AMERICAS CARMART INC
Form 10-K
July 03, 2008

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

FORM 10-K

(Mark One)
x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended April 30, 2008
OR
o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number 0-14939

AMERICA S CAR-MART, INC.
(Exact name of registrant as specified in its charter)

Texas	**63-0851141**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
802 Southeast Plaza Avenue, Suite 200	
Bentonville, Arkansas	**72712**
(Address of principal executive offices)	(Zip Code)

(479) 464-9944
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to section 12(g) of the Act:
Common Stock, $.01 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

o	Large accelerated filer	Accelerated filer	x
o	Non-accelerated filer	Smaller reporting company	o

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

The aggregate market value of the registrant s common stock held by non-affiliates on October 31, 2007 was $121,571,398 (10,114,093 shares), based on the closing price of the registrant s common stock of $12.02.

There were 11,734,340 shares of the registrant s common stock outstanding as of July 3, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement to be furnished to stockholders in connection with its 2008 Annual Meeting of Stockholders are incorporated by reference in response to Part III of this report.

PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains numerous forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address the Company s future objectives, plans and goals, as well as the Company s intent, beliefs and current expectations regarding future operating performance, and can generally be identified by words such as may, will, should, believe, expect, anticipate, intend, plan, foresee, and other similar words or phrases. Specific events addressed by these forwa statements include, but are not limited to:

- new store openings;
- same store revenue growth;
- future revenue growth;
- receivables growth greater than revenue growth;
- future credit losses;
- the Company s business and growth strategies;
- financing the majority of growth from profits; and
- having adequate liquidity to satisfy its capital needs.

These forward-looking statements are based on the Company s current estimates and assumptions and involve various risks and uncertainties. As a result, you are cautioned that these forward-looking statements are not guarantees of future performance, and that actual results could differ materially from those projected in these forward-looking statements. Factors that may cause actual results to differ materially from the Company s projections include those risks described elsewhere in this report, as well as:

- the availability of credit facilities to support the Company s business;
- the Company s ability to underwrite and collect its loans effectively;
- competition;
- dependence on existing management;
- changes in lending laws or regulations; and
- general economic conditions in the markets in which the Company operates, including but not limited to fluctuations in gas prices, grocery prices and employment levels.

The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made.

Item 1. Business

Business and Organization

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, 2008, the Company operated 91 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.

Business Strategy

In general, it is the Company s objective to continue to expand its Buy Here/Pay Here used car operation using the same business model that has been developed by Car-Mart over the last 27 years. This business strategy focuses on:

Collecting Customer Accounts. Collecting customer accounts is perhaps the single most important aspect of operating a Buy Here/Pay Here used car business and is a focal point for store level and corporate office personnel on a daily basis. Periodically, the Company measures and monitors the collection results of its stores using internally developed delinquency and account loss standards. Substantially all associate incentive compensation is tied directly or indirectly to collection results. Over the last five years, Car-Mart s annual credit losses as a percentage of sales have ranged from a low of 20.1% in 2005 to a high of 29.1% in 2007 (average of 22.8%). The Company believes that it can continue to be successful provided it maintains its credit losses within or below its historical credit loss range. See item 1A. Risk Factors for further discussion.

Maintaining a Decentralized Operation. The Company s dealerships will continue to operate on a decentralized basis. Each store is responsible for buying (with the assistance of a corporate office purchasing agent) and selling its own vehicles, making credit decisions and collecting the loans it originates in accordance with established policies and procedures (credit scoring, maximum loan terms and down-payment requirements as well as other customer profile data are all monitored centrally). Most customers make their payments in person at one of the Company s dealerships. This decentralized structure is complemented by the oversight and involvement of corporate office management and the maintenance of centralized financial controls, including credit scoring, establishing standards for down-payments and contract terms as well as an internal compliance function.

Expanding Through Controlled Organic Growth. The Company plans to continue to expand its operations by increasing revenues at existing dealerships and opening new dealerships. In fiscal 2007 and into fiscal 2008, the Company decided to slow down its new store openings until operational initiatives showed positive results. The focus has been on improving performance of existing dealerships prior to opening significant numbers of new stores. The Company acquired one existing Buy Here/Pay Here dealership in March 2006 and another in May 2006 and may consider acquiring additional existing dealerships if conditions and terms are favorable. However, the Company will continue to view organic growth as its primary source for growth.

Selling Basic Transportation. The Company will continue to focus on selling basic and affordable transportation to its customers. The Company generally does not sell luxury cars or sports cars. The average retail sales price was $8,690 in fiscal 2008. By selling vehicles at this price point, the Company is able to keep the terms of its installment sales contracts relatively short (overall portfolio average of 27.3 months), while requiring relatively low payments.

Operating in Smaller Communities. The majority of the Company s dealerships are located in cities and towns with a population of 50,000 or less. The Company believes that by operating in smaller communities it experiences better collection results. Further, the Company believes that operating costs, such as salaries, rent and advertising, are lower in smaller communities than in major metropolitan areas.

Enhance Management including Promoting from Within. It has been the Company s practice to try to hire honest and hardworking individuals to fill entry level positions, nurture and develop these associates, and attempt to fill the vast majority of its managerial positions from within the Company. By promoting from within, the Company believes it is better able to train its associates in the Car-Mart way of doing business, maintain the Company s unique culture and develop the loyalty of its associates. Additionally, the Company looks outside for associates possessing requisite skills who share the values and appreciate the Company s unique culture developed over the years. The Company has been able to attract quality individuals from outside via its Manager in Training Program.

Cultivating Customer Relationships. The Company believes that developing and maintaining a relationship with its customers is critical to the success of the Company. A large percentage of sales at mature stores are made to repeat customers, and the Company estimates an additional 10% to 15% of sales result from customer referrals. By developing a personal relationship with its customers, the Company believes it is in a better position to assist a customer, and the customer is more likely to cooperate with the Company should the customer experience financial difficulty during the term of his or her installment loan with the Company. The Company is able to cultivate these relationships as the majority of its customers make their payments in person at one of the Company s dealerships on a weekly or bi-weekly basis.

Business Strengths

The Company believes it possesses a number of strengths or advantages that distinguish it from most of its competitors. These business strengths include:

Experienced and Motivated Management. The Company s executive operating officers have an average tenure of approximately 23 years. Several of Car-Mart s store managers have been with the Company for more than 10 years. Each store manager is compensated, at least in part (some entirely), based upon the net income of his or her store. A significant portion of the compensation of Car-Mart senior management is incentive based and tied to economic profit as opposed to earnings under generally accepted accounting standards.

Proven Business Practices. The Company s operations are highly structured. While stores are operated on a decentralized basis, the Company has established policies, procedures and business practices for virtually every aspect of a store s operations. Detailed on-line operating manuals are available to assist the store manager and office, sales and collections personnel in performing their daily tasks. As a result, each store is operated in a uniform manner. Further, corporate office personnel monitor the stores operations through weekly visits and a number of daily, weekly and monthly communications and reports.

Low Cost Operator. The Company has structured its store and corporate office operations to minimize operating costs. The number of associates employed at the store level is dictated by the number of active customer accounts each store services. Associate compensation is standardized for each store position. Other operating costs are closely monitored and scrutinized. Technology is utilized to maximize efficiency. The Company believes its operating costs as a percentage of revenues, or per unit sold, are among the lowest in the industry.

Well Capitalized / Limited External Capital Required for Growth. As of April 30, 2008, the Company s debt to equity ratio was 0.29 to 1.0, which the Company believes is lower than the majority of its competitors. Further, the Company believes it can fund a significant amount of its planned growth from net income generated from operations. Of the external capital that will be needed to fund growth, the Company plans to draw on its existing credit facilities, or renewals or replacements of those facilities.

Significant Expansion Opportunities. The Company generally targets smaller communities to locate its dealerships (i.e., populations from 20,000 to 50,000), but has had success in larger cities such as Tulsa, Oklahoma and Little Rock, Arkansas. The Company believes there are numerous suitable communities within the eight states and other contiguous states in which the Company currently operates to satisfy any anticipated store growth for the next several years. However, the Company does not currently plan to add a significant number of new locations in fiscal 2009 as the Company has significant growth opportunities within its existing store base, most notably for stores opened within the last five years. Existing lots will continue to be analyzed to ensure that they are producing desired results and have potential to provide adequate returns on invested capital.

Operations

Store Organization. Stores are operated on a decentralized basis. Each store is responsible for buying (with the assistance of a corporate office buyer) and selling vehicles, making credit decisions, and servicing and collecting the installment loans it originates. Stores also maintain their own records and make daily deposits. Store-level financial statements are prepared by the corporate office on a monthly basis. Depending on the number of active customer accounts, a store may have as few as two or as many as 25 full-time associates employed at that location. Associate positions at a large store may include a store manager, assistant store manager, manager trainee, office manager, assistant office manager, service manager, buyer, collections personnel, salesmen and lot attendants. Stores are open Monday through Saturday from 9:00 a.m. to 6:00 p.m. The Company has both regular and satellite stores. Satellite stores are similar to regular stores, except that they tend to be smaller, sell fewer vehicles and their financial performance is not captured in a stand alone financial statement, but rather is included in the financial results of the sponsoring regular store.

Store Locations and Facilities. Below is a summary of stores opened during the fiscal years ended April 30, 2008, 2007 and 2006:

	Years Ended April 30,		
	2008	2007	2006
Stores at beginning of year	92	85	76
New stores opened/acquired	3	7	10
Stores closed	(4)		(1)
Stores at end of year	91	92	85

Below is a summary of store locations by state as of April 30, 2008, 2007 and 2006:

	As of April 30,		
Stores by State	2008	2007	2006
Arkansas	35	34	34
Oklahoma	17	17	15
Texas	13	16	16
Kentucky	9	9	8
Missouri	11	10	9
Kansas		1	1
Indiana	1	1	1
Tennessee	1	1	1
Alabama	4	3	
Total	91	92	85

Stores are typically located in smaller communities. As of April 30, 2008, approximately 70% of the Company s stores were located in cities with populations of less than 50,000. Stores are located on leased or owned property between one and three acres in size. When opening a new store the Company will typically use an existing structure on the property to conduct business, or purchase a modular facility while business at the new location develops. Store facilities typically range in size from 1,500 to 5,000 square feet.

Purchasing. The Company purchases vehicles primarily through wholesalers, new car dealers, individuals and from auctions. The majority of vehicle purchasing is performed by the Company s buyers, although certain store managers are authorized to purchase vehicles. On average, a buyer will purchase vehicles for three stores. Buyers report to the store manager, or managers, for whom they make purchases, and to a regional purchasing director. The regional purchasing directors monitor the quantity and quality of vehicles purchased and compare the cost of similar vehicles purchased among different buyers.

Generally, the Company s buyers purchase vehicles between three and 10 years of age with 80,000 to 130,000 miles, and pay between $3,500 and $6,000 per vehicle. The Company focuses on providing basic transportation to its customers. The Company generally does not purchase sports cars or luxury cars. Some of the more popular vehicles the Company sells include the Ford Taurus and Escort, Chevrolet Lumina and Cavalier, Dodge Neon, Pontiac Grand Am and Oldsmobile Cutlass. The Company also sells a significant number of trucks and sport utility vehicles. Buyers inspect and test-drive almost every vehicle they purchase. Buyers attempt to purchase vehicles that require little or no repair as the Company has limited facilities to repair or recondition vehicles.

Selling, Marketing and Advertising. Stores generally maintain an inventory of 15 to 100 vehicles depending on the maturity of the dealership. Inventory turns over approximately 10 to 12 times each year. Selling is done principally by the store manager, assistant manager, manager trainee or sales associate. Sales associates are paid a commission for sales that they make in addition to an hourly wage. Sales are made on an as is basis; however, customers are given an option to purchase a five month or 5,500 mile service contract for $395 which covers certain vehicle components and assemblies. For covered components and assemblies, the Company coordinates service with third party service centers with which the Company typically has previously negotiated labor rates and mark-up percentages on parts. The majority of the Company s customers elect to purchase a service contract when purchasing a vehicle. Additionally, the Company offers its customers a payment protection plan product. This product contractually obligates the Company to cancel the remaining principal outstanding for any loan where the retail customer has totaled the vehicle, as defined, or the vehicle has been stolen. This product is available in most of the states in which the Company operates and the majority of customers elect to purchase this product when purchasing a vehicle in those states.

The Company s objective is to offer its customers basic transportation at a fair price and treat each customer in such a manner as to earn his or her repeat business. The Company attempts to build a positive reputation in each community where it operates and generate new business from such reputation as well as from customer referrals. The Company estimates that approximately 10% to 15% of the Company s sales result from customer referrals. The Company recognizes repeat customers with silver, gold and platinum plaques representing the purchase of 5, 10 and 15 vehicles, respectively. These plaques are prominently displayed at the dealership where the vehicles were purchased. For mature dealerships, a large percentage of sales are to repeat customers.

The Company primarily advertises in local newspapers, on the radio and on television. In addition, periodically the Company conducts promotional sales campaigns in order to increase sales.

Underwriting and Finance. The Company provides financing to substantially all of its customers who purchase a vehicle at one of its stores. The Company only provides financing to its customers for the purchase of its vehicles, and the Company does not provide any type of financing to non-customers. The Company s installment sales contracts typically include down payments ranging from 0% to 17% (average of 7%), terms ranging from 12 months to 36 months (average of 27.3 months), and annual interest charges ranging from 6% to 19% (average of 12.8% at April 30, 2008). The Company requires that payments be made on a weekly, bi-weekly, semi-monthly or monthly basis to coincide with the day the customer is paid by his or her employer. Upon the customer and the Company reaching a preliminary agreement as to financing terms, the Company obtains a credit application from the customer which includes information regarding employment, residence and credit history, personal references and a detailed budget itemizing the customer s monthly income and expenses. Certain information is then verified by Company personnel. After the verification process, the store manager makes the decision to accept, reject or modify (perhaps obtain a greater down payment or require an acceptable co-buyer or suggest a lower priced vehicle) the proposed transaction. In general, the store manager attempts to assess the stability and character of the applicant. The store manager who makes the credit decision is ultimately responsible for collecting the loan, and his or her compensation is directly related to the collection results of his or her store. The Company provides centralized support to the store manager in the form of a credit scoring system and other supervisory assistance to assist with the credit decision.

Collections. All of the Company s retail installment contracts are serviced by Company personnel at the store level. The majority of the Company s customers make their payments in person at the store where they purchased their vehicle, although some customers send their payments through the mail. Each store closely monitors its customer accounts using the Company s proprietary receivables and collections software that stratifies past due accounts by the number of days past due. The Company believes that the timely response to past due accounts is critical to its collections success.

The Company has established standards with respect to the percentage of accounts one and two weeks past due, the percentage of accounts three or more weeks past due, and for larger stores, one and two weeks past due, 15 to 44 days past due and 45-plus days past due (delinquency standards), and the percentage of accounts where the vehicle was repossessed or the account was charged off that month (account loss standard).

The Company works very hard to keep its delinquency percentages low, and not to repossess vehicles. Accounts one day late are sent a notice in the mail. Accounts three days late are contacted by telephone. Notes from each telephone contact are electronically maintained in the Company s computer system. If a customer becomes severely delinquent in his or her payments, and management determines that timely collection of future payments is not probable, the Company will take steps to repossess the vehicle. The Company attempts to resolve payment delinquencies amicably prior to repossessing a vehicle. Periodically, the Company enters into contract modifications with its customers to extend the payment terms. The Company only enters into a contract modification or extension if it believes such action will increase the amount of monies the Company will ultimately realize on the customer s account. For those vehicles that are repossessed, the majority are returned or surrendered by the customer on a voluntary basis. Other repossessions are performed by Company personnel or third party repossession agents. Depending on the condition of a repossessed vehicle, it is either resold on a retail basis through a Company store, or sold for cash on a wholesale basis primarily through physical and/or on-line auctions.

New Store Openings. The Company plans to slow new store openings until operational initiatives show sustained positive results. Senior management, with the assistance of the corporate office staff, will make decisions with respect to the communities in which to locate a new store and the specific sites within those communities. New stores have historically been located in the general proximity of existing stores to facilitate the corporate office s oversight of the Company s stores.

The Company s approach with respect to new store openings has been one of gradual development. The manager in charge of a new store is normally a recently promoted associate who was an assistant manager at a larger store or a manager trainee. The corporate office provides significant resources and support with pre-opening and initial operations of new dealerships. The facility may be of a modular nature or an existing structure. New stores operate with a low level of inventory and personnel. As a result of the modest staffing level, the new store manager performs a variety of duties (i.e., selling, collecting and administrative tasks) during the early stages of his or her store s operations. As the store develops and the customer base grows, additional staff is hired.

Typically, monthly sales levels at new stores are substantially less than sales levels at mature stores. Over time new stores gain recognition in their communities, and a combination of customer referrals and repeat business generally facilitate sales growth. Sales growth at new stores can exceed 20% per year for a number of years. Historically, mature stores typically experience annual sales growth, but at a lower percentage than new stores. However, in 2007 the Company did experience a decrease in sales at mature stores as it focused on improving the quality of sales in the face of increased credit losses. In 2008, the historical sales trends returned as operational initiatives showed success and the Company was able to support higher sales levels as a result.

New stores are generally provided with approximately $750,000 to $1.2 million in capital from the corporate office during the first 12 to 24 months of operation. These funds are used principally to fund receivables growth. After this 12 to 24 month start-up period, new stores typically become cash flow positive. That is, receivables growth is funded from store profits rather than additional capital from the corporate office. This limitation of capital to new, as well as existing, stores serves as an important operating discipline. Essentially, stores must be profitable in order to grow. Typically, new stores are profitable within the first year of opening.

Corporate Office Oversight and Management. The corporate office, based in Bentonville, Arkansas, consists of area operations managers, regional vice presidents, regional purchasing directors, a vice president of purchasing, compliance auditors, associate and management development personnel, accounting and management information systems personnel, administrative personnel and senior management. The corporate office monitors and oversees store operations. The Company s stores transmit and submit operating and financial information and reports to the corporate office on a daily, weekly and monthly basis. This information includes cash receipts and disbursements, inventory and receivables levels, receivables agings and sales and account loss data. The corporate office uses this information to compile Company-wide reports, plan store visits and prepare monthly financial statements.

Periodically, area operations managers, regional vice presidents, compliance auditors and senior management visit the Company s stores to inspect, review and comment on operations. Often, the corporate office assists in training new managers and other store level associates. Compliance auditors visit lots quarterly to ensure policies and procedures are being followed and that the Company s assets are being safe-guarded. In addition to financial results, the corporate office uses delinquency and account loss standards and a point system to evaluate a store s performance. Also, bankrupt and legal action accounts and other accounts that have been written off at dealerships are handled corporately in an effort to allow store personnel time to focus on more current accounts.

The Company s store managers meet monthly on an area, regional or Company-wide basis. At these meetings, corporate office personnel provide training and recognize achievements of store managers. Near the end of every fiscal year, the respective area operations manager, regional vice president and senior management conduct projection meetings with each store manager. At these meetings, the year s results are reviewed and ranked relative to other stores, and both quantitative and qualitative goals are established for the upcoming year. The qualitative goals may focus on staff development, effective delegation, and leadership and organization skills. Quantitatively, the Company establishes unit sales goals and, depending on the circumstances, may establish delinquency, account loss or expense goals.

The corporate office is also responsible for establishing policy, maintaining the Company s management information systems, conducting compliance audits, orchestrating new store openings and setting the strategic direction for the Company.

Industry

Used Car Sales. The market for used car sales in the United States is significant. Used car retail sales typically occur through franchised new car dealerships that sell used cars or independent used car dealerships. The Company operates in the Buy Here/Pay Here segment of the independent used car sales and finance market. Buy Here/Pay Here dealers sell and finance used cars to individuals with limited credit histories or past credit problems. Buy Here/Pay Here dealers typically offer their customers certain advantages over more traditional financing sources, such as broader and more flexible underwriting guidelines, flexible payment terms (including scheduling payments on a weekly or bi-weekly basis to coincide with a customer s payday), and the ability to make payments in person, an important feature to individuals who may not have a checking account.

Used Car Financing. The used automobile financing industry is served by traditional lending sources such as banks, savings and loans, and captive finance subsidiaries of automobile manufacturers, as well as by independent finance companies and Buy Here/Pay Here dealers. Despite significant opportunities, many of the traditional lending sources do not consistently provide financing to individuals with limited credit histories or past credit problems. Management believes traditional lenders avoid this market because of its high credit risk and the associated collections efforts.

Competition

The used automotive retail industry is highly competitive and fragmented. The Company competes principally with other independent Buy Here/Pay Here dealers, and to a lesser degree with (i) the used vehicle retail operations of franchised automobile dealerships, (ii) independent used vehicle dealers, and (iii) individuals who sell used vehicles in private transactions. The Company competes for both the purchase and resale of used vehicles.

Management believes the principal competitive factors in the sale of its used vehicles include (i) the availability of financing to consumers with limited credit histories or past credit problems, (ii) the breadth and quality of vehicle selection, (iii) pricing, (iv) the convenience of a dealership s location, (v) the option to purchase a service contract, and (vi) customer service. Management believes that its dealerships are competitive in each of these areas.

Regulation and Licensing

The Company s operations are subject to various federal, state and local laws, ordinances and regulations pertaining to the sale and financing of vehicles. Under various state laws, the Company s dealerships must obtain a license in order to operate or relocate. These laws also regulate advertising and sales practices. The Company s financing activities are subject to federal truth-in-lending and equal credit opportunity regulations as well as state and local motor vehicle finance laws, installment finance laws, usury laws and other installment sales laws. Among other things, these laws require that the Company limit or prescribe terms of the contracts it originates, require specified disclosures to customers, restrict collections practices, limit the Company s right to repossess and sell collateral, and prohibit discrimination against customers on the basis of certain characteristics including age, race, gender and marital status.

The states in which the Company operates impose limits on interest rates the Company can charge on its loans. These limits are generally based on either (i) a specified margin above the federal primary credit rate, (ii) the age of the vehicle, or (iii) a fixed rate. Management believes the Company is in compliance in all material respects with all applicable federal, state and local laws, ordinances and regulations. However, the adoption of additional laws, changes in the interpretation of existing laws, or the Company s entrance into jurisdictions with more stringent regulatory requirements could have a material adverse effect on the Company s used vehicle sales and finance business.

Employees

As of April 30, 2008, the Company, including its consolidated subsidiaries, employed approximately 840 persons full time. None of the Company s employees are covered by a collective bargaining agreement and the Company believes that its relations with its employees are good.

Available Information

The Company s website is located at www.car-mart.com. The Company makes available on this website, free of charge, access to the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, as well as proxy statements and other information the Company files with, or furnishes to, the Securities and Exchange Commission (SEC) as soon as reasonably practicable after the Company electronically submits this material to the SEC. The information contained on the website or available by hyperlink from the website is not incorporated into this Annual Report on Form 10-K or other documents the Company files with, or furnishes to, the SEC.

Executive Officers

The executive officers of the Company are as follows:

Name	Age	Position with the Company
Tilman J. Falgout, III	59	Chairman of the Board, General Counsel and Director
William H. Henderson	44	Vice Chairman of the Board, President, Chief Executive Officer and Director
Eddie L. Hight	45	Chief Operating Officer
Jeffrey A. Williams	45	Chief Financial Officer, Vice President Finance and Secretary

Tilman J. Falgout, III has served as Chairman of the Board since May 2004, General Counsel since 1995 and a director of the Company since 1992. From May 2002 until October 2007, Mr. Falgout served as Chief Executive Officer of the Company. From 1995 until May 2002, Mr. Falgout also served as Executive Vice President of the Company. From 1978 through June 1995, Mr. Falgout was a partner in the law firm of Stumpf & Falgout, Houston, Texas.

William H. Henderson has served as Vice Chairman of the Board since May 2004, as President since May 2002, and as Chief Executive Officer of the Company since October 2007. From 1999 until May 2002, Mr. Henderson served as Chief Operating Officer of Car-Mart. From 1992 through 1998, Mr. Henderson served as General Manager of Car-Mart. From 1987 to 1992, Mr. Henderson primarily held the positions of District Manager and Regional Manager at Car-Mart.

Eddie L. Hight has served as Chief Operating Officer of the Company since May 2002. From 1984 until May 2002, Mr. Hight held a number of positions at Car-Mart including Store Manager and Regional Manager.

Jeffrey A. Williams has served as Chief Financial Officer, Vice President Finance and Secretary of the Company since October 1, 2005. From October 2004 until his employment by the Company, he served as the Chief Financial Officer of Budgetext Corporation, a distributor of new and used textbooks. From February 2004 to October 2004, Mr. Williams was the President and founder of Clearview Enterprises, LLC, a regional distributor of animal health products. From January 1999 to January 2004, Mr. Williams was Chief Financial Officer and Vice President of Operations of Wynco, LLC, a nationwide distributor of animal health products.

Item 1A. Risk Factors

Car-Mart is subject to various risks, including the risks described below. Car-Mart s business, operating results, and financial condition could be materially and adversely affected by any of these risks. Additional risks not presently known to the Company or that Car-Mart currently deems immaterial may also impair its business and operations.

Risks Related to the Used Automotive Retail and Finance Industry

The Company may have a higher risk of delinquency and default than traditional lenders because it loans money to credit-impaired borrowers.

Substantially all of Car-Mart s automobile contracts involve loans made to individuals with impaired or limited credit histories, or higher debt-to-income ratios than permitted by traditional lenders. Loans made to borrowers who are restricted in their ability to obtain financing from traditional lenders generally entail a higher risk of delinquency, default and repossession, and higher losses than loans made to borrowers with better credit. Delinquency interrupts the flow of projected interest income and repayment of principal from a loan, and a default can ultimately lead to a loss if the net realizable value of the automobile securing the loan is insufficient to cover the principal and interest due on the loan or the vehicle cannot be recovered. Car-Mart s profitability depends, in part, upon its ability to properly evaluate the creditworthiness of non-prime borrowers and efficiently service such loans. Although the Company believes that its underwriting criteria and collection methods enable it to manage the higher risks inherent in loans made to non-prime borrowers, no assurance can be given that such criteria or methods will afford adequate protection against such risks. If the Company experiences higher losses than anticipated, its financial condition, results of operations and business prospects could be materially and adversely affected.

A decrease in market interest rates would likely have an adverse effect on the Company s profitability.

The Company s earnings are impacted by its net interest income, which is the difference between the income earned on interest-bearing assets and the interest paid on interest-bearing notes payable. The Company s finance receivables generally bear interest at fixed rates ranging from 6% to 19%, while its revolving notes payable contain variable interest rates that fluctuate with market interest rates. However, interest rates charged on finance receivables originated in the State of Arkansas are limited to the federal primary credit rate (currently 2.25%) plus 5%. Typically, the Company charges interest on its Arkansas loans at or near the maximum rate allowed by law. Thus, while the interest rates charged on the Company s loans do not fluctuate once established, new loans originated in Arkansas are set at a spread above the federal primary credit rate which does fluctuate. At April 30, 2008, approximately 56% of the Company s finance receivables were originated in Arkansas. Assuming that this percentage is held constant for future loan originations, the long-term effect of decreases in the federal primary credit rate would generally have a negative effect on the profitability of the Company because the amount of interest income lost on Arkansas originated loans would likely exceed the amount of interest expense saved on the Company s variable rate borrowings.

The Company s allowance for credit losses may not be sufficient to cover actual credit losses, which could adversely affect its financial condition and operating results.

From time to time, the Company has to recognize losses resulting from the inability of certain borrowers to repay loans and the insufficient realizable value of the collateral securing loans. The Company maintains an allowance for credit losses in an attempt to cover credit losses inherent in its loan portfolio. Additional credit losses will likely occur in the future and may occur at a rate greater than the Company has experienced to date. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to delinquency levels, collateral values, economic conditions and underwriting and collections practices. This evaluation is inherently subjective as it requires estimates of material factors that may be susceptible to significant change. If the Company s assumptions and judgments prove to be incorrect, its current allowance may not be sufficient and adjustments may be necessary to allow for different economic conditions or adverse developments in its loan portfolio.

A reduction in the availability or access to sources of inventory would adversely affect the Company s business by increasing the costs of vehicles purchased.

Car-Mart acquires vehicles primarily through wholesalers, new car dealers, individuals and from auctions. There can be no assurance that sufficient inventory will continue to be available to the Company or will be available at comparable costs. Any reduction in the availability of inventory or increases in the cost of vehicles would adversely affect gross profit percentages as the Company focuses on keeping payments affordable to its customer base. The Company could have to absorb cost increases.

The used automotive retail industry is highly competitive and fragmented, which could result in increased costs to the Company for vehicles and adverse price competition.

The Company competes principally with other independent Buy Here/Pay Here dealers, and to a lesser degree with (i) the used vehicle retail operations of franchised automobile dealerships, (ii) independent used vehicle dealers, and (iii) individuals who sell used vehicles in private transactions. The Company competes for both the purchase and resale of used vehicles. The Company s competitors may sell the same or similar makes of vehicles that Car-Mart offers in the same or similar markets at competitive prices. Increased competition in the market, including new entrants to the market, could result in increased wholesale costs for used vehicles and lower-than-expected vehicle sales and margins. Further, if any of Car-Mart s competitors seek to gain or retain market share by reducing prices for used vehicles, the Company would likely reduce its prices in order to remain competitive, which may result in a decrease in its sales and profitability and require a change in its operating strategies.

An economic slowdown will have adverse consequences for the used automotive industry and may have greater consequences for the non-prime segment of the industry.

In the normal course of business, the used automotive retail industry is subject to changes in regional U.S. economic conditions, including, but not limited to, interest rates, gasoline prices, inflation, personal discretionary spending levels, and consumer sentiment about the economy in general. Any significant changes in economic conditions could adversely affect consumer demand and/or increase costs, resulting in lower profitability for the Company. Due to the Company s focus on non-prime borrowers, its actual rate of delinquencies, repossessions and credit losses on loans could be higher under adverse economic conditions than those experienced in the automotive retail finance industry in general.

The used automotive industry operates in a highly regulated environment with significant attendant compliance costs and penalties for non-compliance.

The used automotive industry is subject to a wide range of federal, state, and local laws and regulations, such as local licensing requirements and laws regarding advertising, vehicle sales, financing, and employment practices. Facilities and operations are also subject to federal, state, and local laws and regulations relating to environmental protection and human health and safety. The violation of these laws and regulations could result in administrative, civil, or criminal penalties against the Company, or in a cease and desist order. As a result, the Company has incurred, and will continue to incur, capital and operating expenditures, and other costs in complying with these laws and regulations. Further, over the past several years, private plaintiffs and federal, state, and local regulatory and law enforcement authorities have increased their scrutiny of advertising, sales, and finance and insurance activities in the sale of motor vehicles.

Inclement weather can adversely impact the Company s operating results.

The occurrence of weather events, such as rain, snow, wind, storms, hurricanes, or other natural disasters, adversely affecting consumer traffic at Car-Mart s automotive dealerships, could negatively impact the Company s operating results.

Risks Related to the Company

The Company s business is geographically concentrated; therefore, the Company s results of operations may be adversely affected by unfavorable conditions in its local markets.

The Company s performance is subject to local economic, competitive, and other conditions prevailing in the nine states where Car-Mart operates. 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 53% of revenues resulting from sales to Arkansas customers. The Company s current results of operations depend substantially on general economic conditions and consumer spending habits in these local markets.

Car-Mart s success depends upon the continued contributions of its management teams.

The Company is dependent upon the continued contributions of its management teams and other key employees. Since the Company maintains a decentralized operation in which each store is responsible for buying and selling its own vehicles, making credit decisions and collecting loans it originates, the key employees at each store are important factors in the Company s ability to implement its business strategy. Consequently, the loss of the services of key employees could have a material adverse effect on the Company s results of operations. In addition, when Car-Mart decides to open new lots, the Company will need to hire additional personnel. The market for qualified employees in the industry and in the regions in which Car-Mart operates is highly competitive and may subject the Company to increased labor costs during periods of low unemployment.

The Company s business is dependent upon the efficient operation of its information systems.

Car-Mart relies on its information systems to manage its sales, inventory, consumer financing, and customer information effectively. The failure of the Company s information systems to perform as designed, or the failure to maintain and continually enhance or protect the integrity of these systems, could disrupt the Company s business, impact sales and profitability, or expose the Company to customer or third-party claims.

Changes in the availability or cost of capital and working capital financing could adversely affect the Company s growth and business strategies.

The Company generates cash from income from continuing operations. The cash is primarily used to fund finance receivables growth, which have historically grown slightly faster than revenues. To the extent finance receivables growth exceeds income from continuing operations, generally the Company increases its borrowings under its revolving credit facilities to provide the cash necessary to make loans. On a long-term basis, the Company expects its principal sources of liquidity to consist of income from continuing operations and borrowings under revolving credit facilities and/or fixed interest term loans. Any adverse changes in the Company s ability to borrow under revolving credit facilities or fixed interest term loans, or any increase in the cost of such borrowings, would likely have a negative impact on the Company s ability to finance receivables growth which would adversely affect the Company s growth and business strategies.

Further, Car-Mart s current credit facilities contain various reporting and performance covenants. Any failure by the Company to comply with these covenants could have a material adverse effect on the Company s ability to implement its business strategy.

The Company s growth is dependent upon the availability of suitable lot sites.

The Company leases a majority of the properties where its stores are located. If and when the Company decides to open new stores, the inability to acquire suitable real estate, either through lease or purchase, at favorable terms could limit the expansion of the Company s lot base and could have a material adverse effect on the Company s expansion strategy and future operating results.

Car-Mart s business is subject to seasonal fluctuations.

The Company s third fiscal quarter (November through January) has historically been the slowest period for car and truck sales. Conversely, the Company s first and fourth fiscal quarters (May through July and February through April) have historically been the busiest times for car and truck sales. Therefore, Car-Mart generally realizes a higher proportion of its revenue and operating profit during the first and fourth fiscal quarters. However, in fiscal 2008, tax refund anticipation sales began in early November 2007 and continued through January 2008. The success of the tax refund anticipation sales effort led to higher sales levels during the third quarter of fiscal 2008. The Company expects this trend to continue in future periods. If conditions arise that impair vehicle sales during the first or fourth fiscal quarters, the adverse effect on the Company s revenues and operating profit for the year could be disproportionately large.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of April 30, 2008, the Company leased approximately 70% of its facilities, including dealerships and the Company s corporate offices. These facilities are located principally in the states of Arkansas, Oklahoma, Texas, Kentucky and Missouri. The Company s corporate offices are located in approximately 12,000 square feet of leased space in Bentonville, Arkansas. For additional information regarding the Company s properties, see Contractual Payment Obligations and Off-Balance Sheet Arrangements under Item 7 of Part II.

Item 3. Legal Proceedings

In the ordinary course of business, the Company has become a defendant in various types of 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.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders of the Company during the fourth quarter ended April 30, 2008.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

General

The Company s common stock is traded on the NASDAQ Stock Market under the symbol CRMT. The following table sets forth, by fiscal quarter, the high and low closing sales prices reported by NASDAQ for the Company s common stock for the periods indicated.

	Fiscal 2008		Fiscal 2007	
	High	Low	High	Low
First quarter	$ 13.92	$ 12.18	$ 20.58	$ 15.04
Second quarter	12.50	10.62	17.01	13.90
Third quarter	13.59	10.30	15.08	10.41
Fourth quarter	14.65	10.90	13.84	10.56

As of July 3, 2008, there were approximately 1,039 stockholders of record. This number excludes stockholders holding stock under nominee security position listings.

Stockholder Return Performance Graph

Set forth below is a line graph comparing the fiscal year end percentage change in the cumulative total stockholder return on the Company s common stock to (i) the cumulative total return of the NASDAQ Market Index (U.S. companies), and (ii) the Hemscott Group 744 Index Auto Dealerships (Automobile Index), for the period of five fiscal years commencing on May 1, 2003 and ending on April 30, 2008. The graph assumes that the value of the investment in the Company s common stock and each index was $100 on May 1, 2003.

The dollar value at April 30, 2008 of $100 invested in the Company s common stock on May 1, 2003 was $143.83, compared to $172.87 for the Automobile Index described above and $178.03 for the NASDAQ Market Index (U.S. Companies).

Dividend Policy

Since its inception the Company has paid no cash dividends on its common stock. The Company currently intends to follow a policy of retaining earnings to finance future growth. Payment of cash dividends in the future will be determined by the Company s Board of Directors and will depend upon, among other things, the Company s future earnings, operations, capital requirements and surplus, general financial condition, contractual restrictions that may exist, and such other factors as the Board of Directors may deem relevant. Colonial s revolving credit facility prohibits dividends to the Company and Car-Mart of Arkansas s revolving credit facility limits dividends to the Company to 75% of Car-Mart of Arkansas s net income. Thus, the Company is limited in the amount of cash dividends or other distributions it can make to its shareholders.

Stock Split

In March 2005, the Company s Board of Directors declared a three-for-two common stock split, effected in the form of a 50% stock dividend, that was paid in April 2005. All share and per share numbers and amounts in this Form 10-K have been adjusted to reflect this three-for-two common stock split.

Equity Compensation Plan Information

The following table provides information as of April 30, 2008 with respect to the Company s equity compensation plans:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans:			
Approved by security holders	593,647	$ 12.11	640,000
Not approved by security holders (1)	18,750	13.11	
Total	612,397	$ 12.14	640,000

(1) For a description of equity compensation plans not approved by security holders, see Warrants in Note J to the Company s financial statements included elsewhere herein.

Issuer Purchases of Equity Securities

The Company is authorized to repurchase up to 1 million shares of its common stock under the common stock repurchase program last amended and approved by the Board of Directors and announced on December 2, 2005. The following table sets forth information with respect to purchases made by or on behalf of the Company of shares of the Company s common stock during the periods indicated:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that may yet be Purchased under the Plans or Programs (2)
February 1, 2008 to February 29, 2008				711,783
March 1, 2008 to March 31, 2008	105,724	$ 12.38	105,724	606,059
April 1, 2008 to April 30, 2008				606,059
Total	105,724	$ 12.38	105,724	606,059

(2) The above stock repurchase program has no expiration date.

Item 6. Selected Financial Data

The financial data set forth below was derived from the audited consolidated financial statements of the Company and should be read in conjunction with the consolidated financial statements and related notes thereto, and Management s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere herein.

	Years Ended April 30, (In thousands)				
	2008	2007	2006	2005	2004
Revenues	$ 274,631	$ 240,334	$ 234,207	$ 204,788	$ 176,184
Income from continuing operations	$ 15,033	$ 4,232	$ 16,705	$ 17,976	$ 15,639
Net income	$ 15,033	$ 4,232	$ 16,705	$ 17,976	$ 15,804
Diluted earnings per share from continuing operations	$ 1.26	$ 0.35	$ 1.39	$ 1.49	$ 1.31
Total assets	$ 200,589	$ 173,598	$ 177,613	$ 143,668	$ 117,241
Total debt	$ 40,337	$ 40,829	$ 43,588	$ 29,145	$ 22,534
Stockholders equity	$ 137,222	$ 123,728	$ 119,251	$ 103,265	$ 84,577
Shares outstanding	11,688	11,875	11,848	11,844	11,637

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

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

Overview

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, 2008, the Company operated 91 stores located primarily in small cities throughout the South-Central United States.

Car-Mart has been operating since 1981. Car-Mart has grown its revenues between approximately 3% and 21% per year over the last ten years (average 16%). Historically, finance receivables have tended to grow slightly faster than revenues. In fiscal 2008, revenues increased 14.3% and finance receivables principal increased 16.6%. After subtracting deferred revenue associated with the payment protection plan product, finance receivables increased 14% during fiscal 2008. The average term for installment sales contracts at April 30, 2008 was relatively flat as compared to April 30, 2007 (27.26 months vs. 27.13 months). In fiscal 2007, revenues increased 2.6% while finance receivables decreased 3.6% due to higher charge offs experienced for the year. In fiscal 2006, finance receivables grew 21.6% compared to revenue growth of 14.4%. The increase in 2006 primarily related to 1) an increase in the average term for installment sales contracts (to 27.25 months), 2) the timing of customer payments, particularly at year-end, 3) the purchase of finance receivables from Dan s Auto Sales in Lexington, KY in March 2006, 4) the increase in the percentage of 30-day plus past due amounts at year-end (to 3.7%), and 5) an increase in the average interest rate charged resulting in a higher percentage of customer payments going to interest as opposed to principal reduction. Revenue growth results from same store revenue growth and the addition of new stores. Going forward, it is anticipated that the historical experience of finance receivables growing slightly faster than revenues will continue.

The Company s primary focus is on collections. Each store is responsible for its own collections with supervisory involvement of the corporate office. Over the last five fiscal years, Car-Mart s credit losses as a percentage of sales have ranged between approximately 20.1% in 2005 and 29.1% in 2007 (average of 22.8%). Credit losses in fiscal 2007 (29.1%) were higher than the Company s average over the last five years. Credit losses in fiscal 2007 were negatively affected by higher losses experienced during the Company s second through fourth quarters (31.4%). The 2007 credit losses included an approximate $5 million pre-tax charge (2.3%) to increase the allowance for credit losses to 22% of the finance receivables principal balance from 19.2%. Credit losses were higher due to several factors and included higher losses experienced in most of the dealerships, including mature dealerships, as the Company saw weakness in the performance of its portfolio as customers had difficulty making payments under the terms of their loans. Additionally, significant negative external economic issues, including higher fuel prices, were prevalent throughout fiscal 2007 and fiscal 2008. Credit losses in fiscal 2008 returned to a more historical level at 22% of sales as the Company continued to focus on its operational initiatives, including credit and collections efforts.

The Company s gross margins as a percentage of sales have been fairly consistent from year to year. Over the last five fiscal years, Car-Mart s gross margins as a percentage of sales have ranged between approximately 42% and 48%. Gross margins as a percentage of sales for fiscal 2008 were 42.3% (43.0% for the fourth quarter). The Company s gross margins are set based upon the cost of the vehicle purchased, with lower-priced vehicles typically having higher gross margin percentages. In recent years, the Company s gross margins have been negatively affected by the increase in the average retail sales price (a function of a higher purchase price) and higher operating costs, mostly related to increased vehicle repair costs and higher fuel costs. Additionally, the percentage of wholesale sales to retail sales, which relate for the most part to repossessed vehicles sold at or near cost, was higher in fiscal 2007 and during the first quarter of fiscal 2008 due to the increased level of repossession activity coupled with relatively flat retail sales levels. The Company expects that its gross margin percentage will not change significantly in the near term from its current level.

Hiring, training and retaining qualified associates are critical to the Company s success. The rate at which the Company adds new stores and is able to implement operating initiatives is limited by the number of trained managers the Company has at its disposal. Excessive turnover, particularly at the Store Manager level, could impact the Company s ability to add new stores and to meet operational initiatives. The Company has added resources to recruit, train and develop personnel, especially personnel targeted to fill lot manager positions. The Company expects to continue to invest in the development of its workforce in fiscal 2009 and beyond.

Consolidated Operations
(Operating Statement Dollars in Thousands)

	Years Ended April 30,			% Change		As a % of Sales		
	2008	2007	2006	2008 vs. 2007	2007 vs. 2006	2008	2007	2006
Operating Statement:								
Revenues:								
Sales	250,337	$ 216,898	$ 214,482	15.4%	1.1%	100.0%	100.0%	100.0%
Interest income and other	24,294	23,436	19,725	3.7	18.8	9.7	10.8	9.2
Total	274,631	240,334	234,207	14.3	2.6	109.7	110.8	109.2
Costs and expenses:								
Cost of sales	144,537	125,073	119,433	15.6%	4.7	57.7	57.7	55.7
SG&A	47,263	41,778	39,261	13.1	6.4	18.9	19.3	18.3
Provision for credit loss	55,046	63,077	45,810	(12.7)	37.7	22.0	29.1	21.4
Interest expense	2,947	3,728	2,458	(20.9)	51.7	1.2	1.7	1.1
Depreciation and amort	1,148	994	724	15.5	37.3	.5	.5	.3
Loss on Lot Closures	527					.2		
Total	251,468	234,650	207,686	7.2	13.0	100.5	108.2	96.8
Pretax income	$ 23,163	$ 5,684	$ 26,521	307.5	(78.6)	9.3	2.6	12.4
Operating Data:								
Retail units sold	27,207	25,199	27,415	8.0%	(8.1%)			
Average stores in operation	93.0	89.7	81.5	3.7	10.1			
Average units sold per store	293	281	336	4.3	(16.4)			
Average retail sales price	$ 8,690	$ 8,125	$ 7,494	7.0	8.4			
Same store revenue growth	13.0%	(3.2%)	9.8%					
Receivables average yield	12.7%	12.5%	11.6%					

2008 Compared to 2007

Revenues increased $34.3 million, or 14.3%, in fiscal 2008 as compared to fiscal 2007, principally as a result of (i) revenue growth from stores that operated a full 12 months in both periods ($27.7 million), (ii) stores opened during fiscal 2007 or stores that opened or closed a satellite location during fiscal 2008 or fiscal 2007 ($6.7 million), (iii) revenues from stores opened during fiscal 2008 ($.6 million) offset by a $.7 million decrease in revenues for a store that closed in fiscal 2008.

Revenues increased 14.3% in fiscal 2008 as compared to revenue growth of 2.6% in fiscal 2007. The increase in revenue growth year over year is attributable to (i) an 8% increase in retail unit volumes in fiscal 2008 together with a 7% increase in the average unit sales price, (ii) a 3.7% increase in interest and other income, and (iii) increased wholesale sales during fiscal 2008. Presently, the Company expects that its average retail sales price will increase in fiscal 2009, but at a rate less than increases seen in fiscal years 2008 and 2007.

Cost of sales, as a percentage of sales, was flat at 57.7% in fiscal 2008 compared to fiscal 2007. The Company s gross margins are set based upon the cost of the vehicle purchased, with lower-priced vehicles typically having higher gross margin percentages. The Company s gross margins have been negatively affected in recent years by the increase in the average retail sales price (a function of a higher purchase price) and to a lesser extent by higher operating costs, mostly related to increased vehicle repair costs and higher fuel costs. Additionally, the percentage of wholesale sales was higher in fiscal 2008 and 2007 than in previous years, which has had a negative effect on overall gross margin percentages. The consumer demand for vehicles the Company purchases for resale remains high. This high demand has been exacerbated by the decrease in domestic new car sales, which results in higher purchase costs for the Company.

Selling, general and administrative expense, as a percentage of sales, decreased .4% to 18.9% in fiscal 2008 from 19.3% in fiscal 2007. The percentage decrease was principally the result of higher sales levels as a large majority of the Company s operating costs are more fixed in nature. In dollar terms, overall expenses increased $5.5 million which consisted primarily of increased payroll costs. Payroll costs increased due to the increase in incentive based compensation, which is tied to profitability. Also, stock based compensation was $1.6 million in fiscal 2008 compared to $533,000 in fiscal 2007. The Company also experienced an increase in lot level expenditures associated with the opening and/or expansion of dealerships to support higher sales volumes. Additionally, the Company incurred some increased costs associated with strengthening controls and enhancing the corporate infrastructure to improve efficiencies and allow for future growth.

Provision for credit losses, as a percentage of sales, decreased 7.1% to 22.0% in fiscal 2008 from 29.1% in fiscal 2007. Credit losses in fiscal 2008 were positively affected by lower losses during the entire year at most dealerships. The fiscal 2007 credit losses included an approximate $5 million pre-tax charge (2.3%) which increased the allowance for credit losses to 22% of the finance receivable principal balance from 19.2%. Credit losses were higher in fiscal 2007 due to higher losses experienced in most of the dealerships, including mature dealerships, as the Company saw weakness in the performance of its portfolio as customers had difficulty making payments under the terms of their loans. Additionally, significant negative external economic issues, including higher fuel prices, were prevalent throughout fiscal years 2007 and 2008.

Interest expense, as a percentage of sales, decreased .5% to 1.2% in fiscal 2008 from 1.7% in fiscal 2007. The decrease was principally the result of lower average borrowing levels and lower average interest rates on the credit facilities during fiscal 2008.

In fiscal 2008, the Company incurred $527,000 in losses associated with the closure of four dealerships. One of the dealerships was in Kansas and the other three were satellite locations in Texas.

The effective income tax rate in fiscal 2008 was 35.1%. This rate is lower than historical rates (excluding fiscal 2007) due to the distribution of profits among the Company s operating subsidiaries. It is anticipated that the effective income tax rate going forward will be more in the 36-37% range where it has been historically.

2007 Compared to 2006

Revenues increased $6.1 million, or 2.6%, in fiscal 2007 as compared to fiscal 2006, principally as a result of (i) revenue growth from stores opened during fiscal 2006 or stores that opened or closed a satellite location during fiscal 2007 or fiscal 2006 ($7.4 million), (ii) revenues from stores opened during fiscal 2007 ($5.9 million) offset by a $7.2 million decrease in revenues for stores that operated a full 12 months in both periods.

Revenues increased 2.6% in fiscal 2007 as compared to revenue growth of 14.4% in fiscal 2006. The decrease in revenue growth year over year is attributable to (i) a decrease in retail unit volumes in fiscal 2007 offset by an 8.4% increase in the average unit sales price, (ii) a lower growth rate for interest and other income, offset by (iii) increased wholesale sales during fiscal 2007.

Cost of sales, as a percentage of sales, increased 2.0% to 57.7% in fiscal 2007 from 55.7% in fiscal 2006. The Company s gross margins are set based upon the cost of the vehicle purchased, with lower-priced vehicles typically having higher gross margin percentages. The Company s gross margins were negatively affected by the increase in the average retail sales price (a function of a higher purchase price) and higher operating costs, mostly related to increased vehicle repair costs and higher fuel costs. Additionally, the percentage of wholesale sales was higher in fiscal 2007 versus fiscal 2006 which had a negative effect on gross margins. Consumer demand for the primary vehicles the Company acquires for its stores was high and was exacerbated by the slow down in domestic new car sales, resulting in higher purchase costs for vehicles.

Selling, general and administrative expense, as a percentage of sales, increased 1.0% to 19.3% in fiscal 2007 from 18.3% in fiscal 2006. The percentage increase was principally the result of an increase in advertising and payroll costs and additional lot level expenditures associated with the opening of new dealerships. Included in payroll costs for 2007 is approximately $533,000 in stock based compensation associated with the adoption of SFAS 123R on May 1, 2006. Also, the percentage was negatively affected by the lower sales level increase. Had sales levels been at planned volumes, selling, general and administrative expense, as a percentage of sales, would have been lower. Additionally, the Company incurred increased costs associated with strengthening controls and enhancing the corporate infrastructure to improve efficiencies and allow for future growth.

Provision for credit losses, as a percentage of sales, increased 7.7% to 29.1% in fiscal 2007 from 21.4% in fiscal 2006. Credit losses in fiscal 2007 were negatively affected by higher losses experienced during the Company s second through fourth quarters (31.4%). The 2007 credit losses included an approximate $5 million pre-tax charge (2.3%) to increase the allowance for credit losses to 22% of the finance receivable principal balance from 19.2%. Credit losses were higher due to several factors and included higher losses experienced in most of the dealerships, including mature dealerships, as the Company saw weakness in the performance of its portfolio as customers had difficulty making payments under the terms of their loans. Additionally, significant negative external economic issues, including higher fuel prices, were prevalent throughout fiscal 2007.

Interest expense, as a percentage of sales, increased .6% to 1.7% in fiscal 2007 from 1.1% in fiscal 2006. The increase was principally the result of higher average borrowing levels and higher average interest rates on the credit facility during fiscal 2007.

The effective income tax rate in 2007 was 26%. This lower tax rate resulted primarily from the elimination of tax reserves established in prior years related to 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. Going forward, the Company expects its effective tax rate to be closer to historical rates.

Financial Condition

The following table sets forth the major balance sheet accounts of the Company at April 30, 2008, 2007 and 2006 (in thousands):

		April 30,	
	2008	**2007**	**2006**
Assets:			
Finance receivables, net	$ 163,344	$ 139,194	$ 149,379
Inventory	13,532	13,682	10,923
Property and equipment, net	18,140	16,883	15,436
Liabilities:			
Accounts payable and accrued liabilities	14,934	8,706	11,838
Revolving credit facilities & notes payable	40,337	40,829	43,588

Historically, finance receivables have tended to grow slightly faster than revenue growth. This has historically been due, to a large extent, to an increasing average term necessitated by increases in the average retail sales price. In fiscal 2008, revenues increased 14.3% and finance receivables increased 16.6%. After subtracting deferred revenue associated with the payment protection plan product, finance receivables increased 14% during fiscal 2008. The average term for installment sales contracts at April 30, 2008 was relatively flat as compared to April 30, 2007 (27.26 months vs. 27.13 months). In fiscal 2007, revenues increased 2.6% while finance receivables decreased 3.6% due to higher charge offs experienced for the year. In fiscal 2006, finance receivables grew 21.6% compared to revenue growth of 14.4%. The increase in 2006 primarily related to 1) an increase in the average term for installment sales contracts (to 27.25 months from 25.9 months at April 30, 2005), 2) the timing of customer payments, particularly at year-end, 3) the purchase of finance receivables from Dan s Auto Sales in Lexington, KY in March 2006, 4) the increase in the percentage of 30-day plus past due amounts at year-end (to 3.7%), and 5) an increase in the average interest rate charged resulting in a higher percentage of customer payments going to interest as opposed to principal reduction. It is anticipated that the historical experience of finance receivables growing slightly faster than revenues will again be the trend into the future.

In fiscal 2008, inventory decreased by 1.1% ($150,000) as compared to revenue growth of 14.3%. Improvements in inventory management as well as the timing of sales, particularly at year-end, allowed the Company to maintain overall inventory levels while growing revenues. The Company will continue to manage inventory levels into the future to ensure adequate supply, in volume and mix, to meet sales demand.

Property and equipment, net increased $1.3 million in fiscal 2008 as the Company incurred expenditures to refurbish and expand a number of existing locations.

Accounts payable and accrued liabilities increased $6.2 million in fiscal 2008 due to significantly higher sales volumes, most pronounced toward the end of fiscal 2008. Sales were up 31.5% in the fourth quarter of fiscal 2008 compared to the fourth quarter of fiscal 2007. Also, the unearned portion of the payment protection plan product, which was introduced in the first quarter of fiscal 2008, was $4.6 million at April 30, 2008.

Borrowings on the Company s revolving credit facilities fluctuate primarily based upon a number of factors including (i) net income, (ii) finance receivables changes, (iii) capital expenditures, and (iv) common stock repurchases. Historically, income from continuing operations, as well as borrowings on the revolving credit facilities, have funded the finance receivables growth and capital asset purchases.

Liquidity and Capital Resources

The following table sets forth certain historical information with respect to the Company s statements of cash flows (in thousands):

	Years Ended April 30,		
	2008	2007	2006
Operating activities:			
Net income	$ 15,033	$ 4,232	$ 16,705
Provision for credit losses	55,046	63,077	45,810
Claims for payment protection plan	1,871		
Depreciation and amortization	1,148	994	709
Stock based compensation	1,600	533	
Finance receivable originations	(230,920)	(196,200)	(196,190)
Finance receivable collections	129,232	124,092	111,315
Inventory	20,249	16,811	10,692
Current Income Taxes	(1,390)	(3,695)	1,509
Deferred Income Taxes	3,130	(754)	(898)
Accrued Interest on Finance Receivables	(139)	124	(294)
Change in deferred payment protection plan revenue	4,631		
Accounts payable and accrued liabilities	3,690	(692)	1,389
Other	(106)	(213)	(251)
Total	3,075	8,309	(9,504)
Investing activities:			
Purchase of property and equipment	(2,559)	(2,716)	(5,011)
Proceeds from sale of property and equipment	112	357	