SPARTA COMMERCIAL SERVICES, INC.
Form 10-K
August 14, 2012

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

FORM 10-K

(Mark One)

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

For the fiscal year ended April 30, 2012

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________.

Commission file number: 0-9483

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

NEVADA (State or other jurisdiction of incorporation or organization)	30-0298178 (I.R.S. Employer Identification No.)
462 Seventh Ave, 20th Floor, New York, NY (Address of principal executive offices)	10018 (Zip Code)

Registrant's telephone number, including area code: (212) 239-2666

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

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, par value $0.001
(Title of class)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.   x Yes   o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every interactive Data File required to be submitted and posted pursuant to Rule 504 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to file such files).   o Yes   o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.   o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions "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 (Do not check if a smaller reporting company)	Smaller reporting company x

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

The aggregate market value of voting and non-voting common equity of the issuer held by non-affiliates, on October 31, 2011 was $2,631,186.

As of July 31, 2012, we had 9,873,732post-split shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.

TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. BUSINESS

General Overview

Sparta Commercial Services, Inc. ("Sparta" "we," "us," or the "Company") is a Nevada corporation. Historically, we were an independent financial services provider, offering consumer retail installment sales contracts and both consumer and commercial lease financing to the powersports industry. During the fiscal year ended April 30, 2011, we formed Specialty Reports, Inc to provide vehicle history reports to consumers, powersports, recreational vehicle, and automotive dealerships, and other entities such as credit unions, original equipment manufacturers, and auction houses; and to provide mobile applications (“mobile apps”) to powersports, automotive and marine dealerships.

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.

Segment Reporting

We classify our operations in two reportable segments: Information Technology Segment and Financial Services Segment.

Information Technology (“IT”)

The operations of our IT Segment are contained within our Specialty Reports, Inc. (“SRI”) subsidiary. SRI currently has four product offerings which are divided into two groups: the vehicle history report group and the mobile applications group.

The vehicle history report group is currently marketing: Cyclechex Motorcycle History Reports©, RVchecks™ RV History Reports, and CarVinReport Car History Reports. These reports contain extremely valuable information for consumers, dealers, insurers, auction houses, and lenders, about a vehicle’s history, such as disclosed damage, salvaged or rebuilt title brands, the number of previous owners, the last recorded odometer reading, the manufacturer’s original equipment, OEM recall data, and more. For consumers looking to buy a pre-owned vehicle or a retail vehicle dealer considering a trade-in or the purchase of other used vehicle, a Cyclechex Motorcycle History Report, RVchecks RV History Report or a CarVinReport Car History Report can be invaluable. For those dealers who want to provide a higher level of confidence to a potential buyer about the true history of the vehicle being considered for purchase, these reports are an outstanding sales support tool. We assemble the data for these reports from multiple sources, including, but not limited to, governmental agencies, in order to provide the most current information available for the benefit of all interested parties. With a “no-hassle,” 100% money-back guarantee, and at only a modest cost, these Specialty Reports provide buyers and sellers peace of mind for decision making.

The mobile applications group is currently marketing two mobile app products: Specialty Mobile Apps (“SMA”) and iMobile Apps (“iMA”). SMA is a customizable modular mobile application engine developed for powersports and automobile, recreational vehicle and marine dealers that allows them to login to our website and utilize a fully-customized dealer mobile application “mobile app” on their own schedule. Dealers can upload images, change colors and icons, customize the items displayed, send push notifications to their customers (app users) and create a fully branded experience. The mobile application is generated, packaged, and made available on-line to the dealer's customers through the Apple App Store and on the Android Market. Additionally, as we build new features, and support more devices, customers will also be able to take advantage of these new platforms and features as well. In May 2012, we launched imobileapp.com. iMA which, while similar to the SMA platform, is designed for multi-industry use with both semi- and fully-customized applications available. Typical markets for the iMA platform are: Restaurants, Hotels, Medical & Dental Practices, Real Estate Agencies, and Attorneys.

Financial Services ("FS")

Prior to the 2008-2009 world-wide financial crisis, at which time like many other businesses, our credit lines were cancelled, we provided consumer financing for the acquisition or leasing of new and used 550cc+ motorcycles, select scooters and utility all-terrain vehicles (ATVs). Through our Municipal Division we offered and continue to offer, on a pass through basis, an equipment leasing product for local and/or state agencies throughout the country seeking a better and more economical way to finance their essential equipment needs, from police motorcycles and cruisers, to EMS equipment and busses, to virtually any type of equipment required.

Table of Contents

BUSINESS OVERVIEW-INFORMATION TECHNOLOGY

SRI

In May 2010, our subsidiary, SRI purchased substantially all of the assets of Cyclechex LLC, a Florida limited liability company, in consideration of an adjusted 10% equity interest in Specialty Reports

Cyclechex LLC, formed in 2007, was in the business of providing basic motorcycle information, obtained by inputting the vehicle's vehicle identification number ("VIN") on the Cyclechex web-site, and receiving information as to the vehicle's year of manufacture, name of manufacturer and specific model. Specialty Reports has expanded on the Cyclechex product offering to include salvage, reported damage, and other title history information. All of this information is now offered on the Cyclechex web site, www.cyclechex.com, in the form of the copyrighted Cyclechex Motorcycle History Report©. Similar reports are offered on Recreational Vehicles on our web site, www.RVChecks.com. Subsequent to April 30, 2011, we introduced CarVinReport on our www.Carvinreport.com web site.

In June 2010, Specialty Reports entered into an exclusive five year agreement with a U.S. government authorized third-party distributor of on-line data from National Motor Vehicle Title System (NMVTS) for NMVTIS data on motorcycles, scooters, ATVs and recreational vehicles.

NMVTIS is an information system that federal law requires the United States Department of Justice to establish, to provide an electronic means to verify vehicle title, brand, and theft data among motor vehicle administrators, law enforcement officials, prospective purchasers and insurance carriers. NMVTIS was initially authorized in the Anti Car Theft Act of 1992 and reauthorized by the Anti Car Theft Improvements Act of 1996. After passage of the 1996 reauthorization, responsibility was transferred from the U.S. Department of Transportation to the U.S. Department of Justice. The NMVTIS system is a Department of Justice program currently operated by the American Association of Motor Vehicle Administrators (AAMVA). The system also will provide a means for states to share title information in order to prevent fraud and other crime.

NMVTIS was created to:

· prevent the introduction or reintroduction of stolen motor vehicles into interstate commerce;
· protect states, consumers (both individual and commercial), and other entities from fraud;
· reduce the use of stolen vehicles for illicit purposes including funding of criminal enterprises; and
· provide consumer protection from unsafe vehicles.

NMVTIS information is supplied by state motor vehicle agency records and entire sectors (e.g., insurance, auto recyclers/junk/salvage, etc.) addressed by the Anti-Car Theft Act. As opposed to purchasing information from specific businesses or companies, entities are required to provide specific information to NMVTIS in a specific format. NMVTIS is intended to serve as a reliable source of title and brand history for automobiles, motorcycles and other vehicles. However, there are certain pieces of vehicle history data that NMVTIS does not contain; for example, a vehicle's repair history. Currently the data provided to NMVTIS by states is provided in a variety of time frames; while some report and update NVMTIS data in "real-time" (as title transactions occur) others send updates less frequently, such as once every 24 hours or within a period of days.

This information is available to consumers and dealers on Specialty Reports' website located at wwwcyclechex.com. Cyclechex is similar to CARFAX® in that it provides on-line vehicle history reports, for a fee, based on the vehicle's VIN. However, neither CARFAX® nor AutoChek® offers information on motorcycles, scooters, ATVs or recreational vehicles.

SRI Products

Vehicle History Reports Overview

Consumer Benefits:

- Purchase a report directly from the Cyclechex, RVchecks or CarVINreport website
- Purchase a report via an Affiliate website

Dealer Benefits:

- Dealers purchase a “block” of history reports from Cyclechex, RVchecks or CarVINreport (with pricing incentives to purchase a larger quantity of reports)
- This will facilitate the dealers' acceptance of trade-in vehicles and add value to the purchase of any pre-owned motorcycle, RV, automobile, or light truck
- Dealers may absorb the cost of the report or re-sell the report to their customer

Table of Contents

Affiliate Program

- Dealers and other industry sources may incorporate the Cyclechex, RVchecks, or CarVINreport website link in their sales and marketing strategies
- Affiliates will earn commission on any Cyclechex, RVchecks, or CarVINreport history reports that are generated from their sites

Cyclechex Motorcycle History Reports

Cyclechex is an internet provider of Motorcycle History Reports exclusively dedicated to the powersports industry. The Cyclechex Motorcycle History Report® was the first product offered by Specialty Reports Inc. The Cyclechex Motorcycle History Report (Cyclechex.com) contains extremely valuable information for consumers, motorcycle dealers, insurers, auction houses, and lenders, about whether a specific pre-owned motorcycle is a specific model year, make, and model; if it has reported damage, title history including the last recorded odometer reading, any salvage or damaged titles, the manufacturer's original equipment, OEM recall data, and more.

For consumers looking to buy a pre-owned motorcycle or a retail motorcycle dealer considering a trade-in or the purchase of other used motorcycles, a Cyclechex Motorcycle History Report can be invaluable. And for those dealers who want to provide a higher level of confidence to a potential buyer about the true history of the motorcycle being considered for purchase, the Cyclechex Motorcycle History Report is an outstanding sales support tool.

Cyclechex gathers its data from multiple sources, including, but not limited to, governmental agencies, in order to provide the most current information available for the benefit of all interested parties. With a "no-hassle," 100% money-back guarantee, and at a modest cost, a Cyclechex Motorcycle History Reports provide buyers and sellers peace of mind for decision making.

RVChecks™ Recreational Vehicle History Reports

Our second product, RV History Reports (RVchecks.com), contains important and valuable information about any reported damage, salvage, and other relevant data concerning a particular pre-owned RV. This critical information is available to any interested party by entering a seventeen digit Vehicle Identification Number ("VIN") at our website. Our system is able to extract information from multiple data sources, including, but not limited to, government agencies throughout the United States. RVchecks.com is committed to delivering up-to-date, accurate information to consumers, RV dealers, lenders, insurers, and other interested parties, and we offer a "no-hassle" 100% money-back guarantee.

CarVin Reports

CarVINreport.com is an online provider of Automobile History Reports and a third product offered by Specialty Reports Inc., The CarVINreport Car History Report (CarVINreport.com) contains extremely valuable information for consumers, dealers, insurers, auction houses, and lenders, about whether a specific pre-owned automobile has a Salvage or Rebuilt Title status, sustained Flood Damage, the last recorded odometer reading, the manufacturer's original equipment, OEM recall data, and more. For consumers looking to buy a pre-owned automobile or a retail automobile dealer considering a trade-in or the purchase of other used automobiles, a CarVINreport Car History Report can be invaluable. And for those dealers who want to provide a higher level of confidence to a potential buyer about the true condition of the automobile being considered for purchase, the CarVINreport Car History Report is an outstanding sales support tool.

The following websites are among those affiliated with Specialty Reports Inc. used to appropriately direct customer inquiries:

www.dmv.org
www.kbb.com
www.motorcycle-histories.com
www.motorcycleshippers.jcmotors.com
www.nadaguides.com
www.sellharleys.com

Table of Contents

Each of our three vehicle history reports search government databases for over 90 types of vehicle title problems and over 28 million Salvage or Loss title records. Our reports provide some, if not all, of the following information:

Crushed Vehicles
Disclosed Damage
Last Recorded Odometer Reading
Manufacturers' Recall History
Manufacturers' Specifications
Multi-State Searches
Rebuilt Titles
Salvage-Stolen Titles
Salvaged or Damaged Titles
VIN Decoding

Specialty Mobile Apps ("SMA") and iMobileApp ("iMA").

Specialty Mobile Apps is a mobile application or computer software program ("app") designed to help the user to perform singular or multiple related tasks on a handheld device such as a smartphone or tablet. The Specialty Mobile Apps software platform initially developed for motorcycle, RV, auto and marine dealers provides a mobile framework from which we can easily create interactive, customized mobile applications for our vertical markets. The product provides an online platform so that dealers may easily utilize their fully customized app and manage its content. Additionally, it allows SRI and our software development team to manage licenses and retrieve reporting information. In May 2012, we launched iMobileApp.com. iMA which, while similar to the SMA platform, is designed for multi industry use with both semi- and fully-customized applications available. Typical markets for the iMA platform are: Restaurants, Hotels, Medical & Dental Practices, Real Estate Agencies, and Attorneys.

The basic features of the Specialty Mobile Apps and the iMobileApp are:

Content Management System ("CMS"). CMS is provided as a website that allows Dealers to upload images to their app, change text content, change colors, organize the order of tabs, and publish updates to their application.

Mobile client framework ("MCF") MCF is software that is installed on the individual mobile devices and deployed to the various mobile devices through the Apple App Store, Android Market Place, and other such distribution channels.

Dealer (Customer) contact information The Dealer can elect to present the user with a registration screen on startup to collect information such as first-name, last-name, email address, and telephone number to allow for tracking of marketing information and to be able to push Individual notification messages for future functionality.

Multiple Location Support .Dealers will pay subscription fees multiplied by the number of store locations that they wish to include in their app. Using the client customization portal the Dealer will be able to add locations to their application that will appear as content within the mobile app.

Hours of Operation. Each location is capable of having different time groups for hours of operation. For example, the given store may have the parts department open during one time frame, and the sales department open during another time frame. This information is entered by the Dealer in the CMS and then displayed to the end user.

Vehicle History Reports. Dealer will be able to allow users to request and retrieve vehicle history reports. The user will be required to create an account on the device or use an existing account. The account information is sent to Specialty Reports, Inc to create a user account in their system. The user can then add credits to their account by entering credit card information into the device. Reports are retrieved from the appropriate Specialty Reports system (CarVinReport.com, RVChecks.com, or Cyclechex.com) and displayed to the user on their Smartphone; User will also be able to use QR (Quick Response, a two-dimensional bar code) codes to scan in VIN numbers that have been provided to the CMS system.

Quick Dial Quick Dial is a menu option the Dealer can choose to make available to its customers. By tapping the Quick Dial option the mobile device will display a list of phone numbers as a quick convenience to the user, The Dealer can add, remove, and edit phone numbers that appear in the Quick Dial screen from their CMS.

Messages. Messages can be specific to individuals (if the Dealer has enabled first-time user data collection), or broadcast to all users of the application. The messages appear in a style similar to email within the specific device.

Push Notifications. The device itself governs the display of push notifications. For example, both iPhone and Android have their own ways of providing notification messages to the screen of the device. By sending a push notification from the CMS to user Company's framework, integrates with the device’s push notification system to alert the user.

QR Code Scanner. The QR (Quick Recall) code scanner is technology that allows a user to take a photographic scan of a QR symbol and then interpret the digital contents and make a decision on what to do with the data. The Dealer is able to create QR codes from the CMS system and then specify the action that should occur for the URL if it is scanned with their mobile application. That could be opening a URL, running a vehicle history report, or any other appropriate function.

Marketing Materials. The CMS will allow Dealers to download stock artwork that helps them promote their products and services to their customers. Examples of this would be banners for website display.

Table of Contents

Embeds Product Developer and SRI Branding. The “about screen” of the application contains information useful to the support of the product. It also contains a powered by the product developer’s logo and text. SRI can choose to use a different logo, but the Powered by the product developer’s text remains on the about screen.

App store and Google Android Distribution. All native applications will be deployed through the product developer’s app store and Android Market Place online accounts.

Marketing information. If dealer has enabled first-time user data collection then that information will be available to the dealer on their portal.

Platforms for SMA and iMA Programs

The products have been designed (and maintained/updated by our product development team) to allow it to work as the CMS for various smart phone platforms (now existing and potentially emerging in the future) including, but not limited to, the following devices:

§ iPhone
§ iPad
§ Android devices
§ Kindle Fire
§ HTML5

THE SRI MARKET

Cyclechex

According to the Motorcycle Industry Council, there were 10,446,000 registered motorcycles in the United States in 2008. Power Sports Business’ January 26, 2012 issue, quotes the Motorcycle Industry Council as reporting 2011 retail sales of new motorcycles of all classes totaled 697,000 units up nominally from 2010. Power Sports Business’ April 4, 2011 issue cites R.L. Polk & Co. reporting the ratio of annual used motorcycle sales to new motorcycle sales in the United States was 3.8 to 1 in 2010 up from 2.9 to 1 in 2009 and 1.8 to 1 in 2008. We estimate this ratio was 3.7 in 2011. By extension, sales of used motorcycles in 2011 equated to approximately 2,578,900 units and averaged 2,277,600 units over the last four years. With minimal competition, management believes that the Cyclechex Motorcycle History Report® (“CMHR”) will become the “gold standard” for prospective purchasers of used motorcycles.

RVChecks

SRI provides vehicle history reports to the RV Industry. According to the Recreation Vehicle Industry Association (RVIA) RV Business Indicators report dated March 30, 2010, there are 8.2 million RVs (motor homes, travel trailers, sport utility RVs, truck campers and folding camping trailers) on the roads in the U.S. According to a forecast by RV industry analyst and director of consumer surveys at the University of Michigan Dr. Richard Curtin, shipments of new RVs in 2011 are “expected to rise to 263,100 units, an increase of 8.6% from the 2010 total of 242,300. Shipments of new RVs reached their peak in 2006 of 390,500 units with a retail value of $14.7 billion. The most recent report on the used RV market was done by the University of Michigan in 2005 which concluded that approximately two used RVs were sold for each new one. This sentiment was echoed by Scott Stropaki of Statistical Surveys, Inc. Based on this information we can assume that approximately 484,000 used RVs were sold in 2010.

CarVin Reports

According to the CARMAX, Inc., February 28, 2011 10K, there are over 17,700 franchised new car dealers selling new and used cars and over 37,000 independent used car dealers in the U.S. The CARMAX 10K also reported that sales of used cars in the U.S. in 2010 totaled 37 million units.

Presently, CarFax® and AutoCheck® dominate the automobile history report market. However, their individual retail reports sell for $34.99 and $29.99 respectively compared to our $24.95 price. We have no intention to compete directly with these well established companies. We do, however, plan to respond aggressively to those dealers who may not have sufficient demand for reports to take advantage of volume discount pricing offered by the two majors.

Table of Contents

Used Vehicle Market Summary:

In all three markets, it is possible that on any given vehicle there will be no reports purchased while it is also quite probable that there will be more than one report purchased on another vehicle as there may be more that one customer interested in that vehicle.

Annual sales of used motorcycles: ~ 2.5 million units

Annual sales of used Recreational Vehicles: ~ 480 thousand units

Annual sales of used cars: ~ 37 million units.

Mobile Apps

According to comScore, Inc., "...a global leader in measuring the digital world and preferred source of digital business analytics." "For the three-month average period ending March (2012), 234 million Americans (75% of the U.S. population) age 13 and older used mobile devices." "More than 106 million people in the U.S. (34% of the U.S. population) owned smart phones during the three months ending in March (2012), up 9% versus December (2011)." "82 percent of time spent with mobile media happens via apps." SRI's mobile apps are offered not only in the U.S., but also in the U.K. and Germany.

SMA

According to the 2010 Motorcycle Industry Council Motorcycle Statistical Annual Report, in 2009 there were approximately 5,400 franchised new motorcycle dealer outlets and another 7,800 independent used motorcycle dealer outlets. As stated above, there are over 17,700 franchised new car dealers selling new and used cars and over 37,000 independent used car dealers in the U.S. Our initial thrust will be, not only to the 23,000 plus franchised vehicle dealers, but also, directly to select manufacturers such as, Harley-Davidson, which has over 1,300 worldwide dealers.

iMA

According to the National Restaurant Association, 2012 restaurant sales are projected to be $632 billion from 970,000 locations in the U.S. Additionally, they state the 38% of adults surveyed "...would be likely to utilize a smart phone app if it was offered by a quick service restaurant. ($174 billion of the projected $632 billion in sales)"

A recent SK&A, a Cegedim Company market research study found 230,187 office-based physicians and group practices in the U.S. Of this number, 67,356, or 29%, were groups of three or more physicians.

There are over 1.2 million members of the National Association of Realtors.

According to the American Hotel and Lodging Association, there are 51,015 hotels/motels in the U.S. with 15 or more rooms.

SALES AND MARKETING

Marketing

Our marketing starts with product development. We create compelling products that; (i) in the case of our line of vehicle history reports, provide consumers information which will assist in purchase decisioning and assist the dealer or auction house in making a sale, and (ii) in the case of SMA and iMA, provide dealers and other businesses with a state-of-the-art consumer communications and marketing program.

For our three vehicle history report products, our primary marketing efforts are directed toward encouraging owners of web sites dealing with automobiles, motorcycles or recreational vehicles to become affiliates by linking their sites to ours. In doing this, they place a link, known as a banner, on their site which when "clicked" by a consumer automatically links the consumer to our appropriate web site. If that consumer then purchases a vehicle history report, the referring affiliate sight owner receives a pre-negotiated commission from us. Three examples of our affiliates are NADA guides, DMV.org, and Kelley Blue Book. Potential affiliates are contacted directly by our sales force or they are referred to us by word of mouth or targeted advertising in relevant trade publications. To date we have 60 signed affiliates. In December, 2010, Powersports Business chose Cyclechex as one of their "Nifty 50" winners, recognizing it as one of the top 50 new powersports products introduced during the year.

Our marketing strategy for our SMA is to target franchised dealers through the manufacturers. For instance, a major motorcycle manufacturer has over 1,000 world-wide authorized dealers. We are in discussions with this manufacturer to customize our app for his dealers. Additional marketing is done through targeted advertising as well as placement of favorable news stories in relevant trade publications. For the iMA product, we will target market to industry trade associations and major wholesalers to affiliate with them and joint market to their customers.

Table of Contents

SRI has considerable opportunity to increase brand awareness and grow traffic through product development, targeted marketing programs and strategic partnerships.

Sales and Customer Support

Our sales team is responsible for generating advertising customers across our website and mobile applications.

We manage a field sales team from our New York office, with satellite locations in Denver, Houston and Tampa, to specifically target key manufacturers, dealers and auction houses. Our field sales team develops direct relationships with these potential customers.

Customer service for all products is handled out of our New York office and supported by a representative in Tampa.

COMPETITION:

Presently, the two major providers of used automobile history reports, Carfax® and AutoCheck® do not provide motorcycle history reports. In fact, Carfax states on their website that their database contains records primarily of cars and light trucks and they “do not specialize in providing data for any other vehicle types at this time.” AutoCheck states on its web site “AutoCheck only reports on information for cars and light trucks.” Based on our existing roster of Cyclechex affiliates and current negotiations for additional affiliates, we do not see any company as a significant competitor at this time. We have not identified direct competition the RV space and do not intend to compete directly with either Carfax® or AutoCheck®.

While there are numerous entities offering customized mobile apps, we believe that SRI is the only company marketing a pre-packaged customizable mobile app to vehicle dealers and our price point is significantly below other vendors of customized apps. Because our roots are in marketing we believe that while not specifically unique, our IMA product can be effectively and competitively marketed.

BUSINESS OVERVIEW-SPARTA FINANCIAL SERVICES

The success of Sparta's Financial Services business model depends on the availability of capital, both debt and equity, with which to purchase vehicles for lease and retail installment sales contracts. In the fall of 2008 and in 2009, our two senior lenders withdrew their credit lines due to the then financial crisis. From that time until the present, our financial services offerings have been limited due to the lack of availability of reasonably priced capital. These events did not impact on our municipal lease products. In October 2010 we obtained, from a hedge fund, a lease warehouse facility wherein we could purchase consumer leases for sale to this fund. We would provide all service, collection and remarketing functions for the leases. The terms of this facility turned out to be such that we were unable to competitively offer leasing products to our dealers. After protracted unsuccessful negotiations to amend the terms of the facility we and the lender mutually agreed to terminate the facility in January 2012.

Subject to the availability of reasonably priced capital, Sparta’s financial service products have 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 coverage; and
- Remarketing of repossessed vehicles and off-lease vehicles.

Sparta's management believes that by offering dealers, and their customers, the option of either financing or leasing, Sparta will capture a greater share of the dealer's business. Additionally, by offering both alternatives, once profitability is achieved, Sparta believes 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 Sparta's leasing activities will reduce income tax due on income resulting from Sparta's retail installment sales contracts.

Retail Installment Sales Contracts and Leases

Retail Installment Sales Contracts (RISC) Historically, Sparta had purchased retail installment sales contracts from both franchised and independent powersports dealers who qualified as Authorized Sparta Dealers and/or as Authorized Private Label Dealers under Sparta's Private Label Programs. Sparta has developed policies and procedures for credit evaluation, collections, insurance follow up, and asset recovery. Sparta imposes strict credit criteria to determine which retail installment sales contract applications to approve. This credit criterion was to be in compliance with the credit criterion required by our lenders at the time.

Table of Contents

To insure that Sparta's Credit Evaluation Process and Collateral Guidelines were consistently applied and that the credit/underwriting decisioning process provided rapid decisions to our Authorized Sparta Dealers and the Authorized Private Label Dealers, Sparta 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 Sparta's personnel expense.

Leases – Sparta purchased qualified vehicles for lease to customers of its 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 Sparta 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 Sparta will allow the customer to use (lease) the vehicle, which is owned by Sparta, and also contains a vehicle purchase price option which provides the customer with the right to purchase the vehicle at the lease-end. 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.

Municipal Leasing of Equipment, including Police Motorcycles

In February 2007, Sparta launched a Municipal Leasing Product designed expressly to meet the needs of law enforcement agencies throughout the U.S. Sparta estimates 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, Kawasaki, and BMW dealers, with those brands being the most prominent in the municipal environment. Sparta believes 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, the Company originates for this subsidiary and negotiates the leases on behalf of it and the municipality. The Company receives an upfront origination fee and a structured commission for each closed lease.

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 Sparta's Credit Evaluation Process and Collateral Guidelines were and are consistently applied and that the credit/underwriting decision process provides rapid decisioning to our Authorized Sparta Dealers and our Authorized Private Label Dealers, Sparta has 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.

Collection Procedures

A third party provides the software Sparta uses to manage its assets, customer base, collections, insurance, and accounting systems. Using a variety of basic and customized reports generated by this software, Sparta monitors its 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 Sparta 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, and other information.

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

Table of Contents

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, 3.70% at April 30, 2009, 7.51% at April 30, 2010, 10.58% at April 30, 2011, and 12.82% at April 30, 2012. As the Company's portfolio of contracts and leases continues to run-off, delinquency and loss data will not be comparable to companies with ongoing lease and contract originations. Cumulative net losses and charge-offs as a percent of cumulative portfolio originations were 0.54% at April 30, 2007, 0.95% at April 30, 2008, 2.91% at April 30, 2009, 4.25% at April 30, 2010, 4.78% at April 30, 2011, and 5.34% at April 30, 2012. Additionally, as of April 30, 2012 the Company maintained a cash reserve with its Senior Lender equal to 19.02% of the outstanding loan balance with that lender. The Company's portfolio of contracts and leases has been in a run-off mode since the fall of 2008.

Market Information

According to the Motorcycle Industry Council's 2009 Statistical Annual, from 1991 to their peak in 2006, annual sales of new 651CC+ motorcycles increased 439% to 543,000 units or approximately $6.8 billion while over the same period annual sales of all new motorcycles increased 325% to 1,190,000 units or approximately $11.9 billion. From 2007 through 2011, annual sales of new 651CC+ motorcycles declined 49.7% to 206,000 units or approximately $3.2 billion. There is no reliable data on the change in used motorcycle sales during the period. Sparta estimates that the 2011 retail market for new and used 599cc+ motorcycles was approximately $6.1 billion.

Sales and Marketing

Until such time as we are able to obtain new lines of credit at competitive terms, our consumer Financial Services sales and marketing efforts have been put on "hold". Normally, vehicle financing products are sold primarily at the dealer level, rather than the consumer level. Our strategy has been to 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. We continue to market our Municipal Lease Program through direct emails and blast emails to motorcycle and automotive dealers as well as focused sales materials directed at selected equipment manufacturers.

Competition

The consumer finance industry is going through several changes due to current economic conditions and past lending practices. Broadly speaking, Sparta competed with commercial banks, savings & loans, industrial thrift and credit unions, and a variety of local, regional and national consumer finance companies. Additionally, some powersports manufacturers such as Harley-Davidson and BMW have captive subsidiaries that provide financing.

Independent consumer financial services companies and large commercial banks that participated in this market as well as some Powersports manufacturers providing factory financing programs have withdrawn substantially from the motorcycle financing niche over the past two years or have tightened their underwriting criteria. Sparta believes 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 entities.

A significant industry competitor is GE Capital. GE Capital markets directly to dealers in the Powersports market and through Co Branded private label programs. GE recently has co-branded with Yamaha, Suzuki, Kawasaki, Moto Guzzi, Aprilia Brands and other national manufacturers and distributors of Powersports and recreational products such as Coachmen Industries. GE also offers dealer and distributor floor plan financing and private label credit cards. To management's knowledge, this firm does not offer leases for powersports vehicles.

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.

Table of Contents

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

- Fair Debt Collection Practices Act. The Fair Debt Collection Practices 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 required creditors to state the cost of borrowing in a common language 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.

·

Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act authorized the creation of a Bureau of Consumer Financial Protection. The impact on the Company of the newly-created agency is unknown at this time as the agency is yet to be formed.

Employees

As of April 30, 2012, we had 9 full-time employees.

Table of Contents

ITEM 1A. RISK FACTORS

We are subject to certain risks and uncertainties in our business operations which are described below. The risks and uncertainties described below are not the only risks we face. Additional risks and uncertainties not presently known or that are currently deemed immaterial may also impair our business operations.

We have an operating history of losses.

Through our fiscal year ended April 30, 2012, we have generated cumulative sales revenues of $5,126,234, have incurred significant expenses, and have sustained significant losses. Our net loss for the year ended April 30, 2012 was $2,150,333. As of April 30, 2012, we had a deficit net worth of $3,446,592.

We had an agreement for a credit line with an institutional lender, who has acquired preferences and rights senior to those of our capital stock and placed restrictions on the payment of dividends. This line had been terminated.

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. New World has ceased all lending operations. As of April 30, 2012, we owed an aggregate of $288,815, which is secured by $537,780 of consumer Retail Installment Sales Contracts and Leases and $54,937 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.

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

In order to expand our business, we need raise additional senior debt as well as capital to support the portion of the future leases and retail installment sales contracts which are 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. Without a senior bank line of credit, it will be extremely difficult to maintain and grow our business. We will have to raise approximately $1.5 million over the next twelve months to support our business. As our business grows, we will need to seek additional financing to fund 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.

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.

We are new entrants into the Information Technology business.

We are new entrants into the businesses of providing vehicle history reports and building mobile apps. We indirectly compete with major, well capitalized, suppliers of automobile history reports. While these companies do not presently offer motorcycle or RV history reports, there is no guaranty they will not do so in the future. The mobile app building business is characterized by many small “players”. While we believe we are better suited to market mobile apps than our competitors, there is no assurance that we can continue to do so.

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

The independent auditor’s report on our April 30, 2012 consolidated 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.

Table of Contents

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.

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®, our CycleChex, RVchecks and CarVin vehicle history reports and our SMA and iMA mobile apps are 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 financial services 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 do not intend to pay dividends on our common stock.

We have never declared or paid any cash dividend on our common stock. We currently intend to retain any future earnings and do not expect to pay any dividends on our common stock in the foreseeable future. Future cash dividends on the common stock, if any, will be at the discretion of our board, and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions imposed by lending or other agreements, including agreements with holders of senior or preferential rights, and other factors that the board may consider important.

We have authorized a class of preferred stock which may alter the rights of common stock holders by giving preferred stock holders greater dividend rights, liquidation rights and voting rights than our common stockholders have.

Our board is empowered to issue, without stockholder approval, preferred stock, on one or more series, with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of common stock. From time to time, we have designated, and may in the future designate, series of preferred stock carrying various preferences and rights different from, and greater than, our common stock. As of April 30, 2012, we have two series of preferred stock outstanding. Preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the company.

Table of Contents

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 controlled by current officers, directors and principal stockholders.

Our directors and executive officers beneficially own approximately 14.6% of our common stock as of April 30, 2012. 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.

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 agreement with our Chief Executive Officer, this employment agreement 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.

In May 2010, our subsidiary, Specialty Reports, Inc. purchased the majority interest in a small internet based company, Cyclechex, LLC, and we may be unable to successfully incorporate its products into our business model.

Cyclechex LLC was engaged in the business of selling, via the internet, information describing the title history of motorcycles. Since May 2010, we have devoted a substantial amount of the Company's resources to improving the amount and quality of the data offered the Cyclechex web site, launched new but similar products RV Checks, and CarVin Report and has attracted affiliates to the web sites all with the aim to be defacto go to sites for motorcycle and RV data. Additionally, we have commenced marketing, on an exclusive basis, mobile applications "apps" to vehicle dealers which will allow dealers to communicate with their customers and potential customers via cell phone applications. To date, Specialty Reports, Inc has operated at a loss. There can be no assurance that we can achieve this goal or that even if we do, that these products will be profitable.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. 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, 2011 was $330,765. For the year ended April 30, 2012, the rent was $283,867, and for the seven months ending November 30, 2012, the rent is $184,947. We are presently seeking new space, which management believes it will be able to secure at commercially reasonable rates.

ITEM 3. LEGAL PROCEEDINGS

As at April 30, 2012, 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.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

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 closing 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 2012				
First quarter (May 1, 2011 – July 31, 2011)	$	1.50	$	0.75
Second quarter (August 1, 2011 – October 31, 2011)	$	0.75	$	0.75
Third quarter (November 1, 2011 – January 31, 2012)	$	0.75	$	0.75
Fourth quarter (February 1, 2012 – April 30, 2012)	$	1.50	$	0.75
Fiscal Year 2011				
First quarter (May 1, 2010 - July 31, 2010)	$	2.25	$	0.75
Second quarter (August 1, 2010 - October 31, 2010)	$	2.25	$	1.50
Third quarter (November 1, 2010 - January 31, 2011)	$	2.25	$	0.75
Fourth quarter (February 1, 2011 - April 30, 2011)	$	2.25	$	0.75

Holders

The approximate number of holders of record of our common stock as of April 30, 2012 was 3,018 excluding stockholders holding common stock under nominee security position listings.

Dividends

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.

As of April 30, 2012, we had outstanding 125 shares of Series A Convertible Preferred Stock, $.001 par value. The Series A shares pay a 6% annual dividend which may be paid in cash or shares of common stock at our option. We have not, as of April 30, 2012, distributed any dividends on the Series A shares, in cash or in shares of common stock. Upon conversion of the Series A shares, all accrued and unpaid dividends are extinguished. As of April 30, 2012, there was $5,287 of accrued Series A dividends payable.

As of April 30, 2012, we had 157 shares of Series B preferred stock outstanding. The Series B shares accrue dividends at an annual rate of 10%. Accrued dividends are payable upon redemption of the Series B shares. As of April 30, 2012, no dividends were payable on Series B shares.

Recent Sales of Unregistered Securities

Each of the issuance and sale of securities described below was deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. No advertising or general solicitation was employed in offering the securities. Each purchaser is a sophisticated investor (as described in Rule 506(b) (2) (ii) of Regulation D) or an accredited investor (as defined in Rule 501 of Regulation D), and each received adequate information about the Company or had access to such information, through employment or other relationships, to such information.

Table of Contents

During the year ended April 30, 2012:

The Company sold to an accredited investor a convertible three notes in the aggregate amount of $117,500. The notes are nine month notes and bear 8% interest. The notes are convertible at the note holder’s option at the lower of (i) the price per share at which the Company sells or issues any shares of common, subject to certain exceptions, or (ii) 58% multiplied by the average of the lowest three lowest closing bid price for the common stock during the ten trading day period ending one trading day prior to the date of submission of the conversion notice. During the fiscal year, two of the notes totaling $80,000 plus accrued interest thereon were fully converted into a total of 389,915 shares of the Company’s common stock. Additionally, this investor converted $120,000 of notes issued during the prior fiscal year, plus accrued interest thereon, into 454,835 shares of the Company’s common stock.

Three investors converted a total of $93,365 of convertible notes and accrued interest thereon into 205,634 shares of the Company’s common stock. One investor converted $56,530 of accrued interest into 67,740 shares of common stock.

The Company sold 654,659 shares of its restricted common stock to ten accredited investors for an aggregate purchase price of $283,855. 70,468 of the shares were classified as to be issued at April 30, 2012.

The Company issued 165,858 shares for prior years’ stock purchases which shares were among those classified as to be issued at April 30, 2011.

Pursuant to the terms of five consulting agreements, the Company issued a total of 218,211 shares of common stock valued at $126,406.

The company issued to eight consultants, 196,734 shares of common stock valued at $81,153.

The Company agreed to issue 8,889 shares of common stock, which were classified as to be issued at April 30, 2012, valued at $10,000, for purchase assets.

The Company agreed to issue 21,476 shares of common stock, which were classified as to be issued at April 30, 2012, to an officer of the Company in lieu of salary in the amount of $64,427.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"FORWARD-LOOKING" INFORMATION

This report on Form 10-K contains certain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which represent our expectations and beliefs, including, but not limited to, statements concerning the Company's business and financial plans and prospects. The words "believe," "expect," "anticipate," "estimate," "project," and similar expressions identify forward-looking statements, which speak only as of the date such statement was made. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors.

The following discussion and analysis should be read in conjunction with the information set forth in the audited financial statements for the years ended April 30, 2012 and April 30, 2011 and footnotes found in the Company's Annual Report on Form 10-K.

The Company did not qualify for segment reporting in prior years. The Company reports financial results for the following operating business segments:

Information Technology Segment (“IT”)

The operations of our IS Segment are contained within our Specialty Reports, Inc. (“SRI”) subsidiary. SRI currently has four product offerings which are divided into two groups: the mobile applications group and the vehicle history report group.

The mobile applications group is currently marketing two mobile app products: Specialty Mobile Apps (“SMA”) and iMobile Apps (“iMA”). SMA is a customizable modular mobile application engine developed for powersports and automobile dealers. iMA which, while similar to the SMA platform, is designed for multi-industry use and for both the “build it yourself” market as well as semi- and fully-customized applications. Typical markets for the iMA platform are: Restaurants, Hotels, Medical & Dental Practices, Real Estate Agencies, and Attorneys.

The vehicle history report group is currently marketing: Cyclechex Motorcycle History Reports©, RVchecks™ RV History Reports, and CarVinReport Car History Reports. These reports contain extremely valuable information for consumers, dealers, insurers, auction houses, and lenders, about a vehicle’s history.

This segment’s net revenues in fiscal 2012 were $289,628, representing 48% of the Company’s consolidated net revenues.

Financial Services Segment (FS”)

This segment has provided consumer financing for the acquisition or leasing of new and used 550cc+ motorcycles, select scooters and utility all-terrain vehicles (ATVs). Through our Municipal Division we continue to offer, on a pass through basis, an equipment leasing product for local and/or state agencies throughout the country.

This segment’s net revenues in fiscal 2012 were $312,204, representing 52% of the Company’s consolidated net revenues.

RESULTS OF OPERATIONS

For the year ended April 30, 2012, our revenues increased approximately 17%. We have continued to incur declining but significant expenses, and have sustained significant losses.

Revenues

Revenues totaled $601,832 in fiscal 2012 compared to revenues of $513,768 in fiscal 2011. Fiscal 2012 revenues were primarily comprised of $105,355 in interest income from Retail Installment Sales Contracts, $135,306 in income from Operating and Finance Leases, $289,628 in revenues from our IT products and $71,543 in other income.

Costs and Expenses

We incurred employee compensation and benefit costs of $1,007,866 for the year ended April 30, 2012 compared with $1,232,747 in fiscal 2011. The decrease is primarily related to reductions in executive salaries.

Table of Contents

In connection with placement transactions, we expensed non-cash costs in the form of shares of common stock or warrants of $116,147 and $126,848 for the years ended April 30, 2012 and 2011, respectively. In connection with consulting services, we expensed non-cash costs in the form of shares of common stock or warrants of $207,353 and $297,100 for the years ended April 30, 2012 and 2011, respectively. These amounts were charged to financing costs. Additionally, during the fiscal year ended April 30, 2012, we expensed $173,105 as the value of employee stock and option based compensation as compared to $103,589 in the prior fiscal year. During the year ended April 30, 2012, we recorded a gain of $126,303 from the change of beneficial discount for convertible note conversion options and amortization of debt discounts to financing costs as compared to a charge of $108,977 in fiscal 2011. Additionally, we recognized a reduction of the derivative liability of warrants and share conversion rights in the amount of $389,574 in fiscal 2012 as compared to a $659,895 liability increase in fiscal 2011. At April 30, 2012 and 2011, accrued preferred dividends of $158,190 and $157,746, respectively, were charged to retained earnings.

We incurred consulting costs of $133,638 for the year ended April 30, 2012, as compared to $133,480 for the year ended April 30, 2011. We incurred legal and accounting fees of $126,782 for the year ended April 30, 2012, as compared to $304,506 for the year ended April 30, 2011. The major reduction was a $163,958 decrease in legal expenses.

We incurred other operating expenses of $471,379 for the year ended April 30, 2012. Notable expenses in this category are: general office expenses of $17,444; rent of $283,867; travel and entertainment of $16,017; utilities of $54,532; advertising, website and marketing of $88,992; maintenance contracts of $7,168; and taxes of $31,565.

We incurred other operating expenses of $725,725 for the year ended April 30, 2011. Notable expenses in this category are: general office expenses of $156,164; rent of $330,765; travel and entertainment of $41,172; utilities of $62,075; network expenses of $55,163; advertising and marketing of $45,934; maintenance contracts of $10,431; and taxes of $24,021.

Interest and financing costs for the fiscal year ended April 30, 2012 were $486,242 as compared to $394,384 for the fiscal year ended April 30, 2011. Depreciation and amortization for the fiscal year ended April 30, 2012 was $76,510 as compared to $92,394 for the fiscal year ended April 30, 2011

Net Loss

Our net loss attributable to common stockholders for the year ended April 30, 2012 decreased $1,579,070 (422%) to $2,150,333 from a loss of $3,729,402 for the year ended April 30, 2011. The decrease in net loss attributable to common stockholders was primarily due to: a $88,064 (17%) increase in revenues from $513,768 to $601,832; a $581,202 (21%) decrease in total general and administrative expenses from $2,795,137 to $2,216,436; a $91,852 (23%) increase in interest expense and financing costs from $394,384 to $486,236; a $10,695 (8%) decrease in non-cash financing costs from $126,848 to $116,153: a $17,326 (16%) increase in amortization of debt discount to $126,303 as compared to $108,977 last year, a $1,049,470 (159%) decrease in derivative liability expenses from an expense of $659,895 last year to a credit of $389,574 this year; and a $15,884 (17%) decrease in depreciation and amortization to $76,510 from $92,394.

Our net loss per common share (basic and diluted) attributable to common stockholders was $0.28 for the year ended April 30, 2012 and $0.64 for the year ended April 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

As of April 30, 2012, we had a deficit net worth of $3,446,592. We generated a deficit in cash flow from operations of $1,377,810 for the year ended April 30, 2012. This deficit is primarily attributable to net loss of $2,030,233 before dividends of $158,190 and non-controlling interest in the net loss of $38,090, adjusted for: depreciation and amortization of $74,260, equity based compensation of $445,002, stock issued in settlement of accrued interest valued at $95,000, stock based financing costs of $116,147, decreases in derivative liabilities of $389,574, and to changes in the balances of current assets, consisting primarily of a decrease in pre-paid expenses of $128,777, a decrease in purchased portfolio of $24,544, an increase in inventory of $12,759, a decrease in interest receivable of $5,432, and an increase in accounts receivable of $95,963, and current liabilities, consisting primarily of an increase in accounts payable of $154,385. Cash flows provided by investing activities for the year ended April 30, 2012 were $508,775, comprising of $77,913 from a net increase of leased vehicles, and liquidation of Retail Installment Sales Contracts in the amount of $594,782. We met our cash requirements during the period through net proceeds from the issuances of convertible notes of $601,427, we repaid senior loans of $458,349 during the period, and we sold common and preferred stock for net proceeds of $734,310.

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.

We continue seeking additional financing which may be in the form of senior debt, subordinated debt or equity. 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.

Table of Contents

We estimate that we will need approximately $1,500,000 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 our equity, we believe that we have a reasonable chance to raise sufficient capital resources to meet projected cash flow deficits 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.

AUDITOR'S OPINION EXPRESSES DOUBT ABOUT THE COMPANY'S ABILITY TO CONTINUE AS A "GOING CONCERN"

The independent auditors report on our April 30, 2012 and 2011 consolidated financial statements included in this Annual Report 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 the Company's common stock. We can make no assurances that our business operations will develop and provide us with significant cash to continue operations.

PLAN OF OPERATIONS

Addressing the Going Concern Issues

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.

Product Research and Development

We do not anticipate incurring significant research and development expenditures during the next twelve months.

Acquisition or Disposition of Plant and Equipment

We do not anticipate the acquisition or sale of any significant property, plant or equipment during the next twelve months.

Number of Employees

From our inception through the period ended April 30, 2012, we have relied on the services of outside consultants for services and currently have eleven full-time employees. In order for us to attract and retain quality personnel, we anticipate we will have to offer competitive salaries to future employees. If we fully implement our business plan, we anticipate our employment base may increase by approximately 50% 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.

Table of Contents

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.

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 policy involves 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 titles to the 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. 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 your 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 motorcycle, 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 motorcycle, 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 motorcycle. 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.

Revenues in our Specialty Reports, Inc. subsidiary are recognized on a cash basis.

Table of Contents

Stock-Based Compensation

The Company adopted ASC 718-10, which records compensation expense on a straight-line basis, generally over the explicit service period of three to five years.

ASC 718-10 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 the Company's Consolidated Statement of Operations. The Company is using the Black-Scholes option-pricing model as its method of valuation for share-based awards. The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company's 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

The Company has loss reserves for its portfolio of Leases and for its 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 the Company's reserve ratio policy. Management's periodic evaluation of the adequacy of the allowance is based on the Company's 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. The Company periodically reviews its Lease and RISC receivables in determining its allowance for doubtful accounts.

The Company charges-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 release.

RECENT ACCOUNTING PRONOUNCEMENTS

For information regarding recent accounting pronouncements and their effect on the Company, see "Recent Accounting Pronouncements" in Note A of the Notes to Consolidated Financial Statements contained herein.

Off-Balance Sheet Arrangements

We do not maintain off-balance sheet arrangements nor do we participate in non-exchange traded contracts requiring fair value accounting treatment.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Table of Contents

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, 2012 and 2011, and the related consolidated statements of losses, deficit and cash flows for each of the two years in the period ended April 30, 2012. 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 audits 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sparta Commercial Services, Inc. at April 30, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the two years in the period ended April 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the company will continue as a going concern. As discussed in the Note R to the accompanying consolidated 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 R. The consolidated 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 14, 2012

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

	April 30, 2012	April 30, 2011
ASSETS		
Cash and cash equivalents	$19,138	$10,786
RISC loan receivables, net of reserve of $15,276 and $45,015, respectively (NOTE D)	290,235	855,278
Motorcycles and other vehicles under operating leases net of accumulated depreciation of $120,151 and $217,885, respectively, and loss reserve of $10,498 and $9,650 , respectively (NOTE B)	243,284	231,564
Interest receivable	3,807	9,239
Purchased portfolio (NOTE G)	-	24,544
Accounts receivable	162,350	66,387
Inventory (NOTE C)	25,885	13,126
Property and equipment, net of accumulated depreciation and amortization of $187,842 and $176,677, respectively (NOTE E)	21,499	14,570
Deferred expenses	-	138,405
Goodwill	10,000	10,000
Restricted cash	54,937	64,686
Other assets	9,628	-
Deposits	48,967	48,967
Total assets	$889,730	$1,487,553
LIABILITIES AND DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	$1,267,160	$1,133,721
Senior secured notes payable (NOTE F)	516,012	974,362
Notes payable net of beneficial conversion feature of $33,979 and $52,272, respectively (NOTE G)	1,791,692	1,377,065
Loans payable-related parties (NOTE H)	386,760	386,760
Other liabilities	-	75,409
Derivative liabilities	374,697	484,301
Deferred revenue	-	2,250
Total liabilities	4,336,321	4,433,868
Deficit:		
Preferred Stock, $.001 par value; 10,000,000 shares authorized of which 35,850 shares have been designated as Series A convertible preferred stock, with a stated value of $100 per share, 125 and 125 shares issued and outstanding, respectively	12,500	12,500
Preferred Stock B, 1,000 shares have been designated as Series B redeemable preferred stock, $0.001 par value, with a liquidation and redemption value of $10,000 per share, 157 and 157 shares issued and outstanding, respectively	1,570	-

Preferred Stock C, 200,000 shares have been designated as Series C redeemable, convertible preferred, $0.001 par value, with a liquidation and redemption value of $10 per share, 0 and 0 shares issued and outstanding, respectively	-	-
Common stock, $.001 par value; 740,000,000 shares authorized, 8,668,123 and 6,388,168 shares issued and outstanding, respectively	8,668	6,388
Common stock to be issued, 1,125,099, and 985,324 respectively	1,125	985
Preferred Stock B to be issued, 41.09 and 25.34 shares, respectively	-	-
Additional paid-in-capital	35,209,835	33,976,134
Subscriptions receivable, preferred stock, Series B	(2,118,309)	(2,118,309)
Accumulated deficit	(37,265,135)	(35,114,802)
Total deficiency in stockholders' equity	(4,149,745)	(3,237,104)
Noncontrolling Interest	703,154	290,789
Total deficit	(3,446,592)	(2,946,315)
Total liabilities and deficit	$889,730	$1,487,553

See accompanying notes to consolidated financial statements.

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED STATEMENT OF LOSSES

	Year Ended April 30, 2012	Year Ended April 30, 2011
Revenue		
Rental income, leases	$ 135,306	$ 112,465
Interest income, loans	105,355	240,923
Information services	289,628	52,911
Other	71,543	107,468
Total Revenue	601,832	513,768
Operating expenses:		
General and administrative	2,216,436	2,795,137
Depreciation and amortization	76,510	92,394
Total operating expenses	2,292,946	2,887,532
Loss from operations	(1,691,114)	(2,373,763)
Other expense:		
Interest expense and financing cost, net	486,242	394,384
Non-cash financing costs	116,147	126,848
Amortization of debt discount	126,303	108,977
Change in derivative liability	(389,574)	659,895
Total other expenses	339,119	1,290,104
Net loss	$ (2,030,233)	$ (3,663,868)
Net Loss attributed to noncontrolling interest	38,090	92,211
Preferred dividend	(158,190)	(157,746)
Net loss attributed to common stockholders	$ (2,150,333)	$ (3,729,402)
Basic and diluted loss per share	$ (0.27)	$ (0.63)
Basic and diluted loss per share attributed to common stockholders	$ (0.28)	$ (0.64)
Weighted average shares outstanding	7,569,609	5,814,636

See accompanying notes to consolidated financial statements.

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED STATEMENT OF DEFICIT
FOR THE TWO YEARS ENDED APRIL 30, 2012

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Common Stock to be issued		Subscriptions
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Receivable
Balance, April 30, 2010	125	$12,500	157	$1	42,000	$42	5,237,097	$5,237	319,560	$320	$ (2,118,309)
Preferred Dividend	-	-	-	-	-	-	-	-	-	-	-
Beneficial conversion discount	-	-	-	-	-	-	-	-	-	-	-
Reclassification of warrant liability	-	-	-	-	-	-	-	-	-	-	-
Sale of stock	-	-	-	-	-	-	400,871	401	599,093	599	-
Shares issued for financing cost	-	-	-	-	-	-	70,814	71	5,267	5	-
Shares issued for conversion of notes & interest	-	-	-	-	-	-	309,667	309	61,999	62	-
Stock compensation	-	-	-	-	-	-	254,134	254	(595)	(1)	-
Shares issued for accounts payable	-	-	-	-	-	-	17,745	18	-	-	-
Conversion of Series C preferred stock	-	-	-	-	(42,000)	(42)	97,718	98	-	-	-
Employee options expense	-	-	-	-	-	-	-	-	-	-	-
Subsidiary's preferred series A issued for cash	-	-	-	-	-	-	-	-	-	-	-
Subsidiary's preferred series B issued for cash	-	-	-	-	-	-	-	-	-	-	-
Subsidiary's common stock issued for purchase of	-	-	-	-	-	-	-	-	-	-	-

Cyclechex, LLC											
Subsidiary's Preferred B stock to be issued	-	-	-	-	-	-	-	-	-	-	-
Net Loss	-	-	-	-	-	-	-	-	-	-	-
Balance April 30, 2011	125	$12,500	157	$1	-	$-	6,388,168	$6,388	985,324	$985	$ (2,118,309)
Correction in par value	-	-	-	1,570	-	-	-	-	-	-	-
Cancelled common shares	-	-	-	-	-	-	-	-	(5,431)	(5)	-
Preferred dividend to be issued	-	-	-	-	-	-	-	-	-		-
Derivative liability reclassification	-	-	-	-	-	-	-	-	-		-
Sale of stock	-	-	-	-	-	-	584,191	584	70,468	70	-
Shares issued for financing cost	-	-	-	-	-	-	160,907	161	(3,133)	(3)	-
Shares issued for conversion of notes & interest	-	-	-	-	-	-	1,119,912	1,120	47,506	48	-
Stock compensation	-	-	-	-	-	-	414,945	415	21,476	21	-
Purchase of assets for stock	-	-	-	-	-	-	-	-	8,889	9	-
Employee options expense	-	-	-	-	-	-	-	-	-	-	-
Sale of subsidiary's preferred stock	-	-	-	-	-	-	-	-	-	-	-
Net Loss	-	-	-	-	-	-	-	-	-	-	-
Balance April 30, 2012	125	$12,500	157	$1,570	-	$-	8,668,123	$8,668	$ 1,125,099	$1,125	$ (2,118,309)

See accompanying notes to consolidated financial statements.

28

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year end April 30, 2012	Year end April 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(2,030,233)	$(3,663,867)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	74,260	92,394
Allowance for loss reserves	(28,891)	(93,200)
Amortization of debt discount	126,303	230,644
Equity based compensation	445,011	403,720
Stock based finance cost	116,147	126,928
Change in derivative liabilities	(389,574)	538,228
(Increase) decrease in operating assets:		
Inventory	(12,759)	1,496
Interest receivable	5,432	17,533
Accounts receivable	(95,963)	17,520
Prepaid expenses and other assets	128,777	(11,773)
Restricted cash	9,749	81,647
Portfolio	24,544	9,015
Increase (decrease) in operating liabilities:		
Note issued in settlement of accrued interest	95,000	
Accounts payable and accrued expenses	154,385	229,885
Net cash used in operating activities	(1,377,810)	(2,019,830)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net liquidation (purchase) of leased vehicles	(77,913)	79,917
Net liquidation of RISC contracts	594,782	993,180
(Purchase) of equipment	(8,094)	-
Net cash provided by investing activities	508,775	1,073,097
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from sale of common stock	283,855	724,086
Sale of subsidiary preferred stock	450,455	377,000
Net payments to senior lender	(458,349)	(1,036,627)
Net proceeds from convertible notes	601,427	878,067
Net loan proceeds from other related parties	-	3,000
Net cash provided by financing activities	877,388	945,526
Net Increase (decrease) in cash	8,353	(1,208)
Unrestricted cash and cash equivalents, beginning of period	10,786	11,994
Unrestricted cash and cash equivalents , end of period	$19,138	$10,786
Cash paid for:		
Interest	143,727	211,628
Income taxes	4,408	1,961

Non-Cash Investing and Funding Activities (Note O)

See accompanying notes to consolidated financial statements.

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Business and Basis of Presentation

The Company had been in the business as an originator and indirect lender for retail installment loan and lease financing for the purchase or lease of new and used motorcycles (specifically 550cc and higher) and utility-oriented 4-stroke all terrain vehicles (ATVs). The Company continues to offer a leasing program for municipalities. Since May 2010, the Company has concentrated its efforts on developing and marketing vehicle history reports, over the internet, and mobile apps for vehicle dealers and other market segments.

Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Revenues from the Company’s majority owned subsidiary, Specialty Reports, Inc., are recognized on a cash basis.

The Company originates leases on new and used motorcycles and other powersports vehicles from motorcycle dealers throughout the United States. The Company's 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 Company's 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. 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.

The Company purchases Retail Installment Sales Contracts (“RISC”) from motorcycle dealers. The RISCs are secured by liens on the titles to the vehicles. The RISCs are accounted for as loans. Upon purchase, the RISCs appear on the Company’s balance sheet as RISC loan receivable current and long term. Interest income on these loans is recognized when it is earned. During the fiscal years ended April 30, 2012 and April 30, 2011, the Company did not purchase any Retail Installment Sales Contracts.

The Company realizes 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 motorcycle, or (iii) the exercise of the lessee's early termination. In those instances, the Company receives the proceeds from either the resale or release of the repossessed motorcycle, or the payment by the lessee's insurer. The Company records a gain or loss for the difference between the proceeds received and the net book value of the motorcycle.

The Company charges fees to manufacturers and other customers related to creating a private label version of the Company's 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. At April 30, 2012 and 2011, the Company had recorded deferred revenue related to these contracts of $0 and $2,250, respectively.

The Company evaluates its operating and retail installment sales leases on an ongoing basis and has established reserves for losses, based on current and expected future experience.

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

Inventories

Inventories are valued at the lower of cost or market, with cost determined using the first-in, first-out method and with market defined as the lower of replacement cost or realizable value.

Website Development Costs

The Company recognizes website development costs in accordance with ASC 350-50, "Accounting for Website Development Costs." As such, the Company expenses all costs incurred that relate to the planning and post implementation phases of development of its website. Direct costs incurred in the development phase are capitalized and recognized over the estimated useful life. Costs associated with repair or maintenance for the website are included in cost of net revenues in the current period expenses.

Cash Equivalents

For the purpose of the accompanying financial statements, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Income Taxes

Deferred income taxes are provided using the asset and liability method for financial reporting purposes in accordance with the provisions of ASC 740-10, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be removed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

ASC 740-10, "Accounting for Uncertainty in Income Taxes prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. As a result of implementing ASC 740, there has been no adjustment to the Company's consolidated financial statements and the adoption of ASC 740 did not have a material effect on the Company's consolidated financial statements for the year ending April 30, 2012.

Fair Value Measurements

The Company adopted ASC 820," Fair Value Measurements". ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets the lowest priority to unobservable inputs to fair value measurements of certain assets and Liabilities. The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 — Quoted prices for identical instruments in active markets. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain securities that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurements. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques based on significant unobservable inputs, as well as management judgments or estimates that are significant to valuation.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. For some products or in certain market conditions, observable inputs may not always be available.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

Impairment of Long-Lived Assets

In accordance ASC 360-10, “Impairment or Disposal of Long-Lived Assets” long-lived assets, such as property, equipment, motorcycles and other vehicles and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows or quoted market prices in active markets if available, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Comprehensive Income

In accordance with ASC 220-10, “Reporting Comprehensive Income," establishes standards for reporting and displaying of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220-10 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. At April 30, 2012, the Company has no items of other comprehensive income.

Segment Information

The Company adopted ASC 280-10 “Disclosures about Segments of an Enterprise and Related Information”. ASC 280-10 establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in consolidated financial reports issued to stockholders. ASC 280-10 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision making group, in making decisions how to allocate resources and assess performance. The information disclosed herein, materially represents all of the financial information related to the Company's principal operating segments.

Stock Based Compensation

The Company adopted ASC 718-10, which records compensation expense on a straight-line basis, generally over the explicit service period of three to five years.

ASC 718-10 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 the Company’s Consolidated Statement of Operations. The Company is using the Black-Scholes option-pricing model as its method of valuation for share-based awards. The Company’s determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company’s stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company’s expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and receivables. The Company places its cash and temporary cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

Allowance for Losses

The Company has loss reserves for its portfolio of Leases and for its 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 the Company’s reserve ratio policy. Management’s periodic evaluation of the adequacy of the allowance is based on the Company’s 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. The Company periodically reviews its Lease and RISC receivables in determining its allowance for doubtful accounts.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

The Company charges-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 release.

Property and Equipment

Property and equipment are recorded at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives. Depreciation is calculated using the straight-line method over the estimated useful lives. Estimated useful lives of major depreciable assets are as follows:

Leasehold improvements	3 years
Furniture and fixtures	7 years
Website costs	3 years
Computer Equipment	5 years

Advertising Costs

The Company follows a policy of charging the costs of advertising to expenses incurred. During the years ended April 30, 2012 and 2011, the Company incurred advertising costs of $15,780 and $3,283, respectively.

Net Loss Per Share

The Company uses ASC 260-10, “Earnings Per Share” for calculating the basic and diluted loss per share. The Company computes basic loss per share by dividing net loss and net loss attributable to common shareholders by the weighted average number of common shares outstanding. Common equivalent shares are excluded from the computation of net loss per share if their effect is anti-dilutive.

On May 18, 2012, the Company’s Board of Directors declared effective a 1 for 75 reverse common stock split. Per share basic and diluted net loss attributable to common stockholders amounted to $0.28 and $0.64 for the years ended April 30, 2012 and 2011, respectively. At April 30, 2012 and 2011, 8,668,123 (including 1,125,099 shares to be issued included on the balance sheet) and 6,388,168 (including 985,324 shares to be issued disclosed on the balance sheet) potential shares, respectively, were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

Reclassifications

Certain reclassifications have been made to conform to prior periods' data to the current presentation. These reclassifications had no effect on reported losses.

Recent Accounting Pronouncements

There were various updates recently issued, most of which represented technical corrections to the accounting literature or applications to specific industries and are not expected to have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

NOTE B - MOTORCYCLES AND OTHER VEHICLES UNDER OPERATING LEASES

Motorcycles and other vehicles under operating leases at April 30, 2012 and 2011 consist of the following:

	2012	2011
Motorcycles and other vehicles	$ 373,933	$ 459,099
Less: accumulated depreciation	(120,151)	(217,885)
Motorcycles and other vehicles, net of accumulated depreciation	253,782	241,214
Less: estimated reserve for residual values	(10,498)	(9,650)
Motorcycles and other vehicles under operating leases, net	$ 243,284	$ 231,564

At April 30, 2012, motorcycles and other vehicles are being depreciated to their estimated residual values over the lives of their lease contracts. Depreciation expense for vehicles for the years ended April 30, 2012 and 2011 was $65,345 and $60,216. respectively. All of the assets are pledged as collateral for the note described in Note F.

The following is a schedule by years of minimum future rentals (excluding residual values of $169,316) on non-cancelable operating leases as of April 30, 2012:

Year ending April 30,	
2013	$ 60,053
2014	37,125
2015	3,713
2016	1,579
Total	$ 102,470

NOTE C - INVENTORY

Inventory is comprised of repossessed vehicles and vehicles which have been returned at the end of their lease. Inventory is carried at the lower of depreciated cost or market, applied on a specific identification basis. At April 30, 2012 and 2011, the Company had repossessed vehicles which are held for resale totaling $25,885 and $13,126, respectively.

NOTE D – RETAIL (RISC) LOAN RECEIVABLES

RISC loan receivables, which are carried net of reserves, were $290,235 and $855,278 at April 30, 2012 and 2011, respectively. As of April 30, 2012 and 2011, the Company had deficiency receivables of $21,513 and $15,320, respectively. At April 30, 2012 and 2011, the reserve for doubtful RISC loan receivables was $15,276 and $45,015, respectively.

The following is a schedule by years of future payments related to these receivables. Certain of the assets are pledged as collateral for the note described in Note F.

Year ending April 30,		
2013	$	270,378
2014		29,466
2015		5,667
2016		-
Total Due	$	305,511

The Company considers the portfolio of retail (RISC) loan receivables to be homogenous and consist of a single segment and class. Consequently the Company analyzes credit performance primarily in the aggregate rather than stratification by any particular credit quality indicator.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

We consider an RISC contract delinquent when an obligor fails to make a contractually due payment by the following due date, which date may have been extended within limits specified in the servicing agreements. The period of delinquency is based on the number of days payments are contractually past due. Automobile contracts less than 31 days delinquent are not included. The following table summarizes the delinquency status of finance receivables as of April 30, 2012 and April 30, 2011:

	April 30, 2012	April 30, 2011
Current	$ 273,204	$ 801,953
31-60 days past due	1,680	37,854
61-90 days past due	3,628	22,394
91-120 days past due	5,486	22,773
	283,998	884,974
Paying deficiency receivables*	21,513	15,320
	$ 305,511	$ 900,294

* Paying deficiency are receivables resulting from RISC contract terminations which were terminated for less than the required termination amount and on which the customer is making payments pursuant to written or oral agreements with the Company. The Company's policy is to write-off any deficiency receivable over 120 days old and on which the customer has not made any payments in the last 120 days.

RISC receivables totaling $22,065 and $45,854 at April 30, 2012 and April 30, 2011, respectively, have been placed on non-accrual status because of their bankruptcy status.

The following table presents a summary of the activity for the allowance for credit losses, for the fiscal years ended April 30, 2012 and April 30, 2011, respectively:

	April 30, 2012	April 30, 2011
Balance at beginning of year	$ 45,015	$ 132,000
Provision for credit losses	32,922	9,179
Charge-offs	(62,661)	(96,164)
Recoveries*	-	-
Balance at end of period	$ 15,276	$ 45,015

* Recoveries are credited to deficiency receivables

Excluded from RISC receivables are contracts that were previously classified as RISC receivables but were reclassified as inventory because we have repossessed the vehicles securing the RISC Contracts. The following table presents a summary of such repossessed inventory together with the allowance for losses in repossessed inventory that is included in the allowance for credit losses:

	April 30, 2012	April 30, 2011
Gross balance of repossessions in inventory	$ 31,833	$ 14,138
Allowance for losses on repossessed inventory	(5,948)	(1,012)
Net repossessed inventory	$ 25,885	$ 13,126

35

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

NOTE E - PROPERTY AND EQUIPMENT

Major classes of property and equipment at April 30, 2012 and 2011 consist of the followings:

	2012	2011
Computer equipment, software and furniture	$ 209,341	$ 191,247
Less: accumulated depreciation	(187,842)	(176,677)
Net property and equipment	$ 21,499	$ 14,570

Depreciation expense related to property and equipment was $11,166 and $12,853 for the years ended April 30, 2012 and 2011, respectively.

NOTE F - SENIOR SECURED NOTES PAYABLE

	2012	2011
Senior secured institutional lender (a)	$ 288,815	$ 934,355
Secured, subordinated individual lender (a)	208,561	-
Secured, subordinated individual lender (b)	18,636	40,007
Total	$ 516,012	$ 974,362

(a) The Company finances certain of its leases through two third parties. The repayment terms are generally one year to five years and the notes are secured by the underlying assets. The weighted average interest rate at April 30, 2012 is 12.29%.

(b) On October 31, 2008, the Company purchased certain loans secured by a portfolio of secured motorcycle leases ("Purchased Portfolio") for a total purchase price of $100,000. The Company paid $80,000 at closing, $10,000 in April 2009 and agreed to pay the remaining $10,000 upon receipt of additional Purchase Portfolio documentation. Proceeds from the Purchased Portfolio started accruing to the Company beginning November 1, 2008.

To finance the purchase, the Company issued a $150,000 Senior Secured Note dated October 31, 2008 ("Senior Secured Note") in exchange for $100,000 from the holder. Terms of the Senior Secured Note require the Company to make semi-monthly payments in amounts equal to all net proceeds from Purchased Portfolio lease payments and motorcycle asset sales received until the Company has paid $150,000 to the holder.

Once the Company has paid $150,000 to the holder from Purchased Portfolio proceeds, the Company is obligated to pay fifty percent of all net proceeds from Purchased Portfolio lease payments and motorcycle asset sales until the Company and the holder mutually agree the Purchase Portfolio has no remaining proceeds.

The Company was obligated to pay any remainder of the Senior Secured Note by November 1, 2009 which was extended to May 1, 2012, and has granted the note holder a security interest in the Purchased Portfolio. On January 31, 2012, the holder converted $50,000 of the outstanding balance of the Note into 60,606 shares of the Company's restricted common stock. The note, which had an outstanding balance of $18,636 at April 30, 2012, has been extended to October 13, 2013.

At April 30, 2012, the notes payable mature as follows:

Year ended April 30,		Amount
2013	$	359,819
2014		134,868
2015		21,325
2015		-
2016		-
Total Due	$	516,012

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

NOTE G – NOTES PAYABLE

Notes Payable	April 30, 2012	April 30, 2011
Convertible notes	$ -	$ 839,938
Notes payable	-	60,000
Bridge loans	-	206,000
Collateralized note	-	220,000
Convertible note	-	103,399
Notes convertible at holder's option (a)	1,385,671	-
Notes convertible at Company's option (b)	25,000	-
Notes with interest only convertible at Company's option (c)	360,000	-
Non convertible notes payable (d)	55,000	-
Subtotal	1,825,671	1,429,337
Less, Debt discount	(33,979)	(52,272)
Total	$ 1,791,692	$ 1,377,065

During the year ended April 30, 2012, the Company renegotiated the terms and conditions of the majority of its notes outstanding and has reclassified and consolidated those notes as indicated in the above table.

(a) Notes convertible at holder's option consists of: (i) a $995,105, 8% note due April 30, 2012, convertible at the holder's option at $0.495 per share; (ii) a $37,500, 8% note due December 27, 2012, convertible at the note holder's option at a variable conversion price such that during the period during which the notes are outstanding, with one note convertible at 58% multiplied by the average of the three lowest closing bid prices for the common stock during the ten trading day period ending one trading day prior to the submission date of the conversion notice by the note holder to the Company (the "Discount Conversion Rate". The Company has reserved up to 991,961 shares of its common stock for conversion pursuant to the terms of the note. In the event the note is not paid when due, the interest rate is increased to twenty-two percent until the note is paid in full; (iii) a $103,399, 12% note due August 31, 2012, convertible at the holder's option at $3.75 per share, the Company is paying 1,334 monthly penalty shares until the note is paid in full on this note which had been past due; (iv) a $25,167, 15% note due September 27, 2014 and convertible at the holder's option at $6.44 per share. This note is being amortized over the 36 month term of the note with monthly principal and interest payments of $1,040, this note was issued during the current fiscal year and $4,833 of the note was amortized during the current fiscal year; (v) seven notes aggregating $118,250, all due October 30, 2013 with interest ranging from 15% to 20%, the Company is paying 667 monthly penalty shares until the note is paid in full on one $25,000 note which had been past due, all of the notes are convertible at the holder's option at $0.375 per share; and (vi) three notes aggregating $106,250, all due October 30, 2013 with interest ranging from 20% to 25%, all of the notes are convertible at the holder's option at $0.375 per share.

(b) Convertible at Company's option consists of one $25,000. 10% note due June 30, 2012 and convertible at the Company's option at $0.6435 per share. Subsequent to April 30, 2012, this note and accrued interest thereon was paid in full.

(c) Notes with interest only convertible at Company's option consist of: (i) two 22% notes in the amounts of $10,000 due October 31, 2012, $10,000 due August 30, 2012 and $25,000 due May 1, 2011. The Company is in discussion with this latter note holder to extend the due date of the note and is paying the note holder 3,334 shares per month until the note is paid or renegotiated. Twenty-six thousand six hundred and sixty-seven shares were issued during the current fiscal year and thirteen thousand three hundred and thirty-four shares were issued in the prior fiscal year. Interest is payable at the Company's option in cash or in shares at the rate of $1.50 per share. (ii) a $315,000, 12.462% note due April 30, 2013. Interest is payable quarterly with a minimum or $600 in cash with the balance payable in cash or stock at the Company's option as calculated as the volume weighted average price of the Company's common stock for the ten day trading period immediately preceding the last day of each three month period.

(d) Non convertible notes consist of two notes due October 31, 2012. One note in the amount of $30,000 bears no interest; the Company has agreed to pay 2,667 monthly penalty shares until the note is paid in full on this note which had been past due. The other note is a 10% in the amount of $25,000. Company is paying 10,667 monthly penalty shares until the note is paid in full on this note which had been past due. Forty-two thousand six hundred and sixty-seven shares were issued during the current fiscal year; no shares were issued in the prior fiscal year. Subsequent to April 30, 2012, this latter note and accrued interest thereon were converted to 38,081 shares of common stock.

Table of Contents

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2012 AND 2011

NOTE H - LOANS PAYABLE TO RELATED PARTIES

The Company has outstanding, non-interest baring notes totaling $373,000 to a Director and $13,760 to an officer and Director.

At April 30, 2012 and 2011, included in accounts receivable, are $10,189 and $10,189, respectively, due from American Motorcycle Leasing Corp., a company controlled by a director and formerly controlled by the Company's Chief Executive Officer, for the purchase of motorcycles.

NOTE I - EQUITY INSTRUMENTS

On May 18th, 2012, the Company’s Board of Directors declared effective a one for seventy-five reverse common stock split. All per share amounts in these consolidated financial statements and accompanying notes have been retroactively adjusted to the earliest period presented for the effect of this reverse stock split.

The Company is authorized to issue 10,000,000 shares of preferred stock with $0.001 par value per share, of which 35,850 shares have been designated as Series A convertible preferred stock with a $100 stated value per share, 1,000 shares have been designated as Series B Preferred Stock with a $10,000 per share liquidation value per share, and 200,000 shares have been designated as Series C Preferred Stock with a $10 per share liquidation value and 740,000,000 shares of common stock with $0.001 par value per share. The Company had 125 and 125 shares of Series A preferred stock issued and outstanding as of April 30, 2012 and April 30, 2011, respectively. The Company had 157 and 157 shares of Series B preferred stock issued and outstanding as of April 30, 2012 and April 30, 2011 and 41.09 and 25.34 shares to be issued in lieu of cash dividends on the Series B shares, respectively. The Company had 0 and 0 shares of Series C preferred stock issued and outstanding as of April 30, 2012 and April 30, 2011, respectively. The Company had 8,668,123 and 6,388,168 shares of common stock issued and outstanding and shares committed to be issued of 1,125,099 and 985,324 as of April 30, 2012 and April 30, 2011, respectively.

Preferred Stock Series A.

The Series A preferred stock has a stated value of $100 per share, carries a 6% annual cumulative dividend, payable semi-annually in arrears, and is convertible into shares of common stock at the rate of one preferred share into 8.55 shares of common stock. There were no transactions of the Series A Preferred Stock during the year ended April 30, 2012.

Preferred Stock Series B

On July 24, 2009, the Company designated 1,000 shares as Series B Preferred Stock. The Series B Preferred Stock, with respect to dividend rights and rights upon liquidation, winding-up or dissolution, rank senior to the Company’s common stock and any other class or series of preferred stock, and junior to all of the Company’s existing and future indebtedness. 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. The Company’s common stock may not be redeemed while shares of Series B Preferred Stock are outstanding. The Series B Preferred Stock certificate of designations provides that, without the approval of a majority of the shares of Series B Preferred Stock, the Company 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 the Company’s 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 have 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 the Company's business. The shares of Series B Preferred Stock are redeemable at the Company's option on or after the fifth anniversary of the date of its issuance. There were no transactions of the Series B Preferred Stock during the year ended April 30, 2012. As of April 30, 2012, the Company has accrued 41.09 shares of Series B Preferred Stock to be paid in lieu of a 10% cash dividend.

Preferred Stock Series C

In November 2009, the Company authorized a new series of 200,000 shares of preferred stock designated as Series C Convertible Preferred Stock, each share having a par value of $0.001 per share. The Series C Preferred Stock shall, upon liquidation, winding-up or dissolution, rank: (a) senior to the Company's common stock and any other class or series of preferred stock of the Company which by their terms are junior to the Series C Preferred Stock (collectively, together with any warrants, rights, calls or options exercisable for or convertible into such Preferred Stock, the "Junior Shares"); (b) junior to all existing and future indebtedness of the Company; and (c) junior to the Company's Series A and Series B Preferred Stock. The Series C Preferred Stock is not entitled to receive any dividends, has a liquidation value of $10.00 per share, redeemable at the Company's option at $10.00 per share, and is convertible at the option of the holder into shares of common stock as follows: the number of such shares of common stock to be received for each share of Series C Preferred Stock so converted shall be determined by (A) dividing the number of shares of Series C Preferred Stock to be converted by the weighted average closing price per share of the Company's common stock for the ten (10) trading days immediately preceding the date on which the Company agrees to issue shares of Series C Preferred Stock to such holder multiplied by (B) the Series C liquidation value. There were 0 and 0 shares issued and outstanding at April 30, 2012 and 2011, respectively.