,000 shares of the Company's common stock for grants to employees, directors and certain advisors of the Company at a price not less than the fair market value of the stock on the date of grant and for periods not to exceed ten years. At April 30, 2007 and 2006, there were 28,558 and 40,808 shares of common stock available for grant, respectively, under the 1997 Plan. Options granted under the Company's stock option plans expire in the calendar years 2008 through 2016. The following is an aggregate summary of the activity in the Company's stock option plans from April 30, 2004 to April 30, 2007:

	Number of Shares	Exercise Price per Share	Proceeds on Exercise	Weighted Average Exercise Price per Share
Outstanding at April 30, 2004	508,391	$ 2.58 to 11.83	2,520,687	$ 4.96
Granted	86,250	19.83 to 23.75	2,004,550	23.24
Exercised	(224,256)	2.58 to 6.59	(939,175)	4.19
Canceled	(165)	6.59	(1,087)	6.59
Outstanding at April 30, 2005	370,220	$ 3.67 to $23.75	3,584,975	$ 9.68
Granted	15,000	22.17	332,550	22.17
Exercised	(72,650)	3.67 to 8.77	(479,971)	6.61
Canceled	(25,275)	6.59 to 23.75	(456,715)	18.07
Outstanding at April 30, 2006	287,295	$ 3.67 to $23.75	2,980,839	$ 10.38

Granted	12,250		11.62 to 20.47		241,908		19.75
Exercised	(13,750)		3.67 to 11.83		(81,030)		5.89
Canceled	(11,250)		19.83 to 22.17		(234,250)		20.82
Outstanding at April 30, 2007	274,545	$	3.67 to $23.75	$	2,907,467	$	10.59

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As of April 30, 2007, 2006 and 2005, all stock options were exercisable. A summary of stock options outstanding as of April 30, 2007 is as follows:

Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	
$ 3.67 to $ 8.77	185,045	2.52	$	4.81
11.62 to 23.75	89,500	7.66		22.55
	274,545	4.19	$	10.59

Warrants

As of April 30, 2007, the Company had stock purchase warrants outstanding to purchase 18,750 shares, issued during fiscal 2004 at a weighted average grant date fair value of $4.05, with prices ranging from $11.83 to $18.23 per share (weighted average exercise price of $13.11). All of the warrants are presently exercisable and expire in fiscal year 2009.

K - Commitments and Contingencies

Facility Leases

The Company leases certain dealership and office facilities under various non-cancelable operating leases. Dealership leases are generally for periods from three to five years and contain multiple renewal options. As of April 30, 2007, the aggregate rentals due under such leases, including renewal options that are reasonably assured, were as follows:

Years Ending April 30,		Amount *(In thousands)*
2008	$	2,685
2009		2,640
2010		2,584
2011		2,460
2012		2,319
Thereafter		14,463
	$	27,151

The $27.2 million of lease commitments includes $6.7 million of non-cancelable lease commitments under the primary lease terms, and $20.5 million of lease commitments for renewal periods at the Company’s option that are reasonably assured. For the years ended April 30, 2007, 2006 and 2005, rent expense for all operating leases amounted to approximately $2,757,000, $2,440,000 and $2,114,000, respectively.

Litigation

In the ordinary course of business, the Company has become a defendant in various types of other legal proceedings. The Company does not expect the final outcome of any of these actions, individually or in the aggregate, to have a material adverse effect on the Company’s financial position, annual results of operations or cash flows. However, the results of legal proceedings cannot be predicted with certainty, and an unfavorable resolution of one or more of these legal proceedings could have a material adverse effect on the Company's financial position, annual results of operations or cash flows.

Related Finance Company

Car-Mart of Arkansas and Colonial do not meet the affiliation standard for filing consolidated income tax returns, as such they file separate federal and state income tax returns. Car-Mart of Arkansas routinely sells its finance receivables to Colonial at what the Company believes to be fair market value and is able to take a tax deduction at the time of sale for the difference between the tax basis of the receivables sold and the sales price. These types of transactions, based upon facts and circumstances, have been permissible under the provisions of the Internal Revenue Code ("IRC") as described in the Treasury Regulations. For financial accounting purposes, these transactions are eliminated in consolidation, and a deferred tax liability has been recorded for this timing difference. The sale of finance receivables from Car-Mart of Arkansas to Colonial provides certain legal protection for the Company's finance receivables and, principally because of certain state apportionment characteristics of Colonial, also has the effect of reducing the Company's overall effective state income tax rate by approximately 240 basis points. The actual interpretation of the Regulations is in part a facts and circumstances matter. The Company believes it satisfies the material provisions of the Regulations. Failure to satisfy those provisions could result in the loss of a tax deduction at the time the receivables are sold, and have the effect of increasing the Company's overall effective income tax rate as well as the timing of required tax payments.

The Internal Revenue Service ("IRS") has not yet formally concluded its examinations of the Company's tax returns for fiscal 2002 and certain items in subsequent years. However, on May 8, 2007, the Company received notification from the IRS that the Company would not be assessed any additional taxes, penalties or interest related to the examinations. The formal notification of the examination results are expected in the near future. The examinations focused on whether or not the Company satisfied the provisions of the Treasury Regulations which would entitle Car-Mart of Arkansas to a tax deduction at the time it sells its finance receivables to Colonial. Based upon the favorable notification, the Company recognized $500,000 of net income in the fourth quarter of fiscal 2007 for the elimination of associated tax reserves.

L - Fair Value of Financial Instruments

The table below summarizes information about the fair value of financial instruments included in the Company's financial statements at April 30, 2007 and 2006:

	April 30, 2007		April 30, 2006	
(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	$ 257	$ 257	$ 255	$ 255
Finance receivables, net	139,194	133,840	149,379	138,719
Accounts payable	2,473	2,473	3,095	3,095
Revolving credit facilities	30,311	30,311	43,588	43,588
Notes payable	10,518	10,518	-	-

Because no market exists for certain of the Company's financial instruments, fair value estimates are based on judgments and estimates regarding yield expectations of investors, credit risk and other risk characteristics, including interest rate and prepayment risk. These estimates are subjective in nature and involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The methodology and assumptions utilized to estimate the fair value of the Company's financial instruments are as follows:

Financial Instrument	Valuation Methodology
Cash	The carrying amount is considered to be a reasonable estimate of fair value due to the short-term nature of the financial instrument.
Finance receivables, net	The fair value was estimated based upon discussions with third party purchasers of finance receivables.
Accounts payable	The carrying amount is considered to be a reasonable estimate of fair value due to the short-term nature of the financial instrument.
Revolving credit facilities	The fair value approximates carrying value due to the variable interest rates charged on the borrowings.
Notes payable	The fair value approximates carrying value due to the nature of the collateral and the recent placement of the debt.

M - Supplemental Cash Flow Information

Supplemental cash flow disclosures for the years ended April 30, 2007, 2006 and 2005 are as follows:

	Years Ended April 30,		
(In thousands)	2007	2006	2005
Supplemental disclosures:			
Interest paid	$ 3,700	$ 2,336	$ 1,179
Income taxes paid, net	5,856	9,204	10,227
Non-cash transactions:			
Inventory acquired in repossession	19,570	13,630	9,964

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N - Quarterly Results of Operations (unaudited)

A summary of the Company's quarterly results of operations for the years ended April 30, 2007 and 2006 is as follows (in thousands, except per share information):

	Year Ended April 30, 2007				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	$ 62,191	$ 59,539	$ 59,308	$ 59,296	$ 240,334
Net income (loss)	4,155	(1,928)	(50)	2,055	4,232
Earnings per share:					
Basic	.35	(.16)	-	.17	.36
Diluted	.35	(.16)	-	.16	.35

	Year Ended April 30, 2006				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	$ 58,179	$ 55,329	$ 58,248	$ 62,451	$ 234,207
Net income	4,887	2,799	4,465	4,554	16,705
Earnings per share:					
Basic	.41	.24	.38	.38	1.41
Diluted	.41	.23	.37	.38	1.39

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report (April 30, 2007), the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in 13a-15(e) of the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in this report.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of April 30, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework.*

Based on management's assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of April 30, 2007.

The Company's independent auditors have issued an attestation report on management's assessment of the Company's internal control over financial reporting. That report appears below.

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
America's Car-Mart, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that America's Car-Mart Inc. (a Texas Corporation) and subsidiaries maintained effective internal control over financial reporting as of April 30, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). America's Car-Mart Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that America's Car-Mart Inc., and subsidiaries maintained effective internal control over financial reporting as of April 30, 2007, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by COSO. Also in our opinion, America's Car-Mart Inc., and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of April 30, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of America's Car-Mart, Inc. and subsidiaries as of April 30, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended April 30, 2007 and our report dated July 13, 2007 expressed an unqualified opinion on those financial statements.

/S/ GRANT THORNTON LLP

Tulsa, Oklahoma
July 13, 2007

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Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Company's last fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)1. **Financial Statements and Accountant's Report**

The following financial statements and accountant's report are included in Item 8 of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of April 30, 2007 and 2006

Consolidated Statements of Operations for the years ended April 30, 2007, 2006 and 2005

Consolidated Statements of Cash Flows for the years ended April 30, 2007, 2006 and 2005

Consolidated Statements of Stockholders' Equity for the years ended April 30, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

(a)2. **Financial Statement Schedules**

The financial statement schedules are omitted since the required information is not present, or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the consolidated financial statements and notes thereto.

(a)3. **Exhibits**

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation of the Company, as amended. (2)
3.2	Bylaws dated August 24, 1989. (3)
4.1	Specimen stock certificate. (4)
4.2	Amended and Restated Agented Revolving Credit Agreement, dated June 23, 2005, among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, Arvest Bank, First State Bank, Bank of Oklahoma, N.A., and Liberty Bank of Arkansas and one or more additional lenders to be determined at a later date, Bank of Arkansas, N.A., as agent for the banks and Bank of Oklahoma, N.A., as the paying agent. (5)
4.2.1	First Amendment to the Amended and Restated Agented Revolving Credit Agreement, dated September 30, 2005, among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, Arvest Bank, First State Bank, Bank of Oklahoma, N.A., and Liberty Bank of Arkansas and one or more additional lenders to be determined at a later date, Bank of Arkansas, N.A., as agent for the banks. (6)

Exhibit Number	Description of Exhibit
4.2.2	Third Amendment to the Amended and Restated Agented Revolving Credit Agreement, dated February 24, 2006, among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, Arvest Bank, First State Bank, Bank of Oklahoma, N.A., and Liberty Bank of Arkansas and one or more additional lenders to be determined at a later date, Bank of Arkansas, N.A., as agent for the banks. (7)
4.2.3	Fourth Amendment to the Amended and Restated Agented Revolving Credit Agreement, dated April 28, 2006, among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, Arvest Bank, First State Bank, Bank of Oklahoma, N.A., and Liberty Bank of Arkansas and one or more additional lenders to be determined at a later date, Bank of Arkansas, N.A., as agent for the banks. (8)
4.2.4	Fifth Amendment to Amended and Restated Agented Revolving Credit Agreement, dated March 8, 2007 (effective December 31, 2006), among Colonial Auto Finance, Inc., as borrower, Bank of Arkansas, N.A., Great Southern Bank, First State Bank of Northwest Arkansas, Enterprise Bank and Trust, Sovereign Bank, Commerce Bank, N.A. and First State Bank. (16)
4.3	Revolving Credit Agreement, dated June 23, 2005, among America's Car-Mart, Inc., an Arkansas corporation, and Texas Car-Mart, Inc., as borrowers, and Bank of Oklahoma, N.A., as lender. (5)
4.3.1	Second Amendment to Revolving Credit Agreement, dated September 30, 2005, among America's Car-Mart, Inc., an Arkansas corporation, and Texas Car-Mart, Inc., as borrowers, and Bank of Oklahoma, N.A., as lender. (6)
4.3.2	Third Amendment to Revolving Credit Agreement, dated April 28, 2006, among America's Car-Mart, Inc., an Arkansas corporation, and Texas Car-Mart, Inc., as borrowers, and Bank of Oklahoma, N.A., as lender. (8)
4.3.3	Fourth Amendment to Revolving Credit Agreement, dated March 8, 2007 (effective December 31, 2006), among America's Car-Mart, Inc. an Arkansas corporation, and Texas Car-Mart, Inc. as borrowers, and Bank of Arkansas, N.A., as lender. (16)
4.3.4	Guaranty Agreement dated March 8, 2007 (effective December 31, 2006), among America's Car-Mart, Inc., an Arkansas corporation, and Bank of Arkansas, N.A., as lender. (16)
10.1	1986 Incentive Stock Option Plan. (9)
10.1.1	Amendment to 1986 Incentive Stock Option Plan adopted September 27, 1990. (10)
10.2	1991 Non-Qualified Stock Option Plan. (11)

10.3	1997 Stock Option Plan. (12)
10.4	2005 Restricted Stock Plan. (15)

Exhibit Number	Description of Exhibit
10.4.1	Amendment to 2005 Restricted Stock Plan (17)
10.5	Form of Indemnification Agreement between the Company and certain officers and directors of the Company. (13)
10.6	Employment Agreement, dated May 1, 2006, between the Company and Tilman J. Falgout, III. (18)
10.7	Employment arrangements with Jeffrey A. Williams. (18)
10.8	Employment Agreement, dated May 1, 2006, between the Company and William H. Henderson. (18)
10.9	Employment Agreement, dated May 1, 2006, between the Company and Eddie Lee Hight. (18)
14.1	Code of Business Conduct and Ethics. (14)
21.1	Subsidiaries of America's Car-Mart, Inc. (1)
23.1	Consent of Independent Registered Public Accounting Firm. (1)
24.1	Power of Attorney of William H. Henderson. (1)
24.2	Power of Attorney of Tilman J. Falgout, III. (1)
24.3	Power of Attorney of J. David Simmons. (1)
24.4	Power of Attorney of William A. Swanston. (1)
24.5	Power of Attorney of William M. Sams. (1)
24.6	Power of Attorney of Daniel J. Englander. (1)
31.1	Rule 13a-14(a) certification. (1)
31.2	Rule 13a-14(a) certification. (1)
32.1	Section 1350 certification. (1)

(1) Filed with the original report on Form 10-K; new certifications are filed with this Form 10-K/A.
(2) Previously filed as Exhibits 4.1-4.8 to the Company's Registration Statement on Form S-8 initially filed with the Securities and Exchange Commission on November 16, 2005 (No. 333-129727) and incorporated herein by reference.
(3) Previously filed as Exhibit 4.9 to the Company's Registration Statement on Form S-8 initially filed with the Securities and Exchange Commission on November 16,

2005 (No. 333-129727) and incorporated herein by reference.

(4) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 1994 and incorporated herein by reference.

(5) Previously filed as an Exhibit to the Company’s Current Report on Form 8-K initially filed with the Securities and Exchange Commission on June 29, 2005 and incorporated herein by reference.

(6) Previously filed as an Exhibit to the Company's Current Report on Form 8-K initially filed with the Securities and Exchange Commission on October 6, 2005 and incorporated herein by reference.
(7) Previously filed as an Exhibit to the Company's Current Report on Form 8-K initially filed with the Securities and Exchange Commission on February 27, 2006 and incorporated herein by reference.
(8) Previously filed as an Exhibit to the Company's Current Report on Form 8-K initially filed with the Securities and Exchange Commission on May 3, 2006 and incorporated herein by reference.
(9) Previously filed as an Exhibit to the Company's Registration Statement on Form 10, as amended, (No. 0-14939) and incorporated herein by reference.
(10) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 1991 and incorporated herein by reference.
(11) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 1992 and incorporated herein by reference.
(12) Previously filed as an Exhibit to the Company's Registration Statement on Form S-8, as amended, initially filed with the Securities and Exchange Commission on October 20, 1997 (No. 333-38475) and incorporated herein by reference.
(13) Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 1993 and incorporated herein by reference.
(14) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 2004 and incorporated herein by reference.
(15) Previously filed as Appendix B to the Company's Proxy Statement on Schedule 14A initially filed with the Securities and Exchange Commission on August 29, 2005 and incorporated herein by reference.
(16) Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2007 and incorporated herein by reference.
(17) Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2006 and incorporated herein by reference.
(18) Previously filed as an Exhibit to the Company's Annual Report on Form 10-K for the year ended April 30, 2006 and incorporated herein by reference.

(b) The exhibits are listed in Item 15(a)3. above.

(c) Refer to Item 15(a)2. above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICA'S CAR-MART, INC.

Dated: July 16, 2007

By: /s/ Tilman J. Falgout, III
Tilman J. Falgout, III
Chief Executive Officer
(principal executive officer)

Dated: July 16, 2007

By: /s/ Jeffrey A. Williams
Jeffrey A. Williams
Vice President Finance and Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT INDEX

Exhibit Number	**Description of Exhibit**
31.1	Rule 13a-14(a) certification.
31.2	Rule 13a-14(a) certification.
32.1	Section 1350 certification.