

SPARTA COMMERCIAL SERVICES, INC.
Form S-1
December 04, 2009

As filed with the Securities and Exchange Commission on December 4, 2009
Registration No. 333-

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

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SPARTA COMMERCIAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State of Incorporation)

6199
(Primary Standard Industrial
Classification Code Number)

30-0298178
(I.R.S. Employer
Identification Number)

462 Seventh Avenue
20 th Floor
New York, New York 10018
(212) 239-2666

(Address and telephone number of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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.

Large accelerated filer o

Accelerated filer o

Non-accelerated filer o

Smaller reporting company x

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Unit (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, par value \$0.001 per share	18,066,176 shares	\$ 0.045	\$ 812,978	\$ 45.36

(1) Pursuant to Rule 416 under the Securities Act of 1933, this registration statement also covers any additional securities that may be offered or issued in connection with any stock split, stock dividend or similar transaction.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) of the Securities Act.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated December 4, 2009

Preliminary Prospectus

SPARTA COMMERCIAL SERVICES, INC.

18,066,176 shares of Common Stock

This prospectus relates to the offer and sale from time to time of up to 18,066,176 shares of our common stock by the person identified in this prospectus as the “selling stockholder.” Such shares are issuable upon exercise of a warrant held by the selling stockholder. We are registering these shares as required by the terms of a Preferred Stock Purchase Agreement between the selling stockholder and us. Such registration does not mean that the selling stockholder will actually offer or sell any of these shares. We will receive no proceeds from the sale of any of these shares by the selling stockholder.

Our common stock is currently quoted on the OTC Bulletin Board under the symbol “SRCO.” The last price of our common stock on December 3, 2009 was \$0.045 per share.

This investment involves risks. You should refer to the discussion of risk factors, beginning on page 4 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

, 2009

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You should rely only on the information contained in this prospectus. Neither we nor the selling shareholders have authorized anyone else to provide you with different information. If anyone provides you with different information, you should not rely on it. Neither we nor the selling shareholder are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

FORWARD-LOOKING STATEMENTS

You should carefully review the information contained in this prospectus. This prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Words such as “will,” “may,” “expects,” “anticipates,” “approximates,” “believes,” “estimates,” “intends” and “hopes” and variations of such words and similar expressions are intended to identify such forward-looking statements. We have based these statements on our current expectations and projections about future events. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those projected in these statements. These risks and uncertainties include those set forth in this prospectus under the section entitled “Risk Factors.” Except for our ongoing obligations to disclose material information under the federal securities laws, we are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus, might not occur.

PROSPECTUS SUMMARY

The following summary does not contain all the information that may be important to you in making a decision to acquire our securities. For a more complete understanding of our company, you should read the entire prospectus, including the section entitled "Risk Factors" commencing on page 4 and our financial statements and related notes commencing on page F-1.

OVERVIEW

Sparta Commercial Services, Inc. is a Nevada corporation. We are an independent financial services provider, offering consumer retail installment sales contracts and both consumer and commercial lease financing to the powersports industry.

Our principal business is to provide financing products, primarily to purchasers and lessees of new and used motorcycles, scooters, and utility all-terrain vehicles (ATVs) that meet our credit criteria and program parameters. Additionally, we offer commercial fleet leasing to dealers and owners of motorcycle rental fleets and provide, on both a direct and a pass through basis, commercial equipment leasing to municipalities, including, but not limited to, police motorcycles.

We have, and continue to develop, relationships with powersports dealers and manufacturers to provide our financing products to their customers. We also seek to expand our "Private Label" versions of our financing products to motorcycle, scooter, and all-terrain vehicle manufacturers and distributors to enable their dealers to assist their customers in acquiring the powersports vehicle of their choice.

Our offices are located at 462 Seventh Avenue, 20th Floor, New York, NY 10018, telephone number: (212) 239-2666. We maintain a website at www.spartacommercial.com .. The information on our website is not part of this prospectus.

RECENT DEVELOPMENTS

Preferred Stock Purchase Agreement

Effective July 29, 2009, we entered into a Preferred Stock Purchase Agreement with Optimus Capital Partners, LLC, dba Optimus Special Situations Capital Partners, LLC, an unaffiliated investment fund. Under the agreement, Optimus is committed to purchase up to \$5,000,000 of our Series B Preferred Stock for a one year period. From time to time, we may send a notice requiring Optimus to purchase shares of our Series B Preferred Stock, subject to satisfaction of certain closing conditions. Optimus will not be obligated to purchase the Series B Preferred Stock (i) in the event the closing price of our common stock during the nine trading days following delivery of a purchase notice falls below 75% of the closing price on the trading day prior to the date such notice is delivered to Optimus, or (ii) to the extent such purchase would result in Optimus and its affiliates beneficially owning more than 9.99% of our common stock.

On the date of delivery of each purchase notice under the agreement, we will also issue to Optimus five-year warrants to purchase our common stock at an exercise price equal to the closing price of our common stock on the trading day prior to the delivery date of the notice. The number of shares issuable upon exercise of the warrant will be equal in value to 135% of the purchase price of the Series B Preferred Stock to be issued in respect of the related notice. Each warrant will be exercisable on the earlier of (i) the date on which a registration statement registering for resale the shares of common stock issuable upon exercise of such warrant becomes effective and (ii) the date that is six months after the issuance date of such warrant.

The Series B Preferred Stock, with respect to dividend rights and rights upon liquidation, winding-up or dissolution, rank senior to our common stock and any other class or series of preferred stock, and junior to all of our existing and future indebtedness. The Series B Preferred Stock accrue dividends at an annual rate of 10%. Accrued dividends are payable upon redemption of the Series B Preferred Stock. Our common stock may not be redeemed while Series B shares are outstanding. The certificate of designations of the Series B Preferred Stock provides that, without the approval of a majority of the Series B Preferred Stock, we cannot authorize or create any class of stock ranking as to distribution of assets upon a liquidation senior to or otherwise pari passu with the Series B Preferred Stock, liquidate, dissolve or wind-up our business and affairs, or effect certain fundamental corporate transactions, or otherwise alter or change adversely the powers, preferences or rights given to the Series B Preferred Stock. The Series B Preferred Stock has a liquidation preference per share equal to the original price per share thereof plus all accrued dividends thereon upon liquidation, including upon consummation of certain fundamental corporate transactions, dissolution, or winding up of our company. The Series B Preferred Stock is redeemable at our option on or after the fifth anniversary of the date of its issuance.

Purchase of Series B Preferred Stock - First Tranche

On August 14, 2009, pursuant to the terms of a notice delivered to Optimus under the Purchase Agreement, we issued 90 shares of Series B Preferred Stock to Optimus at a price per share of \$10,000 and we received proceeds of \$645,000 (net of fees payable to Optimus, including a one-time commitment fee of \$250,000). In addition, we issued to Optimus a five-year warrant to purchase up to 13,500,000 shares of our common stock at an exercise price of \$0.09 per share. On September 10, 2009, the warrant was transferred to Optimus CG II, Ltd. On November 4, 2009, the warrant was exercised for all 13,500,000 shares of common stock in consideration for a secured recourse note in the amount of \$1,215,000.

Purchase of Series B Preferred Stock - Second Tranche

On October 21, 2009, we sent a notice to Optimus pursuant to terms of the Purchase Agreement whereby we would sell to Optimus on the tranche closing date 91 shares of Series B Preferred Stock at a price per share of \$10,000. As the closing price of our common stock during the nine trading days after the notice fell below 75.0% of the closing bid price on the day prior to the tranche closing date, Optimus had the option to decline its purchase of the Series B Preferred Stock. In order to complete the financing, we agreed with Optimus to revise the terms of the October 21st notice as described in the next paragraph.

On November 6, 2009, pursuant to the terms of the revised notice, we issued 67 shares of Series B Preferred Stock to Optimus at a price per share of \$10,000. Additionally, we purchased from Optimus, 2,000,000 shares of our common stock at a price of \$0.05 or \$100,000. Therefore, pursuant to the terms of the revised notice, we received net proceeds of \$565,000 after deducting \$5,000 for closing costs. We also issued to Optimus CG II, Ltd. a five-year warrant to purchase up to 18,066,176 shares of our common stock at an exercise price of \$0.05 per share. The shares of common stock issuable upon exercise of the warrant have been registered for resale pursuant to the registration statement of which this prospectus forms a part.

Issuance of Series C Preferred Stock

Pursuant to an agreement reached on October 31, 2009, we converted on November 2, 2009 \$425,000 in fees owed to John W. Loofbourrow Associates, a private investment banking firm, into 42,500 shares of our Series C Convertible Preferred Stock, which shares are convertible at a price per share of \$0.057308. We redeemed 500 of such shares of preferred stock at \$10 per share on November 17, 2009. We also issued John W. Loofbourrow Associates a three-year warrant to purchase up to 500,000 shares of our restricted common stock at a per share price of \$0.066.

Conversion of Notes

Between July and November 2009, we, at our option, or with the agreement of our noteholders, converted \$4,101,859 aggregate principal amount of our outstanding 6%, 6.5%, 8%, 9% 10% and 12% notes and convertible promissory notes and accrued interest thereon held by our existing stockholders into an aggregate of 126,769,113 shares of our common stock. No commissions were paid in connection with such conversions. As a result of such conversions, our shareholder equity increased by approximately \$4,563,924.

Conversion of Accounts Payable

In October and November 2009, the Company issued to three vendors 2,067,290 shares of common stock in satisfaction of \$122,208 in accounts payable.

Sale of Common Stock

In September 2009, we sold 1,409,869 shares of common stock and three-year warrants to purchase 1,409,869 shares of common stock at an exercise price of \$0.15 per share. These securities were sold to three accredited investors for an aggregate purchase price of \$70,000.

Increase in Authorized Shares

On September 21, 2009, our Articles of Incorporation were amended to increase the authorized number of shares of our common stock from 340,000,000 to 750,000,000.

On November 13, 2009, we authorized a new series of preferred stock designated as 200,000 shares of Series C Convertible Preferred Stock, \$.001 par value per share. The Series C Preferred Stock is junior to all other previously authorized series of our preferred stock in all respects and is not entitled to any voting or dividend rights. The Series C Preferred Stock is convertible, at the option of the holder, into shares of our common stock at the price per share of such common stock on the date on which the holder of Series C Preferred Stock agreed to acquire such preferred stock. The Series C Preferred Stock has a liquidation value, and can be redeemed at our option for a redemption price, of \$10.00 per share.

THE OFFERING

Common stock offered for sale by the selling stockholder	18,066,176 shares (1)
Common stock to be outstanding after this offering	357,366,001 shares (1)(2)

- (1) Reflects shares issuable upon the exercise of an outstanding warrant held by the selling stockholder.
- (2) Based upon our issued and outstanding shares of common stock as of November 18, 2009. This number excludes: 80,125 shares of common stock issuable upon conversion of 125 shares of Series A Redeemable Preferred Stock; approximately 51,000,000 shares of common stock issuable upon conversion of notes and convertible notes and accrued interest thereon in the aggregate principal amount of \$1,933,000; 5,925,000 shares of common stock issuable upon exercise of outstanding options; and 31,337,120 shares of common stock issuable upon exercise of outstanding warrants. An additional 7,450,000 shares of common stock are reserved for future grants under our stock option plans.

RISK FACTORS

You should carefully consider the following factors, as well as other information appearing elsewhere in this prospectus, before you decide whether to purchase any of our common stock offered in this prospectus.

Risks Related to Our Financial Results

We have a history of operating losses.

Through our fiscal year ended April 30, 2009, we have generated cumulative sales revenues of \$3,297,271, have incurred significant expenses, and have sustained significant losses. Our net loss for the year ended April 30, 2009 was \$4,921,846 (after \$1,794,610 in non-cash charges). As of April 30, 2009, we had a deficit net worth of \$6,126,410.

Through our fiscal quarter ended July 31, 2009, we have generated cumulative sales revenues of \$3,514,075, have incurred significant expenses, and have sustained significant losses. Our net loss for the quarter ended July 31, 2009 was \$994,456 (after \$353,908 in non-cash charges). As of July 31, 2009, we had a deficit net worth of \$2,598,043.

We have entered into credit lines with institutional lenders, which have acquired preferences and rights senior to those of our capital stock and placed restrictions on the payment of dividends.

In July 2005, we entered into a secured senior credit facility with New World Lease Funding for a revolving line of credit. New World received a security interest in substantially all of our assets with seniority over the rights of the holders of our preferred stock and our common stock. Until the security interests are released, those assets will not be available to us to secure future indebtedness. Presently, New World is not extending new loans to us. As of July 31, 2009, we owed an aggregate of \$3,022,218 (which is secured by \$3,439,424 of consumer Retail Installment Sales Contracts and Leases and \$271,650 of restricted cash) to New World. In granting the credit line, New World also required that we meet certain financial criteria in order to pay dividends on any of our preferred shares and common shares. We may not be able to repay our outstanding indebtedness under the credit line.

In December 2008, our wholly owned special purpose subsidiary, Sparta Funding LLC, entered into an agreement for a secured credit facility with DZ Bank. The DZ Bank facility requires, among other things, that we have a minimum tangible net worth of \$2,000,000 (plus (i) 50% of the aggregate amount of our consolidated net income since December 19, 2008 and (ii) 90% of the net proceeds (net capital less expenses and distributions) of any new equity contributions we raise after December 19, 2008, including any subordinated debt) before Sparta Funding can draw upon that credit facility for the purchase of consumer retail installment sales contracts from our authorized and private label dealers and the purchase of vehicles for lease to customers of our authorized and private label dealers. In addition to the tangible net worth, we must obtain commitments for \$3,000,000 of additional capital (in the form of subordinated debt or other committed capital satisfactory to DZ Bank) to access the DZ Bank facility. We are engaged in discussions with potential investors regarding such commitments, but as of July 31, 2009, with the exception of the agreement with Optimus Capital Partners, no definitive agreements have been reached for such commitments, nor have we reached any agreement on potential terms of any such commitments. Unless and until we receive such commitments or DZ Bank waives such requirement, we will not be able to access the DZ Bank facility. If Sparta Funding is able to access the DZ Bank facility, all of the consumer retail and installment sales contracts, consumer leases and the underlying vehicles obtained through the use of the DZ Bank facility will be pledged as security therefor. If Sparta Funding is unable to repay its outstanding indebtedness under the DZ Bank facility, DZ Bank could foreclose on all of those pledged assets. If Sparta Funding is unable to access the DZ Bank facility or does not have sufficient cash flow to repay the DZ Bank facility, we will not be able to implement our business plan, which would have a material adverse effect on our future viability.

There can be no assurance that the funding available under the Purchase Agreement with Optimus Capital Partners will be sufficient to fund our working capital requirements or the requirements of DZ Bank.

Our business requires extensive amounts of capital and we will need to obtain additional financing in the near future.

Subject to meeting certain financial covenants described above, we have a one year, \$25 million secured, revolving credit facility with DZ Bank (expiring on December 18, 2009, and extendable for one additional year at the option of DZ Bank), which allows us to borrow up to 80% of the value of a powersports vehicle, in the case of leased vehicles, or up to 80% of the amount financed by the ultimate purchaser in the case of vehicles which are financed, in each case subject to over-concentration and eligibility criteria. As a result, in order to expand our business, we need capital to support the portion of the value which is not financed by the senior lender. We generally refer to this portion as the “equity requirement” and the “sub-debt requirement”. Presently, we have very limited operating capital to fund the equity requirements for new financing transactions or to execute our business plan. In order to accomplish our business objectives, we expect that we will require substantial additional financing within a relatively short period. The lack of capital has made it difficult to offer the full line of financing products contemplated by our business plan. While we believe that if we obtain an additional \$1 million financing and we obtain the required DZ Bank capital commitments, we will have sufficient capital resources to fund our working capital needs for the next twelve months, as our business grows, we may need to seek additional financing to fund such growth. To the extent that our revenues do not provide sufficient cash flow to cover such equity requirements and any reserves required under any additional credit facility, we may have to obtain additional financing to fund such requirements as may exist at that time. There can be no assurance that we will have sufficient capital or be able to secure additional credit facilities when needed. The failure to obtain additional funds, when required, on satisfactory terms and conditions, would have a material and adverse effect on our business, operating results and financial condition, and ultimately could result in the cessation of our business.

We are required to have our common stock traded on the OTC Bulletin Board or one of several other national markets for trading equity securities as a condition of selling Optimus shares of our Series B Preferred Stock. Therefore, if we are removed from the OTC Bulletin Board, we may not be able to require Optimus to purchase shares of our Series B Preferred Stock. This may also negatively affect our ability to access funds under the DZ Bank credit facility.

To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. Also, any new equity securities may have greater rights, preferences or privileges than our existing common stock. A material shortage of capital will require us to take drastic steps such as reducing our level of operations, disposing of selected assets or seeking an acquisition partner. If cash is insufficient, we will not be able to continue operations.

Our auditor’s opinion expresses doubt about our ability to continue as a “going concern”.

The independent auditor’s report on our April 30, 2009 financial statements state that our historical losses raise substantial doubts about our ability to continue as a going concern. We cannot assure you that we will be able to generate revenues or maintain any line of business that might prove to be profitable. Our ability to continue as a going concern is subject to our ability to generate a profit or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining credit lines or loans from various financial institutions where possible. If we are unable to develop our business, we may have to discontinue operations or cease to exist, which would be detrimental to the value of our common stock. We can make no assurances that our business operations will develop and provide us with significant cash to continue operations.

Risks Related to Our Business

A significant number of customers may fail to perform under their loans or leases.

As a lender or lessor, one of the largest risks we face is the possibility that a significant number of customers will fail to pay their payments when due. If customers' defaults cause losses in excess of our allowance for losses, it could have an adverse effect on our business, profitability and financial condition. If a borrower enters into bankruptcy, we may have no means of recourse. We have established an evaluation process designed to determine the adequacy of the allowance for losses. While this evaluation process uses historical and other objective information, the establishment of losses is dependent to a great extent on management's experience and judgment. We cannot assure you that our loss reserves will be sufficient to absorb future losses or prevent a material adverse effect on our business, profitability or financial condition.

A variety of factors and economic forces may affect our operating results.

Our operating results may differ from current forecasts and projections significantly in the future as a result of a variety of factors, many of which are outside our control. These factors include, without limitation, the receipt of revenues, which is difficult to forecast accurately, the rate of default on our loans and leases, the amount and timing of capital expenditures and other costs relating to the expansion of our operations, the introduction of new products or services by us or our competitors, borrowing costs, pricing changes in the industry, technical difficulties, general economic conditions and economic conditions specific to the motorcycle industry. The success of an investment in a consumer financing based venture is dependent, at least, in part, on extrinsic economic forces, including the supply of and demand for such services and the rate of default on the consumer retail installment contracts and consumer leases. No assurance can be given that we will be able to generate sufficient revenue to cover our cost of doing business. Furthermore, our revenues and results of operations will be subject to fluctuations based upon general economic conditions. Economic factors like unemployment, interest rates, the availability of credit generally, municipal government budget constraints affecting equipment purchases and leasing, the rate of inflation, and consumer perceptions of the economy may affect the rate of prepayment and defaults on customer leases and loans and the ability to sell or dispose of the related vehicles for an amount at least equal to their residual values which may have a material adverse effect on our business.

A material reduction in the interest rate spread could have a negative impact on our business and profitability.

A significant portion of our net income is expected to come from an interest rate spread, which is the difference between the interest rates paid by us on interest-bearing liabilities, and the interest rate we receive on interest-earning assets, such as loans and leases extended to customers. Interest rates are highly sensitive to many factors that are beyond our control, such as inflation, recession, global economic disruptions and unemployment. There is no assurance that our current level of interest rate spread will not decline in the future. Any material decline would have a material adverse effect on our business and profitability.

Failure to perfect a security interest could harm our business.

An ownership interest or security interest in a motor vehicle registered in most states may be perfected against creditors and subsequent purchasers without notice for valuable consideration only by complying with certain procedures specific to the particular state. While we believe we have made all proper filings, we may not have a perfected lien or ownership interest in all of the vehicles we have financed. We may not have a validly perfected ownership interest and security interest, respectively, in some vehicles during the period of the loan. As a result, our ownership or security interest in these vehicles will not be perfected and our interest could be inferior to interests of other creditors or purchasers who have taken the steps described above. If such creditors or purchasers successfully

did so, the affected vehicles would not be available to generate their expected cash flow, which would have a material adverse effect on our business.

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Risks associated with leasing.

Our business is subject to the risks generally associated with the ownership and leasing of vehicles. A lessee may default in performance of its consumer lease obligations and we may be unable to enforce our remedies under a lease. As a result, certain of these customers may pose credit risks to us. Our inability to collect receivables due under a lease and our inability to profitably sell or re-lease off-lease vehicles could have a material adverse effect on our business, financial condition or results of operations.

Adverse changes in used vehicle prices may harm our business.

Significant increases in the inventory of vehicles may depress the prices at which we can sell or lease our inventory of used vehicles composed of off-lease and repossessed vehicles or may delay sales or leases. Factors that may affect the level of used vehicles inventory include consumer preferences, leasing programs offered by our competitors and seasonality. In addition, average used powersports vehicle prices have fluctuated in the past, and any softening in the used powersports vehicle market could cause our recovery rates on repossessed vehicles to decline below current levels. Lower recovery rates increase our credit losses and reduce the amount of cash flows we receive.

Our business is dependent on intellectual property rights and we may not be able to protect such rights successfully.

Our intellectual property, including our license agreements and other agreements, which establish our rights to proprietary intellectual property developed in connection with our credit decisioning and underwriting software system, iPLUS ®, is of great value to our business operations. Infringement or misappropriation of our intellectual property could materially harm our business. We rely on a combination of trade secret, copyright, trademark, and other proprietary rights laws to protect our rights to this valuable intellectual property. Third parties may try to challenge our intellectual property rights. In addition, our business is subject to the risk of third parties infringing or circumventing our intellectual property rights. We may need to resort to litigation in the future to protect our intellectual property rights, which could result in substantial costs and diversion of resources. Our failure to protect our intellectual property rights could have a material adverse effect on our business and competitive position.

We face significant competition in the industry.

We compete with commercial banks, savings and loans, industrial thrifts, credit unions and consumer finance companies, including large consumer finance companies such as GE Capital. Many of these competitors have well developed infrastructure systems in place as well as greater financial and marketing resources than we have. Additionally, competitors may be able to provide financing on terms significantly more favorable than we can offer. Providers of motorcycle financing have traditionally competed on the basis of interest rates charged, the quality of credit accepted, the flexibility of terms offered and the quality of service provided to dealers and customers. We seek to compete predominantly on the basis of our high level of dealer service and strong dealer relationships, by offering flexible terms, and by offering both lease and loan options to customers with a broad range of credit profiles. Many of our competitors focus their efforts on different segments of the credit quality spectrum. While a number of our competitors have reduced their presence in the powersports financing industry because of industry specific factors and the current situation in the global credit markets, our business may be adversely affected if any of such competitors in any of our markets chooses to intensify its competition in the segment of the prime or sub-prime credit spectrum on which we focus or if dealers become unwilling to forward to us applications of prospective customers. To the extent that we are not able to compete effectively within our credit spectrum and to the extent that the intensity of competition causes the interest rates we charge to be lower, our results of operations can be adversely affected.

Our business is subject to various government regulations.

We are subject to numerous federal and state consumer protection laws and regulations and licensing requirements, which, among other things, may affect: (i) the interest rates, fees and other charges we impose; (ii) the terms and conditions of the contracts; (iii) the disclosures we must make to obligors; and (iv) the collection, repossession and foreclosure rights with respect to delinquent obligors. The extent and nature of such laws and regulations vary from state to state. Federal bankruptcy laws limit our ability to collect defaulted receivables from obligors who seek bankruptcy protection. Prospective changes in any such laws or the enactment of new laws may have an adverse effect on our business or the results of operations. Compliance with existing laws and regulations has not had a material adverse affect on our operations to date. We will need to periodically review our office practices in an effort to ensure such compliance, the failure of which may have a material adverse effect on our operations and our ability to conduct business activities.

We are controlled by current officers, directors and principal stockholders.

Our directors, executive officers and principal stockholders beneficially own approximately 21% of our common stock as of November 18, 2009. Accordingly, these persons and their respective affiliates have the ability to exert substantial control over the election of our Board of Directors and the outcome of issues submitted to our stockholders, including approval of mergers, sales of assets or other corporate transactions. In addition, such control could preclude any unsolicited acquisition of our company and could affect the price of our common stock and limit our ability to sell shares of our Series B Preferred Stock to Optimus Capital Partners, LLC.

We are subject to various securities-related requirements as a reporting company.

We may need to improve our reporting and internal controls and procedures. We have in the past submitted reports with the SEC after the original due date of such reports. If we fail to remain current on our reporting requirements, our common stock could be removed from quotation from the OTC Bulletin Board, which would limit the ability to sell our common stock.

We are dependent on our management and the loss of any officer could hinder our implementation of our business plan.

We are heavily dependent upon management, the loss of any one of whom could have a material adverse effect on our ability to implement our business plan. While we have entered into employment agreements with certain executive officers, including our Chief Executive Officer and Chief Operating Officer, employment agreements could be terminated for a variety of reasons. We do not presently carry key man insurance on the life of any employee. If, for some reason, the services of management, or of any member of management, were no longer available to us, our operations and proposed businesses and endeavors may be materially adversely affected. Any failure of management to implement and manage our business strategy may have a material adverse affect on us. There can be no assurance that our operating and financial control systems will be adequate to support our future operations. Furthermore, the inability to continue to upgrade the operating and financial control systems, the inability to recruit and hire necessary personnel or the emergence of unexpected expansion difficulties could have a material adverse effect on our business, financial condition or results of operations.

PRICE RANGE OF OUR COMMON STOCK

Our common stock is currently quoted on the OTC Bulletin Board under the symbol “SRCO”. The following table sets forth, for the calendar periods indicated, the range of the high and low bid prices of our common stock, as reported by the OTCBB. The quotations represent inter-dealer prices without retail mark-ups, mark-downs or commissions, and may not necessarily represent actual transactions.

	High	Low
Fiscal Year 2010:		
First Quarter (May 1, 2009 - July 31, 2009)	\$ 0.09	\$ 0.05
Second Quarter (August 1, 2009 - October 31, 2009)	0.08	0.04
Fiscal Year 2009:		
First Quarter (May 1, 2008 - July 31, 2008)	\$ 0.14	\$ 0.07
Second Quarter (August 1, 2008 - October 31, 2008)	0.10	0.03
Third Quarter (November 1, 2008 - January 31, 2009)	0.09	0.02
Fourth Quarter (February 1, 2009 - April 30, 2009)	0.09	0.02
Fiscal Year 2008:		
First Quarter (May 1, 2007 - July 31, 2007)	\$ 0.10	\$ 0.04
Second Quarter (August 1, 2007 - October 31, 2007)	0.10	0.04
Third Quarter (November 1, 2007 - January 31, 2008)	0.065	0.03
Fourth Quarter (February 1, 2008 - April 30, 2008)	0.16	0.04

The approximate number of holders of record of our common stock as of November 18, 2009 was 3,022, excluding stockholders holding common stock under nominee security position listings.

We have never declared any cash dividends on our common stock. Future cash dividends on the common stock, if any, will be at the discretion of our Board of Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, including any restrictions pursuant to the terms of senior securities outstanding, and other factors that the Board of Directors may consider important. The Board of Directors does not intend to declare or pay cash dividends in the foreseeable future. It is the current policy to retain all earnings, if any, to support future growth and expansion.

In July 2005, we entered into a secured senior credit facility with New World Lease Funding for a revolving line of credit. In granting the credit line, New World required that we meet certain financial criteria in order to pay dividends on any of our preferred shares and common shares.

In December 2008, we, along with our wholly-owned affiliate, Sparta Funding LLC, a Delaware limited liability company (“Sparta Funding”), entered into a \$25,000,000 committed through December 18, 2009, and extendable at the option of DZ Bank, secured credit facility with DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch pursuant to a Revolving Credit Agreement. Under that agreement, we are restricted from paying dividends under certain circumstances.

As of November 18, 2009, we had outstanding 125 shares of Series A Redeemable Preferred Stock, \$.001 par value. The Series A Redeemable Preferred Stock pays a 6% annual dividend which may be paid in cash or shares of common stock at our option. We have not, as of August 31, 2009, distributed any dividends, in cash or in shares of common stock. Upon conversion of the Series A Redeemable Preferred Stock shares, all accrued and unpaid dividends shall be “extinguished”.

As of November 18, 2009, we had outstanding 157 shares of Series B Preferred Stock. The Series B Preferred Stock accrues dividends at an annual rate of 10%. Accrued dividends are payable upon redemption of the Series B Preferred Stock in additional shares of Series B Preferred Stock.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are an independent financial services provider, offering consumer retail installment sales contracts and both consumer and commercial lease financing to the powersports industry.

Our principal business is to provide financing products, primarily to purchasers and lessees of new and used motorcycles, scooters, and utility all-terrain vehicles (ATVs) that meet our credit criteria and program parameters. Additionally, we offer commercial fleet leasing to dealers and owners of motorcycle rental fleets and provide, on both a direct and a pass through basis, commercial equipment leasing to municipalities, including, but not limited to, police motorcycles.

We have, and continue to develop, relationships with powersports dealers and manufacturers to provide our financing products to their customers. We also seek to expand our "Private Label" versions of our financing products to motorcycle, scooter, and all-terrain vehicle manufacturers and distributors to enable their dealers to assist their customers in acquiring the powersports vehicle of their choice.

Results of Operations

Comparison of the Three Months Ended July 31, 2009 to the Three Months Ended July 31, 2008

For the three months ended July 31, 2009 and 2008, we have generated limited sales revenues, have incurred significant, but declining expenses, and have sustained significant, but declining losses. We believe we will continue to earn revenues from operations during the remainder of our fiscal year ending April 30, 2010.

Revenues

Revenues totaled \$216,804 during the three months ended July 31, 2009 as compared to \$394,919 during the three months ended July 31, 2008. Current period revenue was comprised primarily of \$138,865 in interest income from RISC Loans, \$53,068 in lease revenue, and \$24,870 in other income. For the three months ended July 31, 2008, revenues were comprised primarily of \$89,694 in lease revenue, \$204,044 in interest income from RISC loans, \$85,690 in recovery of prior year's expenses, \$5,415 in other income, and \$10,077 in gain on sale of vehicles.

Costs and Expenses

General and administrative expenses were \$592,197 during the three months ended July 31, 2009, compared to \$1,364,152 during the three months ended July 31, 2008, a decrease of \$771,955 or 56.6%. Expenses incurred during the current three month period consisted primarily of the following expenses: compensation and related costs of \$308,531; legal and accounting fees of \$58,764; consulting fees of \$38,866; rent and utilities of \$88,467; and general office expenses of \$97,569. Expenses incurred during the comparative three month period in 2008 consisted primarily of the following expenses: compensation and related costs, \$403,037; accounting, audit and professional fees, \$46,187; consulting fees, \$64,800; rent and utilities, \$93,893; general office expenses, \$124,475; and loss reserve, \$22,919.

During the three months ended July 31, 2009, we incurred the following non-cash, equity based compensation charges: consulting, \$30,000; employee stock and option compensation, \$43,660 and financing costs, \$232,571. During the three months ended July 31, 2008, we incurred the following non-cash, equity based compensation charges: consulting, \$520,000; employee stock and option compensation, \$67,249; beneficial conversion cost of \$318,182; and financing costs, \$183,115.

Net Loss

We incurred a net loss before preferred dividends of \$994,456 for our three months ended July 31, 2009 as compared to a net loss of \$1,709,042 for the corresponding three month period in 2008. The \$714,587 or 41.8% decrease in our net loss before preferred dividends for our three month interim period ended July 31, 2009 was attributable primarily to a \$771,955 or 56.6% decrease in general and administrative expenses, and a \$182,356 or a 26.87% decrease in interest expense and financing costs all partially off-set by a \$178,116 or 45% decrease in revenues.

Our net loss attributable to common stockholders increased to \$994,647 for our three month period ended July 31, 2009 as compared to \$1,710,304 for the corresponding three month period in 2008.

Comparison of the Year Ended April 30, 2009 to the Year Ended April 30, 2008

For the year ended April 30, 2009, we have generated marginally increased revenues, have incurred significant expenses, and have sustained significant losses. We believe we will continue to generate increasing revenues from operations in fiscal 2010.

Revenues

Revenues totaled \$1,144,644 in fiscal 2009 compared to revenues of \$1,129,691 in fiscal 2008. Fiscal 2009 revenues were primarily comprised of \$759,801 in interest income from Retail Installment Sales Contracts, \$298,476 in income from Operating and Finance Leases, \$14,492 in Commissions on municipal lease transactions, \$28,737 from gain on disposition of vehicles, and \$43,139 in other fee income.

Costs and Expenses

We incurred employee compensation and benefit costs of \$1,461,957 for the year ended April 30, 2009 compared with \$1,720,945 in fiscal 2008. The decrease is related to the reduced costs we recognized in decreasing our employee base during the year from 18 employees at fiscal year-end 2008 to 14 employees at fiscal year-end 2009. In order for us to expand our business in the future and to attract and retain quality personnel, management anticipates that we will continue to offer competitive compensation, including awards of common stock or stock options, to consultants and employees.

We paid \$290,639 and \$322,020 to our Chief Executive Officer, in fiscal 2009 and 2008, respectively. These payments were charged to operations, and are included in the compensation costs described above.

In connection with placement transactions, we expensed non-cash costs in the form of shares of common stock or warrants of \$605,389 and \$449,926 for the years ended April 30, 2009 and 2008, respectively. In connection with consulting services, we expensed non-cash costs in the form of shares of common stock or warrants of \$633,629 and \$206,850 for the years ended April 30, 2009 and 2008, respectively. These amounts were charged to financing costs. Additionally, during the fiscal year ended April 30, 2009, we expensed \$222,409 as the value of employee stock and option based compensation as compared to \$261,850 in the prior fiscal year. At April 30, 2009 and 2008, accrued preferred dividends of \$758 and \$28,422, respectively, which were charged to retained earnings.

We incurred consulting costs of \$166,800 for the year ended April 30, 2009, as compared to \$215,399 for the year ended April 30, 2008. This decrease was the result of reduced reliance on outside consultants. We incurred legal and accounting fees of \$187,891 for the year ended April 30, 2009, as compared to \$226,933 for the year ended April 30, 2008.

We incurred other operating expenses of \$1,089,029 for the year ended April 30, 2009. Notable expenses in this category are: general office expenses of \$78,067; rent of \$310,419; loss reserve expense of \$445,288; travel and entertainment of \$52,423; utilities of \$66,857; web development of \$30,226; credit bureaus of \$39,714; lease booking fees of \$13,250; marketing of \$18,319; maintenance contracts of \$17,665; and taxes of \$16,799. We incurred other operating expenses of \$1,043,238 for the year ended April 30, 2008. Notable expenses in this category are: general office expenses of \$290,621; rent of \$225,953; loss reserve expense of \$125,252; travel and entertainment of \$92,411; utilities of \$82,719; web development of \$89,387; credit bureaus of \$43,728; marketing of \$40,902; maintenance contracts of \$18,039; and taxes of \$23,208.

Interest costs for the fiscal year ended April 30, 2009 were \$963,890 as compared to \$702,233 for the fiscal year ended April 30, 2008. Depreciation and amortization for the fiscal year ended April 30, 2009 was \$310,601 as compared to \$274,773 for the fiscal year ended April 30, 2008.

Net Loss

Our net loss attributable to common stockholders for the year ended April 30, 2009 increased \$901,828 (22.4%) to \$4,922,605 from a loss of \$4,020,776 for the year ended April 30, 2008. The increase in net loss attributable to common stockholders was primarily due to a \$200,841 (5.1%) increase in total operating expenses from \$3,969,988 to \$4,170,829 and a \$743,604 (64.5%) increase in interest expense and financing costs from \$1,152,259 to \$1,895,661.

Our net loss per common share (basic and diluted) attributable to common stockholders was \$0.03 for the year ended April 30, 2009 and \$0.03 for the year ended April 30, 2008.

Liquidity and Capital Resources

As of July 31, 2009, we had a negative net worth of \$2,598,043. We generated a deficit cash flow from operations of \$414,143 for the three months ended July 31, 2009. Cash flow provided by investing activities for the three months ended July 31, 2009 was \$669,935, primarily due to the pay offs of RISC Loans in the amount of \$566,223 and net pay-offs of leases of \$103,713.

Cash flows used in investing activities for the three months ended July 31, 2008 was \$150,843 primarily due to pay-offs of motorcycles and vehicles of \$242,511 and purchases of RISC Loans in the amount of \$393,354.

Cash used in financing activities during the three month period ended July 31, 2009, was \$217,706 primarily due to: the sale of \$50,000 of common stock, the net sale of notes payable in the amount of \$298,399, and the net pay down of bank debt in the amount of \$566,105.

As of April 30, 2009, we had a deficit net worth of \$6,126,410. We generated a deficit in cash flow from operations of \$2,303,295 for the year ended April 30, 2009. This deficit is primarily attributable to net loss from operations of \$4,922,605, adjusted for equity based compensation of \$915,652, stock based financing costs of \$539,240, allowance for loss reserve of \$156,432, beneficial conversion discount of convertible securities of \$325,000, issuance of shares for debt and accrued interest of \$226,941, and extinguishment of preferred dividends payable of \$117,437, and to changes in the balances of current assets, consisting primarily of an increase in pre-paid expenses of \$532,849 and a decrease in other receivables of \$9,223, and current liabilities, consisting primarily of an increase in accounts payable of \$562,407 and a decrease in restricted cash of \$96,039. Cash flows provided by investing activities for the year ended April 30, 2009 were \$1,239,432, being comprised of \$449,002 for the retirement of leased vehicles, liquidation of Retail Installment Sales Contracts in the amount of \$863,065, and the purchase of a portfolio of loans on leases of \$72,635. We met our cash requirements during the period through net proceeds from the issuances of notes of \$2,382,415, and we repaid senior loans of \$1,441,542 during the period.

We do not anticipate incurring significant research and development expenditures, and we do not anticipate the sale or acquisition of any significant property, plant or equipment, during the next twelve months. We will evaluate the acquisition or purchase of portfolios of performing motorcycle loans and/or leases should they be offered to us. At November 18, 2009, we had 13 full-time employees. If we fully implement our business plan, we anticipate our employment base may increase by approximately 100% during the next twelve months. As we continue to expand, we will incur additional cost for personnel. This projected increase in personnel is dependent upon our generating revenues and obtaining sources of financing. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected increase in the number of employees.

While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development.

In December 2008 we and Sparta Funding entered into a \$25,000,000 secured credit facility with DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch pursuant to a Revolving Credit Agreement which allows Sparta Funding to borrow up to 80% of the value of a powersports vehicle in the case of leased vehicles or up to 80% of the amount financed by the ultimate purchaser in the case of vehicles, which are financed, in each case subject to over-concentration and eligibility criteria, at a floating interest rate equal to the commercial paper rate plus 275 basis points (assuming DZ Bank funds such advances with commercial paper). The credit facility expires on December 18, 2009, and is extendable at the option of DZ Bank. We will serve as originator and servicer of the leases and purchases financed by Sparta Funding through the DZ Bank credit facility. We are required to satisfy certain tangible net worth and committed capital thresholds as a condition of accessing funds under the DZ Bank credit facility.

On July 29, 2009, we entered into a Preferred Stock Purchase Agreement with Optimus Capital Partners, LLC, pursuant to which Optimus, upon the terms and subject to the conditions of the agreement, is committed to purchase up to \$5,000,000 of our Series B Preferred Stock. From time to time until July 28, 2010, we may require Optimus to purchase shares of our Series B Preferred Stock, subject to satisfaction of certain closing conditions. On August 14, 2009, we closed the initial tranche of the commitment in the amount of \$900,000 resulting in net proceeds to us of \$645,000 after deducting a 5% (\$250,000) fee for the entire \$5 million commitment and \$5,000 for closing costs. This initial tranche resulted in our sale to Optimus of 90 shares of our Series B Preferred Stock for \$10,000 per share and the issuance to Optimus of a five-year warrant to purchase up to 13,500,000 shares of our common stock at \$0.09 per share. On November 4, 2009, the warrant was exercised for all 13,500,000 shares of common stock in consideration for a secured recourse note in the amount of \$1,215,000. On November 6, 2009, we closed the second tranche in the amount of \$670,000 of the commitment and purchased from Optimus 2,000,000 shares of our common stock at a price of \$0.05 or \$100,000, resulting in net proceeds of \$565,000 after deducting \$5,000 for closing costs. This second tranche resulted in our sale to Optimus of 67 shares of our Series B Preferred Stock for \$10,000 per share and the issuance to Optimus CG II, Ltd. of a five-year warrant to purchase up to 18,066,176 shares of our common stock at \$0.05 per share.

We believe that we will satisfy the minimum thresholds to utilize the DZ Bank credit facility, through the proceeds from the sale of preferred stock to Optimus, as described above, when combined with the conversion of \$4,101,859 in notes and convertible notes plus accrued interest thereon between July and October 2009 plus the conversion of additional loans in the amount of \$1,243,000 for which we have received verbal commitments for the future conversion and an additional \$573,512 of notes for which we have a written agreement to convert upon activation of the DZ Bank line. However, there can be no assurance that the note holders will actually convert or that the DZ Bank credit facility will be extended past December 18, 2009.

We continue seeking additional financing, which may be in the form of subordinated debt, in order to provide support for the DZ Bank credit facility. Other than described above, we currently have no commitments for financing. There is no guarantee that we will be successful in raising the funds required.

We estimate that we will need approximately \$1,000,000 in addition to our normal operating cash flow to conduct operations during the next twelve months. Based on the above, on capital received from equity financing to date, and certain indications of interest to purchase certain of our equity securities, we believe that we have a reasonable chance to raise sufficient capital resources to meet projected cash flow needs through the next twelve months. There can be no assurance that additional private or public financing, including debt or equity financing, will be available as needed, or, if available, on terms favorable to us. Any additional equity financing may be dilutive to stockholders and such additional equity securities may have rights, preferences or privileges that are senior to those of our existing common or preferred stock. Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. However, if we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations, liquidity and financial condition, and we will have to adjust our planned operations and development on a more limited scale.

The effect of inflation on our revenue and operating results was not significant. Our operations are located in North America and there are no seasonal aspects that would have a material effect on our financial condition or results of operations.

Going Concern Issues

The independent auditor's report on our April 30, 2009 and 2008 financial statements included in this prospectus states that our historical losses and the lack of revenues raise substantial doubts about our ability to continue as a going concern, due to the losses incurred and lack of significant operations. If we are unable to develop our business, we may have to discontinue operations or cease to exist, which would be detrimental to the value of our common stock. We can make no assurances that our business operations will develop and provide us with significant cash to continue operations.

In order to improve our liquidity, our management is actively pursuing additional equity financing through discussions with investment bankers and private investors. There can be no assurance that we will be successful in our efforts to secure additional equity financing.

We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to develop profitable operations. We are devoting substantially all of our efforts to developing our business and raising capital. Our net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

The primary issues management will focus on in the immediate future to address this matter include:

- seeking additional credit facilities from institutional lenders;
- seeking institutional investors for equity investments in our company; and
- initiating negotiations to secure short term financing through promissory notes or other debt instruments on an as needed basis.

To address these issues, we are negotiating the potential sale of securities with investment banking companies to assist us in raising capital. We are also presently in discussions with several institutions about obtaining additional credit facilities.

Inflation

The impact of inflation on our costs and the ability to pass on cost increases to our customers over time is dependent upon market conditions. We are not aware of any inflationary pressures that have had any significant impact on our operations over the past year, and we do not anticipate that inflationary factors will have a significant impact on future operations.

TRENDS, RISKS AND UNCERTAINTIES

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise.

Our annual operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside our control, including: the demand for our products and services; seasonal trends in purchasing, the amount and timing of capital expenditures and other costs relating to the commercial and consumer financing; price competition or pricing changes in the market; technical difficulties or system downtime; general economic conditions and economic conditions specific to the consumer financing sector.

Our annual results may also be significantly impacted by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly at our early stage of development, such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely that our operating results may fall below our expectations or those of investors in some future quarter.

Our future performance and success is dependent upon the efforts and abilities of our management. To a very significant degree, we are dependent upon the continued services of Anthony L. Havens, our President and Chief Executive Officer and member of our Board of Directors. If we lost the services of either Mr. Havens, or other key employees before we could get qualified replacements, that loss could materially adversely affect our business. We do not maintain key man life insurance on any of our management.

Our officers and directors are required to exercise good faith and high integrity in our management affairs. Our bylaws provide, however, that our directors shall have no liability to us or to our shareholders for monetary damages for breach of fiduciary duty as a director except with respect to (1) a breach of the director's duty of loyalty to the corporation or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) liability which may be specifically defined by law or (4) a transaction from which the director derived an improper personal benefit.

The present officers and directors own approximately 21% of the outstanding shares of common stock, without giving effect to shares underlying convertible securities, and therefore are in a position to elect all of our directors and otherwise control our company, including, without limitation, authorizing the sale of our equity or debt securities, the appointment of officers, and the determination of officers' salaries. Shareholders have no cumulative voting rights.

We may experience growth, which will place a strain on our managerial, operational and financial systems resources. To accommodate our current size and manage growth if it occurs, we must devote management attention and resources to improve our financial strength and our operational systems. Further, we will need to expand, train and manage our sales and distribution base. There is no guarantee that we will be able to effectively manage our existing operations or the growth of our operations, or that our facilities, systems, procedures or controls will be adequate to support any future growth. Our ability to manage our operations and any future growth will have a material effect on our stockholders.

If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

We are required to have our common stock traded on the OTC Bulletin Board or one of several other national markets for trading equity securities as a condition of selling Optimus shares of our Series B Preferred Stock. Therefore, if we are removed from the OTC Bulletin Board, we may not be able to require Optimus to purchase shares of our Series B Preferred Stock. This may also negatively affect our ability to access funds under the DZ Bank credit facility.

Critical Accounting Policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our financial statements, we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments.

Revenue Recognition

We purchase Retail Installment Sales Contracts (“RISC”) from motorcycle dealers and we originate leases on new and used motorcycles and other powersports vehicles from motorcycle dealers throughout the United States.

The RISCs are secured by liens on the related vehicles. The RISCs are accounted for as loans. Upon purchase, the RISCs appear on our balance sheet as RISC loans receivable current and long term. Interest income on these loans is recognized when it is earned. When the RISC is entered into our accounting system, based on the customer’s APR (interest rate), an amortization schedule for the loan on a simple interest basis is created. Interest is computed by taking the principal balance times the APR rate then divided by 365 days to get the daily interest amount. The daily interest amount is multiplied by the number of days from the last payment to get the interest income portion of the payment being applied. The balance of the payment goes to reducing the loan principal balance.

Our leases are accounted for as either operating leases or direct financing leases. At the inception of operating leases, no lease revenue is recognized and the leased motorcycles, together with the initial direct costs of originating the lease, which are capitalized, appear on the balance sheet as “motorcycles under operating leases-net”. The capitalized cost of each motorcycle is depreciated over the lease term, on a straight-line basis, down to the original estimate of the projected value of the motorcycle at the end of the scheduled lease term (the “Residual”). Monthly lease payments are recognized as rental income. An acquisition fee classified as fee income on the financial statements is received and recognized in income at the inception of the lease. Direct financing leases are recorded at the gross amount of the lease receivable, and unearned income at lease inception is amortized over the lease term.

We realize gains and losses as the result of the termination of leases, both at and prior to their scheduled termination, and the disposition of the related motorcycle. The disposal of motorcycles, which reach scheduled termination of a lease, results in a gain or loss equal to the difference between proceeds received from the disposition of the motorcycle and its net book value. Net book value represents the residual value at scheduled lease termination. Lease terminations that occur prior to scheduled maturity as a result of the lessee’s voluntary request to purchase the vehicle have resulted in net gains, equal to the excess of the price received over the motorcycle’s net book value.

Early lease terminations also occur because of (i) a default by the lessee, (ii) the physical loss of the vehicle, or (iii) the exercise of the lessee’s early termination. In those instances, we receive the proceeds from either the resale or release of the repossessed vehicle, or the payment by the lessee’s insurer. We record a gain or loss for the difference between the proceeds received and the net book value of the vehicle.

We charge fees to manufacturers and other customers related to creating a private label version of our financing program including web access, processing credit applications, consumer contracts and other related documents and processes. Fees received are amortized and booked as income over the length of the contract.

We evaluate our operating and retail installment sale leases on an ongoing basis, and have established reserves for losses based on current and expected future experience.

Stock-Based Compensation

We adopted SFAS No. 123(R) during third quarter of Fiscal year 2006, which no longer permits the use of the intrinsic value method under APB No. 25. We are recording the compensation expense on a straight-line basis, generally over the explicit service period of three to five years.

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statement of Operations. We are using the Black-Scholes option-pricing model as its method of valuation for share-based awards. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate.

Allowance for Losses

We have loss reserves for our portfolio of Leases and for our portfolio of Retail Installment Sales Contracts (“RISC”). The allowance for Lease and RISC losses is increased by charges against earnings and decreased by charge-offs (net of recoveries). To the extent actual credit losses exceed these reserves, a bad debt provision is recorded; and to the extent credit losses are less than the reserve, additions to the reserve are reduced or discontinued until the loss reserve is in line with our reserve ratio policy. Management’s periodic evaluation of the adequacy of the allowance is based on our past lease and RISC experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower’s ability to repay, the estimated value of any underlying collateral, and current economic conditions. We periodically review our Lease and RISC receivables in determining our allowance for doubtful accounts.

We charge-off receivables when an individual account has become more than 120 days contractually delinquent. In the event of repossession, the asset is immediately sent to auction or held for re-lease.

BUSINESS

General Overview

Sparta Commercial Services, Inc. is a Nevada corporation. We are an independent financial services provider, offering consumer retail installment sales contracts and both consumer and commercial lease financing to the powersports industry.

Our principal business is to provide financing products, primarily to purchasers and lessees of new and used motorcycles, scooters, and utility all-terrain vehicles (ATVs) that meet our credit criteria and program parameters. Additionally, we offer commercial fleet leasing to dealers and owners of motorcycle rental fleets and provide, on both a direct and a pass through basis, and commercial equipment leasing to municipalities, including, but not limited to, police motorcycles.

We have, and continue to develop, relationships with powersports dealers and manufacturers to provide our financing products to their customers. We also seek to expand our “Private Label” versions of our financing products to motorcycle, scooter, and all-terrain vehicle manufacturers and distributors to enable their dealers to assist their customers in acquiring the powersports vehicle of their choice.

Our Business

We are a specialized consumer finance company engaged primarily in the purchase of retail installment sales contracts and the origination of leases to assist consumers in acquiring new and used motorcycles (550cc and higher), scooters, and 4-stroke ATVs. We believe that the market for consumer finance products for motorcycles and ATVs is largely underserved by traditional lenders.

We have and continue to develop additionally relationships with powersports vehicle dealers and manufacturers to provide our financing products to their customers. We also seek to provide powersport vehicle manufacturers and distributors a private label version of our financing products to enable their dealers to assist their customers in acquiring the powersports vehicle of their choice. Additionally, we offer an equipment leasing product to municipalities, including, but not limited to, the leasing of police motorcycles.

Business Overview

Our business model has been designed to generate revenue from several sources:

- Retail installment sales contracts and leases;
- Municipal leasing of equipment;
- Private label programs for manufacturers and distributors;
- Ancillary products and services, such as private label gap insurance coverage; and
- Remarketing of repossessed vehicles and off-lease vehicles.

Our management believes that by offering dealers (and their customers) the option of either financing or leasing, we will capture a greater share of the dealer’s business. Additionally, by offering both alternatives, once profitability is achieved, we believe that it will be in a position to achieve greater cash-flow than it could by offering only one of

these alternatives because depreciation generated by our leasing activities will reduce income tax due on income resulting from our retail installment sales contracts.

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Retail Installment Sales Contracts and Leases

Retail Installment Sales Contracts (RISC)

We purchase retail installment sales contracts from both franchised and independent powersports dealers who qualify as Authorized Sparta Dealers and/or as Authorized Private Label Dealers under Sparta's Private Label Programs. We have developed policies and procedures for credit evaluation, collections, insurance follow up, and asset recovery. We impose strict credit criteria to determine which retail installment sales contract applications to approve. This credit criterion has been developed to be in compliance with the credit criterion required by our lenders. The dealers understand that if they consummate a credit transaction with a customer on whose application we have given them a conditional approval that we will purchase that contract if it is in full compliance with all terms and conditions of that approval and contained in our dealer agreement.

To insure that our Credit Evaluation Process and Collateral Guidelines are consistently applied and that the credit/underwriting decisioning process provides rapid decisions to our Authorized Sparta Dealers and the Authorized Private Label Dealers, we have developed a point of sale credit application and contract decisioning web based platform. This system is named "iPLUS ®" and is structured as an Application Service Provider ("ASP") and has the capability of providing the dealer with conditional approvals in less than sixty seconds, seven days a week, twenty-four hours a day. This technology provides quick, consistent credit decisions for our dealer network and reduces the number of credit analysts required, thereby, reducing our personnel expense. Depending on our arrangement with our lending sources, in the case of consumer finance contracts, we may finance our purchase of the contracts by borrowing from a lending source and pledging the retail installment sales contracts as collateral for the loan.

All of the retail installment sales contracts will be secured by qualified, titled motorcycles with 550+cc and higher engines, 4-stroke all-terrain vehicles (ATVs), or select scooters. Customer financing needs are projected to range from approximately \$5,000 to \$40,000. Contract terms of 24 to 60 months are offered.

Leases

We purchase qualified vehicles for lease to customers of our Authorized Sparta Dealers and/or Authorized Private Label Dealers. While the steps in the leasing process are almost identical to those in the retail installment sales contract process, the major difference is that when a lease "approval" is transmitted to a dealer, the "approval" describes the terms and conditions under which we will purchase a specific vehicle from the dealer and lease it to the applicant. Unlike a retail installment sales contract which finances a customer's purchase of a vehicle owned by the customer, the lease agreement contains the payment terms and conditions under which we will allow the customer to use (lease) the vehicle, which is owned by us, and also contains a vehicle purchase price option which provides the customer with the right to purchase the vehicle at the lease-end. Depending on our arrangement(s) with our lending sources, in the case of leases, we may finance the customers' purchase of leased vehicles by borrowing from a lending source and assigning or pledging the lease and leased vehicle as collateral for the loan. Lease terms range from 24 to 60 months, although most lease terms are either 36 or 60 months. Leases generally have lower monthly payments than similar retail installment sales contracts because a sales contract finances only part of the vehicle cost with the balance being financed by the lessor. Unlike with retail installment sales contracts, we can and do charge acquisition fees for each lease. These fees range from \$290 to \$490 per lease depending on the amount of the lease.

In July 2006, we announced an agreement for accepting and processing motorcycle credit applications from a Fortune 500 global diversified financial provider. Under the agreement, the company electronically transmits to us loan applications which meet our lending/leasing criteria. In May 2008, this agreement was terminated as said company decided to cease doing business in the powersports industry.

In May 2006, we entered into a limited Marketing Agreement with netLoan Funding, LLC (“netLoan”). eBay Motors is under an agreement with netLoan whereby eBay Motors customers wishing to finance powersports vehicles are referred to the netLoan web site. Under our agreement with netLoan, these customers are then redirected from the netLoan web site electronically to a co-branded Sparta iPLUS® web site where their credit applications are processed. In April 2008, this agreement was amended and expanded to include referrals from eLoan, a nationwide financial services company, and NADA’s (National Automotive Dealers Association) powersports web pages and to include credit applications from these three sources for all motorcycles over 550cc. We pay netLoan a fee for each funded contract or lease processed through this co-branded web site. This program is inactive at the present time.

Municipal Leasing of Equipment, including Police Motorcycles

In February 2007, we launched a new Municipal Leasing Product designed expressly to meet the needs of law enforcement agencies throughout the U.S. We estimate that the annual municipal market for new law enforcement motorcycles, alone, exceeds \$300 million annually, based upon extensive discussions that the company conducted among Harley-Davidson, Honda, and BMW dealers, with those brands being the most prominent in the municipal environment. We believe that most of these agencies have historically been purchasing these vehicles with few, if any, financing alternatives, therefore, we developed a leasing alternative for governmental organizations to acquire the motorcycles they need, and remain within their budgets at the same time. We have partnered with a wholly owned subsidiary of a state chartered bank which specializes in municipal financing. Under this relationship, we originate for this subsidiary and negotiate the leases on behalf of it and the municipality. We receive an upfront origination fee and a structured commission for each closed lease.

Private Label Programs for Manufacturers and Distributors

To date, we have entered into four “private label” 5-year financing agreements with the U.S. distributors of major manufacturers of scooters and ATVs. Under these agreements, we allow the manufacturer to put its name on our finance and lease products, and offer such financing facilities to its dealers for their customers. We own the retail installment sales contracts and leases generated under these “private label” programs, and derive revenues from sales of the distributor’s product line to the dealer’s customers. The private label program also expands our dealer base by the number of dealerships in the distributor’s chain, thereby generating additional opportunities to sell our other financial products and services to these dealers for their customers interested in non-“private label” brand of vehicles.

These four distributors have over 1,200 dealers who, in addition to becoming our Private Label dealers, can sign up to become our Authorized Sparta Dealers, which will enable them to use us as a source for financing their non-private label brand of vehicles.

In May 2007, we announced the launch of a consumer leasing product for Moto Guzzi and Aprilia, the two motorcycle brands distributed by Piaggio Group Americas, Inc. This product will enable all Moto Guzzi and Aprilia dealers to offer our Flex Lease program, which provides a range of payment options based on vehicle make, model, age, and term of lease, to their customers as alternatives to traditional retail installment sales financing. Piaggio Group’s US dealer network currently numbers approximately 400, including retailers of Vespa and Piaggio, the two well known brands of scooters also distributed by the Piaggio Group. Among those dealers, more than 180 carry the Moto Guzzi and/or Aprilia brands. Piaggio Group Americas, Inc. is a subsidiary of Piaggio & C. S.P.A., based in Pontedera, Italy.

Revenue from Ancillary Products and Services

We expect to receive additional revenue related to servicing our portfolio, such as lease acquisition fees, late payment fees, vehicle disposition fees at lease-end, early termination fees, charges for excess wear-and-tear on leased vehicles, and from ancillary products and services.

We are being positioned as a full service organization providing products and services to its dealers that are costly to obtain on an individual dealer basis. Also, we offer a private label GAP (Guaranteed Auto Protection) insurance plan for our dealers:

Gap Coverage

We market our private label gap coverage on a fee basis to customers through dealers. This coverage protects the customer should the vehicle be stolen or wrecked and the holder's primary insurance is not adequate to cover their payoff to the creditor that holds the lien on or the lease of the vehicle.

We intend to continue to evaluate additional ancillary products and services and believe that it can create additional products and services to meet dealers' needs, creating company brand loyalty in the dealer community and generating other revenue streams.

Revenue from Remarketing Off-Lease and Repossessed Vehicles

Re-leasing to Original Lessees

Management commences its re-leasing efforts as early as eleven months prior to the end of the scheduled lease term. Lessees' options are expected to include: extending the lease, returning the vehicle to us or buying the vehicle at the buy-out option price established at the beginning of the lease. Our policy requires lessees who wish to return their vehicles, to return the vehicle to the originating dealer. If the lessee has moved, then the vehicle should be returned to the Authorized Sparta Dealer closest to the lessee. If this is impracticable, then we will arrange to have the vehicle transported at the lessee's expense.

Returned Leased Vehicles

When a vehicle is returned to an Authorized Sparta Dealer at the end of the scheduled lease term, the dealer will inspect it for excessive wear and mileage over maximum levels specified under the lease agreement and prepare it for resale/lease. All Authorized Sparta Dealers and all Authorized Private Label Dealers are contractually bound to charge no more than cost plus ten-percent for repairs and to provide free storage for all consignment vehicles (i.e., vehicles which are returned to the dealer at the end of the lease, or are repossessed). Thereafter, we plan to consign the vehicle to the originating dealer for sale or re-lease to a new party. Should the dealer decline to take the vehicle on consignment, it will be electronically marketed on the Classified Pages of our web site. We believe the market for used vehicles is significant and the opportunity to remarket the same vehicle numerous times is a key selling point with prospective dealerships. We believe that using our dealer network in such a manner will result in a better overall economic return on our portfolio as well as strengthen dealer relationships.

Repossessed Vehicles

All repossessed vehicles are similarly returned to the originating Authorized Sparta Dealer to be reconditioned (if needed) for consignment sale or re-lease in the same manner as returned vehicles.

Second Chance Express

We allow our Authorized Sparta Dealers to offer their inventory of returned or repossessed vehicles not only to customers with approved credit applications but also to customers with less than prime credit. Applicants with low credit scores are evaluated under our Second Chance Express Program. This unique finance/lease product is designed to offer a financing program tailored to this non-prime customer. The program allows us to serve those customers who can offset their credit risk with higher down payments. A key benefit of this program to us is that the minimum down-payment requirement is 20% in order to bring the amount financed in line with the current wholesale value of the vehicle. Under the Second Chance Express Program, we pay our dealers a commission on any Sparta inventory vehicle, held on consignment on their “floor” or offered on the Sparta Classified Web Page, for which they arrange a sale or financing.

Credit and Collections

Policies and Procedures

Based on management’s experience in vehicle financing and leasing, we have developed policies and procedures for credit evaluation, collections, insurance follow up, and asset recovery. We impose strict credit and demographic criteria to determine which retail installment sales contracts and lease applications are approved.

Credit Evaluation Process and Collateral Guidelines

To insure that our Credit Evaluation Process and Collateral Guidelines are consistently applied and that the credit/underwriting decision process provides rapid decisioning to our Authorized Sparta Dealers and our Authorized Private Label Dealers, we have worked closely with a leading provider of interactive credit accessing and decisioning solutions, to develop our iPLUS ® point of sale credit application decisioning and contract generating web based platform.

iPLUS ® (internet Purchasing Leasing Underwriting Servicing)

Our retail installment sales contract and leasing products are delivered through a proprietary, web-based, credit application processing platform. This system is named iPLUS ® and is structured as an Application Service Provider (“ASP”) and has the capability of providing the dealer with conditional approvals seven days a week, twenty-four hours a day. This system also provides the powersports dealer with system capabilities comparable to those of new car franchises. We believe iPLUS ® provides the Authorized Sparta Dealers and Authorized Private Label Dealers with a competitive advantage and increases our ability to obtain a larger share of the dealer’s business.

Major features of iPLUS ® include:

- 100% Web Browser Based (www.spartacommercial.com)
- User friendly system
- No costly software required by the users

- Operates on any dial-up connection as slow as 28.8 kbits/s
- Requires Internet Explorer 5.5 or above, Adobe Acrobat Reader 5.0 or above, both available at no charge on the Internet
- Integrated scorecard and decision engine
- Integrated credit bureau retrieval and review (can access any of the 3 major bureaus)
- Once an application is submitted, a decision is made in seconds, 24 hours a day, 7 days a week
- Easy to complete customer application
- Dealer application management
- Contract and lease calculator (assists dealer in structuring any approved application.)
- Prints approved customer contract and related documents
- Captures information in electronic format
- Complete underwriting documentation and control system
- Dealer communication
- Allows the dealer to track the entire decisioning, underwriting, and funding process in real time.

Additionally, this technology provides quick, consistent credit decisions for our dealer network and reduces the number of credit analysts required, thereby, reducing our personnel expense.

We have established program guidelines that are an integral function of the iPLUS ® decisioning process. These program guidelines establish and clarify credit criteria such as credit tiers, maximum amount financed, term and rate, dealer rate participation, deal structure, buyer profile, credit bureau parameters, budget parameters, and eligible collateral, including maximum loan-to-value ratios for each of its retail installment sales contracts and lease agreements, depending on the applicant's credit rating and stability. We have developed our own credit criteria system by using an empirical score card and then assigning our own rating based on our experience. This rating is used as the basis to determine the terms and conditions under which an applicant is approved or declined.

We conduct both applicant credit risk and asset evaluation before approving financing. Should the customer seek financing above the applicable threshold, we ask for a down payment from the borrower or lessee to close the gap between selling price and value. The size of the down payment will be a function of the applicant's credit rating, stability, budget, and the value of the underlying asset.

Collection Procedures

Approving retail installment sales contracts and leases that comply with the policies and procedures established by us is just the first step. A principal factor in the success of our business model is its ability to track contract and lease performance.

A third party provides the software we use to manage our assets, customer base, collections, insurance, and accounting systems. Using a variety of basic and customized reports generated by this software, we monitor our customers' compliance with their obligations under retail installment sales contracts or lease agreements. These reports are accessed on a real-time basis by employees of our company and are distributed to management personnel for review. The reports include delinquency reports, collection tickler (promises) reports, insurance status reports, termination reports, inventory reports, maturing contract reports, etc.

We require continuous physical damage insurance on all financed vehicles and continuous liability and physical damage insurance coverage on all leased vehicles. In addition, we are required to be listed as Additional Named Insured and Loss Payee. Continuous insurance is critical, and we are permitted to repossess a vehicle if coverage lapses. Any lapse in insurance coverage for any reason will lead to reinstatement of forced placed insurance coverage or repossession of the leased vehicle.

Using Diversification to Reduce Portfolio Risk

Management will reduce portfolio risk not only by carefully screening applicants and monitoring covenant compliance, but also by diversifying its financing activities across credit tiers and our list of motorcycle, ATV, and scooter models that it will finance or lease.

Credit Tiers – We expect that we will maintain a portfolio dominated by A/B credit applicants over C applicants in the ratio of at least 70/30. Management anticipates that it will be able to rebalance its portfolio by training its sales force to work closely with dealerships in their territories to help us maintain our conservative 70/30 target.

We will also be able to manage this ratio by revising the variables in our various programs (terms and conditions under which we will purchase retail installment sales contracts or lease vehicles), such as minimum income, debt ratios, payment to income ratios, minimum down payment required, acquisition fees (paid by dealer), discounts (paid by dealer), etc.

Portfolio Performance – Contracts and leases over 30 days delinquent were 1.88% of total portfolio balances at April 30, 2007, 2.85% at April 30, 2008, and 3.70% at April 30, 2009. Cumulative net losses and charge-offs as a percent of cumulative portfolio originations were 1.53% at April 30, 2007, 1.17% at April 30, 2008, and 3.27% at April 30, 2009. Additionally, as of April 30, 2009, we maintained a cash reserve with its Senior Lender equal to 9.72% of the outstanding loan balance with that lender.

Sparta Approved Vehicle Models – Advance rates and other credit restrictions will be in effect for certain models and years based on the relevant facts and circumstances.

Market Information

As reported in the 2008 Statistical Annual Report of the Motorcycle Industry Council, retail sales of new motorcycles have grown steadily from 1991 through 2006. North American registrations of new 651cc and higher motorcycles were 479,939 in 2008, a 7% decline from 2007 at 516,100. We estimate that the 2008 US retail market for new and used 600cc+ motorcycles was \$8.5 billion.

U.S. sales of new ATVs were estimated to be 432,000 units in 2008, a 29% decline from 2007 as reported in Powersports Business Magazine in the February 9, 2009 issue. Sales of Utility ATVs in 2008 were essentially unchanged from 2007 at 130,000 units according to the same Powersports Business issue.

Estimated U.S. scooter unit sales for calendar 2008 are estimated to be 76,700, up approximately 41.5% from calendar year 2007, according to Powersports Business Magazine in the February 9, 2009 issue.

Sales and Marketing

Normally, vehicle financing products are sold primarily at the dealer level, rather than the consumer level. Our strategy is to, additionally, utilize a direct sales force that promotes our products and services to qualified dealers, train them, and provide them with point-of-sale marketing materials. Our powersports vehicle direct financing products continue to gain market acceptance as evidenced by our four Private Label Contracts. This direct sales force will be comprised of Marketing Group and a Dealer Services Group.

The Marketing Group will continue to work directly with the manufacturers and distributors to obtain additional Private Label Contracts and to monitor our competition. The Private Label partners will assist us directly in training the Private Label Dealers. This will be done at the manufacturers/distributors place of business, at industry shows, or with a group of dealers in a common geographic area.

The Dealer Support Group accepts dealer application packages from dealers that want to be either or both our Authorized Sparta Dealers or Authorized Private Label Dealers. They notify the approved dealers that they have been approved and provide them with the required information to process applications and print contracts using iPLUS[®], including a Dealer Sign Up packet. The Dealer Services Group is available to directly assist dealers by telephone and follow up with dealers on conditional approvals to assist them in forwarding the funding packages to us for purchase. This group also accepts all incoming calls from dealers, answering their inquiries or directing them, if necessary, to the appropriate department.

Authorized Sparta Dealers are able to advertise both new and used vehicles in the Classified Section of our website, at no cost to the dealer. We plan to use this feature of the website to remarket its own inventory (both repossessed and returned end-of-term vehicles) throughout the country. Our exclusive "Second-Chance Express" program for customers with a poor or limited credit history was created to help re-market our inventory. Incentives are in place for Authorized Sparta Dealers who sell or lease either our inventory vehicle at their dealership or one that is at another dealership in our network.

With the exception of the netLoan program and the program with the Fortune 500 company, both described under the "Retail Installment Sales Contracts and Leases" section above, we do not market or sell directly to consumers, but we expect consumers to visit our website. We have provided a consumer oriented PowerPoint presentation for their review. Additionally, visiting consumers will be able to view our advertising, news and find general information about vehicle makes and models, road rallies, and other areas of powersports interest. They will also be able to utilize our Dealer Locator to find the nearest Authorized Sparta Dealers or Authorized Private Label Dealer in their area. Consumers will be able to view the Classified Section of the website and any consumer inquiring about the program will be directed to our nearest Authorized Sparta Dealer.

Competition

The consumer finance industry is highly fragmented and highly competitive. Broadly speaking, we compete with commercial banks, savings & loans, industrial thrift and credit unions, and a variety of local, regional, and national consumer finance companies. While there are numerous financial service companies that provide consumer credit in the automobile markets, including banks, other consumer finance companies, and finance companies owned by automobile manufacturers and retailers, most financial service companies are reluctant to provide financing for powersports vehicles. Customers who approach these lending sources to obtain financing for the purchase of a powersports vehicle are often encouraged to pursue a personal unsecured loan instead.

There are few companies that provide nationwide dealer-based leasing options in the powersports industry segment and these tend to be private label factory programs supporting their own brands. Because of their narrow focus (such as requiring that the equipment be covered by the brand's warranty); these companies have met with limited success. Independent consumer financial services companies and large commercial banks that participated in this market have withdrawn substantially from the motorcycle loan niche over the past two years or have tightened their underwriting criteria. For instance, our closest competitors, Capitol One, HSBC and GE Capital, have chosen to refocus their efforts toward enterprises that are more in line with their traditional core business. We believe that those companies may have suffered as a result of compromising their underwriting criteria for the sake of volume. In addition, management believes that our competitors' practice of financing all makes and models of a particular manufacturer results in lower overall portfolio performance because of the poor demographics associated with some of those product lines. The marketplace also includes small competitors such as local credit unions, local banks, and a few regional players.

We compete for customers with commercial banks, savings and loans, credit unions, consumer financing companies, and manufacturers finance subsidiaries. Additionally, some powersports manufacturers such as Harley-Davidson and BMW have subsidiaries that provide financing to their own dealers.

While some of our larger competitors have vast sources of capital and may be able to offer lower interest rates due to lower borrowing costs and longer terms (up to 108 months) we believe that the combination of management's experience, expedient service, availability of the lease option and iPLUS ® give us an advantage over our competitors.

Regulation

Our planned financing operations are subject to regulation, supervision, and licensing under various federal, state, and local statutes and ordinances. Additionally, the procedures that we must follow in connection with the repossession of vehicles securing contracts are regulated by each of the states in which we do business. Accordingly, the laws of such states, as well as applicable federal law, govern our operations. Compliance with existing laws and regulations has not had a material adverse affect on our operations to date. Our management believes that we maintain all requisite licenses and permits and are in material compliance with all applicable local, state, and federal laws and regulations. We periodically review our office practices in an effort to ensure such compliance.

The following constitute certain of the federal, state, and local statutes and ordinances with which we must comply:

- Fair Debt Collection Act. The Fair Debt Collection Act and applicable state law counterparts prohibit us from contacting customers during certain times and at certain places, from using certain threatening practices and from making false implications when attempting to collect a debt.
- Truth in Lending Act. The Truth in Lending Act requires us and the dealers we do business with to make certain disclosures to customers, including the terms of repayment, the total finance charge, and the annual percentage rate charged on each contract.
- Consumer Leasing Act. The Consumer Leasing Act applies to any lease of consumer goods for more than four months. The law requires the seller to disclose information such as the amount of initial payment, number of monthly payments, total amount for fees, penalties for default, and other information before a lease is signed.

- The Consumer Credit Protection Act of 1968. The Act requires creditors to state the cost of borrowing in plain English so that the consumer can figure out what the charges are, compare costs, and shop for the best credit deal.
- Equal Credit Opportunity Act. The Equal Credit Opportunity Act prohibits creditors from discriminating against loan applicants on the basis of race, color, sex, age, or marital status. Pursuant to Regulation B promulgated under the Equal Credit Opportunity Act, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for the rejection.
- Fair Credit Reporting Act. The Fair Credit Reporting Act requires us to provide certain information to consumers whose credit applications are not approved on the basis of a report obtained from a consumer reporting agency.
- Gramm-Leach-Bliley Act. The Gramm-Leach-Bliley Act requires us to maintain privacy with respect to certain consumer data in our possession and to periodically communicate with consumers on privacy matters.
- Soldiers' and Sailors' Civil Relief Act. The Soldiers' and Sailor's Civil Relief Act requires us to reduce the interest rate charged on each loan to customers who have subsequently joined, enlisted, been inducted or called to active military duty, if requested to do so.
- Electronic Funds Transfer Act. The Electronic Funds Transfer Act prohibits us from requiring our customers to repay a loan or other credit by electronic funds transfer ("EFT"), except in limited situations that do not apply to us. We are also required to provide certain documentation to our customers when an EFT is initiated and to provide certain notifications to our customers with regard to preauthorized payments.
- Telephone Consumer Protection Act. The Telephone Consumer Protection Act prohibits telephone solicitation calls to a customer's home before 8 a.m. or after 9 p.m. In addition, if we make a telephone solicitation call to a customer's home, the representative making the call must provide his or her name, our name, and a telephone number or address at which our representative may be contacted. The Telephone Consumer Protection Act also requires that we maintain a record of any requests by customers not to receive future telephone solicitations, which must be maintained for five years.
- Bankruptcy. Federal bankruptcy and related state laws may interfere with or affect our ability to recover collateral or enforce a deficiency judgment.
- Most states have adopted a version of Article 2A of the Uniform Commercial Code, which is applicable to "true leases" such as operating leases. Article 2A may, among other things, limit enforceability of any "unconscionable" lease or "unconscionable" provision in a lease, provide a lessee with remedies, including the right to cancel the lease contract, for any lessor breach or default, and may add to or modify the terms of "consumer leases" and leases where the lessee is a "merchant lessee." However, Article 2A recognizes typical commercial lease "hell or high water" rental payment clauses and validates reasonable liquidated damages provisions in the event of lessor or lessee defaults. Article 2A also recognizes the concept of freedom of contract and permits the parties in a commercial context a wide latitude to vary provisions of the law.

Employees

As of November 18, 2009, we had 13 full-time employees. None of our employees are covered by a collective bargaining agreement. We have never experienced a work stoppage and we believe that we have satisfactory working

relations with our employees.

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Properties

Our executive offices are located at 462 Seventh Avenue, 20th Floor, New York, NY 10018. We have an agreement for use of office space at this location under a lease expiring on November 30, 2012. The office space contains approximately 7,000 square feet. The rent for the year ended April 30, 2010 is \$297,590, for the year ended April 30, 2011 is \$304,985, for the year ended April 30, 2012 is \$312,565, and for the seven months ending November 30, 2012 is \$184,947. We believe that our existing facilities will be adequate to meet our needs for the foreseeable future. Should we need additional space, management believes it will be able to secure additional space at commercially reasonable rates.

Legal Proceedings

As of October 30, 2009, we were not a party to any material pending legal proceeding. From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business.

MANAGEMENT

Executive Officers and Directors

The following table sets forth our executive officers and directors and their respective ages and positions as of August 1, 2009.

Name	Age	Position
Anthony L. Havens	55	Chief Executive Officer, President, and Chairman
Kristian Srb	54	Director
Jeffrey Bean	56	Director
Anthony W. Adler	69	Executive Vice President and Principal Financial Officer
Richard P. Trotter	66	Chief Operating Officer
Sandra L. Ahman	46	Vice President, Secretary and Director

Anthony L. Havens, Chief Executive Officer, President, and Chairman. On February 27, 2004, Mr. Havens became our Chief Executive Officer, President and Chairman of the Board. Mr. Havens served as acting Chief Financial Officer from July 2005 to September 2006. Mr. Havens served as the Managing Member and Chief Executive Officer of our predecessor entity, Sparta Commercial Services, LLC, since its inception in 2001 until its dissolution in February 2006. He is involved in all aspects of our operations, including providing strategic direction, and developing sales and marketing strategies. From 1994 to 2004, Mr. Havens has been Chief Executive Officer and a director of American Motorcycle Leasing Corp. He co-founded American Motorcycle Leasing Corp. in 1994, and developed its operating platform and leasing program to include a portfolio which includes both prime and sub-prime customers. Mr. Havens has over 20 years of experience in finance and investment banking.

Kristian Srb, Director. Mr. Srb joined our board of directors in December 2004. Mr. Srb has been a director of American Motorcycle Leasing Corp. from 1994 to the present. Mr. Srb was President of American Motorcycle Leasing Corp. from 1994 to 1999. Since 1999, Mr. Srb has engaged in private investment activities. He has over 16 years experience in international brand development and management, including for 13 years with Escada A.G.

Jeffrey Bean, Director. Mr. Bean joined our Board of Directors in December 2004. Mr. Bean is the founder and President of Bean Foods, LLC. Formed in July 2006 the company develops, owns and operates quick serve restaurants in Georgia. Prior to founding Bean Foods, Mr. Bean was the founding partner for GoMotorcycle.com, a business that engaged in the sale of motorcycle parts and accessories over the Internet. Mr. Bean was an institutional broker and trader at a major commodities trading firm from 1985 to 1997. From 1977 to 1985, Mr. Bean was President of Thomaston Press, Ltd., a printing concern. He received a B.A. degree from the University of Virginia.

Anthony W. Adler, Executive Vice President and Principal Financial Officer. From March 2004 to August 2006, Mr. Adler was a full time consultant to us, and in September 2006, joined our company as Executive Vice President and also as Principal Financial Officer. From 1995 to March 2004, he was Chief Financial Officer of American Motorcycle Leasing Corp. From 1993 to 1994, Mr. Adler was Chief Executive Officer of Innotek, Inc., a public company engaged in the development and distribution of skin-care products. Prior to 1993, Mr. Adler served in numerous executive capacities including Director of Research and Vice President, Corporate Finance for two New York Stock Exchange Member Firms. Mr. Adler holds an MBA from New York University and a BA from Columbia College.

Richard P. Trotter, Chief Operating Officer. Mr. Trotter has been our Chief Operating Officer since November 2004. From 2001 to 2004, Mr. Trotter was President, Chief Credit Officer, of American Finance Company, Inc., purchasing retail automobile installment contracts from independent automobile dealers nationwide. From 1996 to 2001, he was Senior Vice President of Originations for Consumer Portfolio Services, Inc., one of the nation's leading purchasers of non-prime retail automobile installment contracts. From 1994 to 1996, he was Senior Vice President of Marketing for Consumer Portfolio Services, Inc. His experience also includes positions as Chief Operating Officer, Executive Director and President, and Chief Credit Officer for banks and financial institutions in California. Mr. Trotter has over 30 years experience in financial institutions and over 20 years experience specializing in the automobile lending, servicing, and collecting industry.

Sandra L. Ahman, Vice President, Secretary and Director. On March 1, 2004, Sandra Ahman became Vice President of Operations and Secretary of our company, and a Director on June 1, 2004. She served as a Vice President of our predecessor entity, Sparta Commercial Services, LLC since its inception in 2001 until its dissolution in February 2006. From 1994 to 2004, she was Vice President of Operations of American Motorcycle Leasing Corp. Prior to joining American Motorcycle Leasing Corp., Ms. Ahman was with Chatham Capital Partners, Ltd. Before joining Chatham in 1993, she was Manager, Human Resources for Comart and Aniforms, a sales promotion and marketing agency in New York, where she worked from 1986 to 1993. For the past 15 years, Ms. Ahman has been a volunteer with The Children's Aid Society in New York City, a membership of 500 committed volunteers, serving from 2000 to 2002 as President of its Associates Council, from 2002 to 2005 as Chairman of the Associates Council, and since 2002 as a member of the Advisory Council of their Board of Trustees.

Board of Directors Information and Corporate Governance

There are no family relationships among our executive officers or directors. None of our directors or officers are directors of another reporting company. Our directors are elected annually to serve for one year and hold office until the next annual meeting of the stockholders and until their successors are elected and qualified. Our board of directors may increase the size of the board of directors. Any director who fills a position created by the board of directors serves until the next annual meeting of the stockholders. Our officers are elected by the board of directors at the first meeting after each annual meeting of our stockholders, and hold office until their death, resignation or removal from office.

Our board of directors does not currently maintain a separately-designated standing audit, nominating, or compensation committee, or other similar committee, of the board of directors. Functions customarily performed by such committees are performed by our board as a whole as our operations have been limited and we have had a small number of officers and a small number of directors since inception. We are not required to maintain such committees under the applicable rules of the OTC Bulletin Board. None of our directors qualify as an "audit committee financial expert." None of our directors, other than Jeffrey Bean, is deemed an independent director. For purposes of determining independence, we are applying the independence standards of the NASDAQ Stock Market LLC.

Executive Compensation

Summary Compensation Table

The table below sets forth information concerning the compensation we paid to our Chief Executive Officer and our next two most highly compensated executive officers who served during our fiscal years ended April 30, 2009 (“Named Executive Officers”).

Name and Principal Position	Year	Salary	Bonus	Stock Awards (a)(b)	Option Awards (a)(c)	All Other Compensation (d)	Total
Anthony L. Havens Chief Executive Officer	2009	280,000	0	0	0	10,639	290,639
Anthony W. Adler Executive Vice President and Principal Financial Officer	2009	185,000	0	0	156,978	0	341,978
	2008	185,000	0	0	156,928	0	341,928
Richard P. Trotter Chief Operating Officer	2009	200,000	0	10,000	37,065	0	247,065
	2008	200,000	0	20,000	49,420	0	269,420

- (a) See note N to financial statements for assumptions made in the valuation.
- (b) For Mr. Trotter, refers to the values of 12,500 and 25,000 shares of common stock that vested in fiscal years 2009 and 2008, respectively. Pursuant to an employment agreement dated November 1, 2004, Mr. Trotter is entitled to up to 125,000 shares of common stock, of which an aggregate of 112,500 shares have vested (of which 87,500 remains to be issued), and 12,500 shares remain subject to future vesting on November 1, 2009.
- (c) For Mr. Adler, refers to the values of 1,200,000 and 800,000 stock options that vested in each of fiscal years 2009 and 2008, respectively. Pursuant to an option agreement dated September 22, 2006, Mr. Adler is entitled to up to 4,000,000 options subject to vesting. The options are exercisable for a period of five years from the vesting date at \$0.1914 per share. On each of September 22, 2006, 2007, and 2008, stock options to purchase 800,000, 800,000 and 1,200,000 shares vested, respectively, and the remaining 1,200,000 options are to vest on September 22, 2009. For Mr. Trotter, refers to the values of 175,000 stock options that vested in each of fiscal years 2009 and 2008. Pursuant to an option agreement dated April 29, 2005, Mr. Trotter received 875,000 stock options, exercisable for five years from the vesting date at \$0.605 per share. Options to purchase 175,000 shares vested on April 29, 2005, and additional options to purchase 175,000 shares vested on each of April 29, 2006, 2007, 2008, and 2009.
- (d) This column reports the total amount of perquisites and other benefits provided, if such total amount exceeded \$10,000. In fiscal 2009, for Mr. Havens, this includes \$10,639 for garage rental. In fiscal 2008, for Mr. Havens, this includes expenses of \$11,580 for garage rental.

In general, compensation payable to a Named Executive Officer consists of a base salary, and in cases of persons other than our CEO, a stock or stock option award. During our 2009 fiscal year, we had in effect written employment agreements with the Named Executive Officers. Our compensation system has generally not been tied to performance based conditions other than the passage of time.

Employment Agreements

Anthony L. Havens

We entered into an employment agreement, dated as of July 12, 2004, with Anthony L. Havens who serves as our Chief Executive Officer. The employment was for an initial term of five years. The employment term was automatically extended for one five-year period, and is extended for additional one-year periods, unless written notice is given by either party three months prior to the expiration of any such term that the term will not be extended. His base salary is at an annual rate of \$280,000. He is entitled to defer a portion of his base salary each year. He is entitled to annual increases in his base salary and other compensation as may be determined by the Board of Directors. He is entitled to a \$1,000,000 term insurance policy. He is entitled to six weeks of paid vacation per year, and health insurance, short term and long term disability insurance, retirement benefits, fringe benefits, and other employee benefits on the same basis as is generally made available to other senior executives. He is entitled to reimbursement of reasonable business expenses incurred by him in accordance with company policies. If terminated, he is entitled to three months of severance for up to six months of service for each year of employment, plus full participation in all standard employee benefits during the period of severance payments. The employment agreement provides for termination for cause. If he resigns for good reason or is terminated without cause within twelve months after a change in control of our company, he is entitled to receive an additional lump sum payment equal to the greater of the severance payment or the balance of his base salary for the remaining employment term, continued coverage under any welfare benefits plans for two years, and full vesting of any account balance under a 401(k) plan. For purposes of the employment agreement, a change in control refers to:

- a change in voting power, due to a person becoming the beneficial owner of 50% or more of the voting power of our securities and our largest stockholder;
- during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors, including later approved directors, ceasing to constitute a majority of the board;
- a merger or consolidation of our company with a third party, after which our stockholders do not own more than 50% of the voting power; or
- a sale of all or substantially all of our assets to a third party.

If we elect not to renew the employment agreement, he shall be entitled to receive severance equal to thirty months of his base salary plus standard employment benefits. If we fail to fully perform all or any portion of our post-termination obligations, we are obligated to pay to him an amount equal to five times the value of the unperformed obligation.

Anthony W. Adler

We entered into an employment agreement, effective September 22, 2006, with Anthony W. Adler, to serve as our Executive Vice President and interim Chief Financial Officer. The term of employment was three years, ending September 22, 2009. The employment term may be extended for one year upon written agreement by us and Mr. Adler. We and Mr. Adler have verbally agreed to extend his employment agreement. His initial base salary is at an annual rate of \$185,000. He is entitled to annual increases in his base salary and other compensation as may be determined by the Board of Directors. He was granted options to purchase 4,000,000 shares of our common stock, subject to vesting and subject to continued employment. On September 22, 2006, 2007, 2008 and 2009, options for a total of 4,000,000 shares vested. He was entitled to four weeks of paid vacation during the first year of employment, and has been entitled to five weeks per year thereafter. He is entitled to health insurance, short term and long term

disability insurance, retirement benefits, fringe benefits, and other employee benefits on the same basis as is made generally available to other employees. He is entitled to reimbursement of reasonable business expenses incurred by him in accordance with company policies. The employment agreement provides for termination for cause. If terminated without cause, he is entitled to severance. As severance, he shall be entitled to receive his full base salary through the end of the then current employment term.

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Richard P. Trotter

We entered into an employment agreement, effective November 1, 2004, with Richard P. Trotter, to serve as our Chief Operating Officer. The initial term of employment was one year. The employment term was extended for one two-year period, and an additional two-year period, ending November 1, 2009. We and Mr. Trotter have verbally agreed to extend Mr. Trotter's employment agreement. His initial base salary was at an annual rate of \$160,000. On May 1, 2005, his base salary increased to \$200,000. He is entitled to annual increases in his base salary and other compensation as may be determined by the Board of Directors. He was granted 125,000 shares of our common stock, subject to vesting and subject to continued employment. On each of November 1, 2004, 2005, 2006 and 2007, 25,000 shares vested. An additional 12,500 shares vested on each of November 1, 2008 and 2009. He is entitled to four weeks of paid vacation. He is entitled to health insurance, short term and long term disability insurance, retirement benefits, fringe benefits, and other employee benefits on the same basis as is made generally available to other employees. He is entitled to reimbursement of reasonable business expenses incurred by him in accordance with company policies. The employment agreement provides for termination for cause. If terminated without cause, he is entitled to severance. As severance, he shall be entitled to one week's base salary as of the date of termination for the first full year of service, and thereafter, two weeks' base salary for each succeeding year of service, up to an aggregate of four months of such base salary.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning outstanding option awards held by the Name Executive Officers as at April 30, 2009.

Name	Option Awards				Stock Awards	
	Number of securities underlying unexercised options Exercisable	Number of securities underlying unexercised options Unexercisable	Option exercise price	Option expiration date	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested (a)
Anthony W. Adler (1)	2,800,000	1,200,000	0.1914	9/21/2011	—	—
Richard P. Trotter (2)	—	—	—	—	12,500	875
Richard P. Trotter (3)	175,000	—	0.605	4/29/2010	—	—
Richard P. Trotter (3)	175,000	—	0.605	4/29/2011	—	—
Richard P. Trotter (3)	175,000	—	0.605	4/29/2012	—	—
Richard P. Trotter (3)	175,000	—	0.605	4/29/2013	—	—
Richard P. Trotter (3)	175,000	—	0.605	4/29/2014	—	—

- (a) Reflects the closing market price of our common stock on April 30, 2009, multiplied by the number of restricted shares that were not vested at 2009 fiscal year end.
- (1) Granted pursuant to an option agreement dated September 22, 2006. The options are exercisable for a period of five years from the vesting date at \$0.1914 per share. Unexercisable options are subject to vesting on September 22, 2019.
- (2) Granted pursuant to an employment agreement dated November 1, 2004. Mr. Trotter is vested with an aggregate of 112,500 shares, and 12,500 shares remain subject to future vesting on November 1, 2009.
- (3) Granted pursuant to an option agreement dated April 29, 2005.

Compensation of Directors

No compensation was paid to non-employee directors in fiscal year 2009.

RELATED PARTY TRANSACTIONS

During the fiscal year ended April 30, 2009, we received seven non-interest bearing demand loans in the aggregate amount of \$136,000 from Kristian Srb, one of our directors. As of October 31, 2009, this amount remains to be repaid.

During the fiscal year ended April 30, 2008, we received two non-interest bearing demand loans in the aggregate amount of \$40,000 from Kristian Srb, one of our directors. As of October 31, 2009, this amount remains to be repaid.

During the fiscal year ended April 30, 2007, we received a \$180,000 non-interest bearing demand loan from Kristian Srb, one of our directors. As of October 31, 2009, this amount remains to be repaid.

During the fiscal year ended April 30, 2007, we received a \$14,760 non-interest bearing demand loan from Sandra Ahman, one of our officers and a director, of which \$1,000 was repaid during the year ended April 30, 2007. As of October 31, 2009, \$13,760 remains to be repaid.

During the fiscal year ended April 30, 2007, we received a \$8,500 non-interest bearing demand loan from Richard Trotter, one of our officers. As of October 31, 2009, \$8,500 remains to be repaid.

During the fiscal year ended April 30, 2007, we received a \$2,500 non-interest bearing demand loan from Anthony Adler, one of our officers, which was repaid in fiscal 2009.

On October 31, 2008, we purchased certain loans secured by a portfolio of all American Motorcycle Leasing Corp's motorcycle leases for a total purchase price of \$100,000. At April 30, 2008 and 2009, included in accounts receivable, are \$169 and \$2,354 respectively, due from American Motorcycle Leasing Corp. for the purchase of motorcycles. American Motorcycle Leasing Corp. is controlled by a director and formerly controlled by our Chief Executive Officer. From time to time, we have engaged in certain transactions with American Motorcycle Leasing Corp. Certain of our officers, directors, and employees have worked for American Motorcycle Leasing Corp. and may continue to do so on a limited basis for the near future, and have had equity interests in American Motorcycle Leasing Corp. While our business plans differ from those of American Motorcycle Leasing Corp., we operate in the same industry as American Motorcycle Leasing Corp. Issues could arise with respect to the taking of corporate opportunities of each other. Any competition with American Motorcycle Leasing Corp. could adversely affect our business, operating results and financial condition. Accordingly, we may be subject to legal proceedings and claims, including claims of alleged infringement of the intellectual property, competition, conflict of interest, and other business governance related claims. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

We believe that the terms of all of the above transactions are commercially reasonable and no less favorable to us than we could have obtained from an unaffiliated third party on an arm's length basis. Our policy requires that all related parties recuse themselves from negotiating and voting on behalf of our company in connection with related party transactions.

PRINCIPAL STOCKHOLDERS

The table below sets forth information regarding the beneficial ownership of our common stock as of November 18, 2009 by: each of our directors; each of our executive officers; all of our executive officers and directors as a group; and each person known by us to be the beneficial owner of more than 5% of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power. Under SEC rules, a person is deemed to be the beneficial owner of securities which may be acquired by such person upon the exercise of options and warrants or the conversion of convertible securities within 60 days from the date on which beneficial ownership is to be determined. Each beneficial owner's percentage ownership is determined by dividing the number of shares beneficially owned by that person by the base number of outstanding shares, increased to reflect the beneficially-owned shares underlying options, warrants or other convertible securities included in that person's holdings, but not those underlying shares held by any other person.

Name (a)	Number of Shares Beneficially Owned	Percentage of Class Beneficially Owned
Anthony L. Havens (1)	30,933,250	9.1
Kristian Srb (2)	33,271,550	9.8
Jeffrey Bean (3)	526,000	*
Anthony W. Adler (4)	5,045,000	1.5
Richard P. Trotter (5)	912,500	*
Sandra L. Ahman	580,865	*
Optimus CG II, Ltd (6)	25,186,620	7.8
All current directors and executive officers as a group (6 in all)	71,269,165	21.0

* Represents less than 1%

(a) Unless indicated otherwise by footnote, the address for each person named in the table is c/o Sparta Commercial Services, Inc., 462 Seventh Ave, 20th Floor, New York, NY 10018, and each ..

(1) Mr. Havens' minor son owns approximately 500,000 shares of common stock in a trust account. Mr. Havens is not the trustee for his son's trust account, and does not have the sole or shared power to vote or direct the vote of such shares. Mr. Havens disclaims beneficial ownership of such shares held in his son's trust account.

(2) Includes 62,500 shares of common stock held by Mr. Srb's minor daughter, for which Mr. Srb may be deemed to have beneficial ownership of such shares.

(3) Includes 500,000 vested stock options.

(4) Includes 4,000,000 vested stock options.

(5) Includes 125,000 vested shares, although only 25,000 of such vested shares have been issued. Percentage ownership gives effect to the vested, but not yet issued, shares. Also includes 875,000 vested stock options.

(6) Based on information contained in a Schedule 13G filed jointly by Optimus CG II, Ltd. and Optimus Capital Partners, LLC, dba Optimus Special Situations Capital Partners, LLC (collectively, the "Schedule

13G Filers”) on October 23, 2009, the Schedule 13G Filers have no power to vote, or direct the vote of, such shares and sole power to dispose of, or divert the disposition of, all of such shares. The Schedule 13G also indicates that such shares were borrowed from unaffiliated stockholders of our company. The address of Optimus CG is Cricket Square, Hutchens Drive, Grand Cayman KY1-1111, Cayman Islands. The address of Optimus Capital Partners is 11150 Santa Monica Boulevard, Suite 1500, Los Angeles, California 90025.

SELLING STOCKHOLDER

This prospectus relates to our registration, for the account of the selling stockholder indicated below, of an aggregate of 18,066,176 shares of our common stock, which shares are issuable upon exercise of certain of an outstanding common stock purchase warrant. We are registering these shares as required by the terms of a registration rights agreement between the selling stockholder and us. We have agreed to pay all expenses and costs to comply with our obligation to register the selling stockholder's shares of common stock. We have also agreed to indemnify and hold harmless the selling stockholder against certain losses, claims, damages or liabilities, joint or several, arising under the Securities Act of 1933.

The following table sets forth the name of the selling stockholder and the number of shares of common stock being offered for resale by such selling stockholder pursuant to this prospectus. The last column of this table assumes the sale of all of such shares of common stock. The registration of the offered shares does not mean that the selling stockholder will offer or sell any of these shares. Except as set forth in the notes to this table, there is not nor has there been a material relationship between us and the selling stockholder within the past three years.

Name of Selling Stockholder	Number of Shares Beneficially Owned (1)	Common Stock		
		Offered by Selling Stockholder	Shares Beneficially Owned After Offering	Percent
Optimus CG II, Ltd. (2)	25,186,620(3)(4)	18,066,176	25,186,620	7.8%

- (1) The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of Securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power", which includes the power to dispose of or direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days of October 22, 2009. Under these rules more than one person may be deemed a beneficial owner of the same securities and a person maybe deemed to be a beneficial owner of securities as to which such person has no economic interest.
- (2) The sole stockholder of Optimus CG II, Ltd. is Optimus Capital Partners, LLC, dba Optimus Special Situations Capital Partners, LLC. Voting and dispositive powers with respect to the shares held by Optimus CG II, Ltd. is exercised by Terry Peizer, the Managing Director of Optimus Special Situations Capital Partners, LLC, who acts as investment advisor to Optimus CG II, Ltd.
- (3) Based on information contained in a Schedule 13G filed jointly by Optimus CG II, Ltd. and Optimus Capital Partners, LLC, dba Optimus Special Situations Capital Partners, LLC (collectively, the "Schedule 13G Filers") on October 23, 2009, the Schedule 13G Filers have no power to vote, or direct the vote of, such shares and sole power to dispose of, or divert the disposition of, all of such shares. The Schedule 13G also indicates that such shares were borrowed from unaffiliated stockholders of our company.
- (4) Excludes 18,066,176 shares of common stock issuable upon exercise of an outstanding warrant, which is exercisable at the earlier of (i) April 21, 2010 and (ii) the date on which the registration statement of which this prospectus forms a part becomes effective.

PLAN OF DISTRIBUTION

We are registering the shares on behalf of the selling stockholder, as well as on behalf of their donees, pledgees, transferees or other successors-in-interest, if any, who may sell shares received as gifts, pledges, partnership distributions or other non-sale related transfers. All costs, expenses and fees in connection with the registration of the shares offered hereby will be borne by us. Brokerage commissions and similar selling expenses, if any, attributable to the sale of the shares will be borne by the selling stockholder.

Sales of the shares may be effected by the selling stockholder from time to time in one or more types of transactions (which may include block transactions) on any securities exchange, in the over-the-counter market, in negotiated transactions, through put or call option transactions relating to the shares, through short sales of shares, short sales versus the box, or a combination of such methods of sale, at fixed prices, market prices prevailing at the time of sale, prices related to market prices, varying prices determined at the time of sale or at negotiated prices. Such transactions may or may not involve brokers or dealers. The selling stockholder has advised us that it has not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of its securities, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of the shares by the selling stockholder.

The selling stockholder may effect such transactions by selling the shares directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling stockholder and/or the purchasers of the shares for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions). In effecting sales, broker-dealers engaged by the selling stockholder may arrange for other broker-dealers to participate.

The selling stockholder and any broker-dealers that act in connection with the sale of the shares might be deemed to be “underwriters” within the meaning of Section 2(11) of the Securities Act of 1933, and any commissions received by such broker-dealers and any profit on the resale of the shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. The selling stockholder may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

Because the selling stockholder may be deemed to be “underwriters” within the meaning of Section 2(11) of the Securities Act, the selling stockholder will be subject to the prospectus delivery requirements of the Securities Act. We have informed the selling stockholder that the anti-manipulative provisions of Regulation M promulgated under the Securities Exchange Act of 1934 may apply to their sales in the market.

The selling stockholder also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meet the criteria and conform to the requirements of such Rule.

Sales of any shares of common stock by the selling stockholder may depress the price of the common stock in any market that may develop for the common stock.

If we are notified by a selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of the shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will, if required, file a supplement to this prospectus or a post-effective amendment to the registration statement of which this prospectus is a part under the Securities Act, disclosing:

- the name of each such selling stockholder and of the participating broker-dealer(s);
 - the number of shares involved;
 - the price at which such shares were sold;
- the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable;
- that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and
 - other facts material to the transaction.

We will not receive any of the proceeds received by the selling stockholder in connection with any of its sales of our common stock. However, we will receive proceeds of up to \$903,309 if the warrant relating to the common stock being offered by the selling stockholder is fully exercised. We intend to use such proceeds, if any, for working capital and general corporate purposes.

DESCRIPTION OF OUR SECURITIES

Our authorized capital stock consists of 750,000,000 shares of common stock, par value \$0.001 per share, of which 339,299,825 shares were issued and outstanding on November 18, 2009, and 10,000,000 shares of preferred stock, par value \$0.001 per share, issuable in one or more series designated by our board of directors, of which 125 shares of Series A Redeemable Preferred Stock, 157 shares of Series B Preferred Stock and 42,000 shares of Series C Convertible Preferred Stock were issued and outstanding on November 18, 2009. In addition, as of November 18, 2009, there were outstanding options to purchase 6,025,000 shares of common stock and warrants to purchase 31,337,120 shares of common stock.

The following summary describes the material terms of our common stock. The description of common stock is qualified by reference to our restated certificate of incorporation, as amended, our restated by-laws, the certificate of designation for our Series A Redeemable Preferred Stock and the certificate of designation for our Series B Preferred Stock, which are incorporated by reference as exhibits into the registration statement of which this prospectus is a part.

Common Stock

Voting Rights

The holders of our common stock have one vote per share. Holders of our common stock are not entitled to vote cumulatively for the election of directors. Generally, all matters to be voted on by shareholders must be approved by a majority, or, in the case of the election of directors, by a plurality, of the votes entitled to be cast at a meeting at which a quorum is present by all shares of our common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any then outstanding preferred stock.

Dividends

Holders of common stock will share ratably in any dividends declared by the board of directors, subject to the preferential rights of any of our preferred stock then outstanding. Dividends consisting of shares of our common stock may be paid to holders of shares of common stock.

Other Rights

In the event of our liquidation, dissolution or winding up, after payment of liabilities and liquidation preferences on any of our preferred stock then outstanding, the holders of shares of our common stock are entitled to share ratably in all assets available for distribution. Holders of shares of our common stock have no preemptive rights or rights to convert their shares of our common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock.

Transfer Agent

The transfer agent for our common stock is Jersey Transfer & Trust Co. , Verona, New Jersey.

LEGAL MATTERS

The validity of the securities offered pursuant to this prospectus will be passed upon for us by Harley & Deickler LLP, Woodbury, Connecticut.

EXPERTS

The consolidated financial statements of Sparta Commercial Services, Inc. as of April 30, 2009 and 2008 and for each of the two years in the period ended April 30, 2009 appearing in this prospectus, have been audited by RBSM, LLP, independent registered public accounting firm, as set forth in their report included herein. Such consolidated financial statements are included in this prospectus in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, therefore, we file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Copies of such periodic reports, proxy statements and other information are available for inspection without charge at the public reference room maintained by the SEC, located at 100 F Street, N.E., Washington, D.C. 20549, and copies of all or any part of these filings may be obtained from such offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is <http://www.sec.gov>.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Sparta Commercial Services, Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Sparta Commercial Services, Inc., as of April 30, 2009 and 2008, and the related consolidated statements of losses, deficiency in stockholders' equity and cash flows for each of the two years in the period ended April 30, 2009. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based upon our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sparta Commercial Services, Inc. at April 30, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the two years in the period ended April 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

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

/s/ R B S M LLP

New York, New York
August 13, 2009

SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

	April 30, 2009	April 30, 2008
ASSETS		
Cash and cash equivalents	\$ 2,790	\$ 68,642
RISC loan receivables, net of reserve of \$235,249 and \$86,312, respectively (NOTE D)	3,248,001	4,260,002
Motorcycles and other vehicles under operating leases net of accumulated depreciation of \$256,485 and \$336,100, respectively, and loss reserve of \$32,726 and \$25,231, respectively (NOTE B)	621,797	1,251,631
Interest receivable	49,160	58,382
Purchased portfolio (NOTE F)	72,635	-
Accounts receivable	17,899	37,024
Inventory (NOTE C)	12,514	79,069
Property and equipment, net of accumulated depreciation and amortization of \$147,905 and \$129,986, respectively (NOTE E)	43,342	61,261
Prepaid expenses	593,529	-
Restricted cash	348,863	444,902
Deposits	48,967	48,967
Total assets	\$ 5,059,497	\$ 6,309,879
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY		
Liabilities:		
Bank overdraft	\$ 57,140	\$ -
Accounts payable and accrued expenses	1,851,876	1,461,955
Accrued equity based penalties	-	2,178
Senior secured notes payable (NOTE F)	3,694,838	5,029,864
Note payable (NOTE G)	5,102,458	3,812,859
Loans payable-related parties (NOTE H)	378,260	244,760
Other liabilities	88,285	6,741
Deferred revenue	13,050	22,617
Total liabilities	11,185,907	10,580,974
Deficiency in Stockholders' Equity:		
Preferred stock, \$.001 par value; 10,000,000 shares authorized of which 35,850 shares have been designated as Series A Redeemable Preferred Stock, with a stated value of \$100 per share, 125 and 825 shares issued and outstanding, respectively	12,500	82,500
Common stock, \$.001 par value; 340,000,000 shares authorized, 170,730,064 and 130,798,657 shares issued and outstanding, respectively	170,730	130,799
Common stock to be issued, 16,735,453 and 12,160,210 respectively	16,735	12,160
Additional paid-in-capital	20,820,672	17,727,889
Accumulated deficit	(27,147,047)	(22,224,442)
Total deficiency in stockholders' equity	(6,126,410)	(4,271,095)
Total Liabilities and deficiency in stockholders' equity	\$ 5,059,497	\$ 6,309,879

See accompanying notes to consolidated financial statements.

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SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED STATEMENT OF LOSSES

	Year Ended April 30,	
	2009	2008
Revenue		
Rental income, Leases	\$ 298,476	\$ 391,029
Interest income, Loans	759,801	615,531
Other	86,367	123,131
Total revenue	1,144,644	1,129,691
Operating expenses:		
General and administrative	3,860,228	3,695,215
Depreciation and amortization	310,601	274,773
Total operating expenses	4,170,829	3,969,988
Loss from operations	(3,026,186)	(2,840,297)
Other expense (income):		
Interest expense and financing cost, net	1,895,661	1,152,259
Change in value of warrant liabilities	-	(202)
	1,895,661	1,152,057
Net loss	(4,921,846)	(3,992,354)
Preferred dividend	758	28,422
Net loss attributed to common stockholders	\$ (4,922,605)	\$ (4,020,776)
Basic and diluted loss per share	\$ (0.03)	\$ (0.03)
Basic and diluted loss per share attributed to common stockholders	\$ (0.03)	\$ (0.03)
Weighted average shares outstanding	159,112,249	127,304,396

See accompanying notes to consolidated financial statements.

SPARTA COMMERCIAL SERVICES, INC.
 CONSOLIDATED STATEMENT OF (DEFICIENCY IN) STOCKHOLDERS' EQUITY
 FOR THE TWO YEARS ENDED APRIL 30, 2009

	Preferred Stock		Common Stock		Common Stock to be issued		Additional Paid in Capital	Deferred Compensation	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, April 30, 2007	19,795	\$ 1,979,500	123,216,157	\$ 123,215	-	\$ -	\$ 14,595,827	\$ (24,000)	\$ (18,203,666)	\$ (1,520,137)
Shares issued	-	-	-	-	-	-	-	-	-	-
Conversion of preferred shares issued	(18,970)	(1,897,000)	-	-	12,160,210	12,160	1,884,840	-	-	-
Shares issued financing	-	-	4,982,500	4,983	-	-	403,818	-	-	408,801
Deferred compensation recorded	-	-	-	-	-	-	-	24,000	-	24,000
Deferred compensation recorded	-	-	2,600,000	2,600	-	-	174,400	-	-	177,000
Employee stock options	-	-	-	-	-	-	20,000	-	-	20,000
Employee stock options	-	-	-	-	-	-	261,850	-	-	261,850
Deferred compensation recorded	-	-	-	-	-	-	189,503	-	-	189,503
Deferred compensation recorded	-	-	-	-	-	-	-	-	(28,422)	(28,422)
Deferred compensation recorded	-	-	-	-	-	-	215,649	-	-	215,649
Operating losses and other	-	-	-	-	-	-	(17,997)	-	-	(17,997)
Operating losses and other	-	-	-	-	-	-	-	-	(3,992,354)	(3,992,354)
Balance, April 30, 2008	825	\$ 82,500	130,798,657	\$ 130,798	12,160,210	\$ 12,160	\$ 17,727,890	\$ -	\$ (22,224,442)	\$ (4,276,079)
Operating losses and other	(700)	(70,000)	1,875,000	1,875	(1,426,280)	(1,426)	69,551	-	-	(1,047,950)

