

SPARTA COMMERCIAL SERVICES, INC.
Form 10-K
August 13, 2010

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended April 30, 2010
- 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. Yes 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. Yes 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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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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). Yes 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.

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	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting	<input type="radio"/>
(Do not check if a smaller reporting company)		company	<input checked="" type="radio"/>

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

The aggregate market value of voting and non-voting common equity of the issuer held by non-affiliates, on October 31, 2009 was \$3,751,413.

As of August 11, 2010, we had 449,748,350 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

SPARTA COMMERCIAL SERVICES, INC.

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PART I

ITEM 1. BUSINESS

General Overview

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

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

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.

Our Business

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

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

Business Overview

Sparta's business model has been designed to generate revenue from several sources:

- Retail installment sales contracts and leases;
 - Municipal leasing of equipment;
 - Private label programs for manufacturers and distributors;
- Ancillary products and services, such as private label GAP 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) – Sparta purchases retail installment sales contracts from both franchised and independent powersports dealers who qualify as Authorized Sparta Dealers and/or as Authorized Private Label Dealers under Sparta's Private Label Programs. 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 has been developed to be in compliance with the credit criterion required by our lenders. The dealers understand that if they consummate a credit transaction with a customer on whose application we have given them a conditional approval that Sparta will purchase that contract if it is in full compliance with all terms and conditions of that approval and contained in our dealer agreement.

To insure that Sparta's Credit Evaluation Process and Collateral Guidelines are consistently applied and that the credit/underwriting decisioning process provides rapid decisions to our Authorized Sparta Dealers and the Authorized Private Label Dealers, Sparta has 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. Depending on Sparta's arrangement with its lending sources, in the case of consumer finance contracts, Sparta may finance its purchase of the contracts by borrowing from a lending source and pledging the retail installment sales contracts as collateral for the loan.

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

Leases – Sparta purchases 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. Depending on Sparta's arrangement with its lending sources, in the case of leases, Sparta may finance its purchase of leased vehicles by borrowing from a lending source and assigning or pledging the lease and leased vehicle as collateral for the loan. Lease terms range from 24 to 60 months, although most lease terms are either 36 or 60 months. Leases generally have lower monthly payments than similar retail installment sales contracts because a sales contract finances only part of the vehicle cost with the balance being financed by the lessor. Unlike with retail installment sales contracts, Sparta can and does charge acquisition fees for each of its leases. These fees range from \$290 to \$490 per lease depending on the amount of the lease.

Municipal Leasing of Equipment, including Police Motorcycles

In February 2007, Sparta launched a new 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, 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.

Private Label Programs for Manufacturers and Distributors

As of April 30, 2010, we have four "private label" 5-year financing agreements with the U.S. distributors of major manufacturers of scooters and ATVs. Under these agreements, we allow the manufacturer to put its name on our finance and lease products, and offer such financing facilities to its dealers for their customers. We own the retail installment sales contracts and leases generated under these "private label" programs, and derive revenues from sales of the distributor's product line to the dealer's customers. The private label program also expands our dealer base by the number of dealerships in the distributor's chain, thereby generating additional opportunities to sell our other financial products and services to these dealers for their customers interested in non-"private label" brand of vehicles.

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

Revenue from Ancillary Products and Services

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

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

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

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

Revenue from Remarketing Off-Lease and Repossessed Vehicles

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

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

strengthen dealer relationships.

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

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

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 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.

iPLUS® (internet Purchasing Leasing Underwriting Servicing)

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

Major features of iPLUS® include:

- 100% WEB Browser Based (www.spartacommercial.com)
 - User friendly system
 - No costly software required by the users
 - Operates on any dial-up connection as slow as 28.8
- Requires Internet Explorer 5.5 or above, Adobe Acrobat Reader 5.0 or above, both available at no charge on the Internet
 - Integrated scorecard and decision engine
 - Integrated credit bureau retrieval and review (can access any of the 3 major bureaus)
 - Once application is submitted; decisions in seconds/7 Days a Week /24 Hours a Day
 - Easy to complete customer application
 - Dealer application management
 - Contract and lease calculator (assists dealer in structuring any approved application.)
 - Prints approved customer contract and related documents

- Captures information in electronic format
- Complete underwriting documentation and control system
 - Dealer communication
- Allows the dealer to track the entire decisioning, underwriting, and funding process in real time.

Additionally, this technology provides quick, consistent credit decisions for our dealer network and reduces the number of credit analysts required, thereby, reducing Sparta's expenses.

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

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

Collection Procedures

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

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.

Using Diversification to Reduce Portfolio Risk

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

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

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

We are presently evaluating the economics of and market for a sub-prime program.

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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, and 7.51% at April 30, 2010. Cumulative net losses and charge-offs as a percent of cumulative portfolio originations were 1.53% at April 30, 2007, 1.17% at April 30, 2008, .3.27% at April 30, 2009 and 5.24% at April 30, 2010. Additionally, as of April 30, 2010, the Company maintained a cash reserve with its Senior Lender equal to 7.65% 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.

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

Market Information

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 2009, annual sales of new 651CC+ motorcycles declined 44% to 304,000 units or approximately \$3.8 billion. There is no reliable data on the change in used motorcycle sales during the period. Sparta estimates that the 2009 retail market for new and used 599cc+ motorcycles was approximately \$7.1 billion.

According to the Motorcycle Industry Council's 2009 Statistical Annual. 2008 ATV unit sales declined 28% from 2007 to 454,098 units and down from a peak of 812,970 in 2004. For the first half of 2009 ATV unit sales declined 32% to 166,424 units from the first half of 2008. Sparta estimates that 2009 ATV unit sales declined approximately 30% from 2008 to 318,000 units and we estimate that 2010 sales will remain at 2009 levels.

Data for the U.S. scooter market is inconsistent and unreliable as less than ½ of scooter manufacturers report their data. Of the available data, the reported unit market in 2008 was 76,748, but the Motorcycle Industry Council estimated market was 222,000 units. Early data for the first half of 2009, reported by Powersports Business in their 2009 Market Data Book, suggested a 67% decline in reported unit sales. Definitive data for all of 2009 is not available..

Sales and Marketing

Normally, vehicle financing products are sold primarily at the dealer level, rather than the consumer level. Our strategy is 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. This direct sales force will be comprised of Marketing Group and a Dealer Services Group.

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

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

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

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

Competition

The consumer finance industry is going through several changes due to current economic conditions and past lending practices. Broadly speaking, Sparta competes 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 competitor of Sparta 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. Recently, this company has announced cut backs in its consumer vehicle and other consumer financing programs.

Specialty Reports, Inc.

In May 2010, our subsidiary, Specialty Reports, Inc., a Nevada corporation, purchased substantially all of the assets of Cyclechex LLC, a Florida limited liability company, in consideration of a 24% equity interest in Specialty Reports. Additionally, the founder and sole owner of Cyclechex was elected as a Director and to the position of Executive Vice President-Marketing of 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. Without such information, a used motorcycle purchaser could easily confuse one model year for another which could amount to as much as a \$1,000 mistake or more.

Specialty Reports has expanded on the Cyclechex product offering to include accident, crash, and title history information. All of this information is now offered on the Cyclechex web site in the form of the copyrighted Cyclechex Motorcycle History Report©.

In June 2010, Specialty Reports entered into an exclusive five year agreement with the only U.S. government authorized 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. Slated for implementation on January 30, 2009, 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 www.cyclechex.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® provides information on motorcycles, scooters, ATVs or recreational 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.

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, 2010, we had 10 full-time employees.

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, 2010, we have generated cumulative sales revenues of \$4,010,634, have incurred significant expenses, and have sustained significant losses. Our net loss for the year ended April 30, 2010 was \$4,141,179 (after \$1,558,078 in non-cash charges). As of April 30, 2010, we had a deficit net worth of \$1,603,763

We have 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. As of April 30, 2010, this line had been suspended.

In July 2005, we entered into a secured senior credit facility with New World Lease Funding for a revolving line of credit. New World received a security interest in substantially all of our assets with seniority over the rights of the holders of our preferred stock and our common stock. Until the security interests are released, those assets will not be available to us to secure future indebtedness. Presently, New World is not extending new loans to us or any of their borrowers, however, they have not formally terminated the facility. As of April 30, 2010, we owed an aggregate of \$1,912,556 (which is secured by \$2,214,604 of consumer Retail Installment Sales Contracts and Leases and \$146,333 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 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.

Our auditor's opinion expresses doubt about our ability to continue as a "going concern".

The independent auditor's report on our April 30, 2010 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.

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

We face significant competition in the industry.

We compete with commercial banks, savings and loans, industrial thrifts, credit unions and consumer finance companies, including large consumer finance companies such as GE Capital. Many of these competitors have well developed infrastructure systems in place as well as greater financial and marketing resources than we have. Additionally, competitors may be able to provide financing on terms significantly more favorable than we can offer. Providers of motorcycle financing have traditionally competed on the basis of interest rates charged, the quality of credit accepted, the flexibility of terms offered and the quality of service provided to dealers and customers. We seek to compete predominantly on the basis of our high level of dealer service and strong dealer relationships, by

offering flexible terms, and by offering both lease and loan options to customers with a broad range of credit profiles. Many of our competitors focus their efforts on different segments of the credit quality spectrum. While a number of our competitors have reduced their presence in the powersports financing industry because of industry specific factors and the current situation in the global credit markets, our business may be adversely affected if any of such competitors in any of our markets chooses to intensify its competition in the segment of the prime or sub-prime credit spectrum on which we focus or if dealers become unwilling to forward to us applications of prospective customers. To the extent that we are not able to compete effectively within our credit spectrum and to the extent that the intensity of competition causes the interest rates we charge to be lower, our results of operations can be adversely affected.

Our business is subject to various government regulations.

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

We 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, 2010, 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.

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, executive officers and principal stockholders beneficially own approximately 19% of our common stock as of April 30, 2010. 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 agreements with certain executive officers, including our Chief Executive Officer, Principal Financial Officer and Chief Operating Officer, employment agreements could be terminated for a variety of reasons. The employment agreements with our Principal Financial Officer and Chief Operating Officer have expired and are being renegotiated. 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.

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, 2010 was \$312,633. For the years ended April 30, 2011 and 2012, the rent is \$304,985 and \$312,565, respectively, and for the seven months ending November 30, 2012, the rent is \$184,947. We believe that our existing facilities will be adequate to meet our needs for the foreseeable future. Should we need additional space, management believes it will be able to secure additional space at commercially reasonable rates

ITEM 3. LEGAL PROCEEDINGS

As at April 30, 2010, 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)

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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 2010		
First quarter (May 1, 2009 – July 31, 2009)	\$0.10	\$0.05
Second quarter (August 1, 2009 – October 31, 2009)	\$0.09	\$0.04
Third quarter (November 1, 2009 – January 31, 2010)	\$0.06	\$0.01
Fourth quarter (February 1, 2010 – April 30, 2010)	\$0.04	\$0.01
Fiscal Year 2009		
First quarter (May 1, 2008 - July 31, 2008)	\$0.14	\$0.07
Second quarter (August 1, 2008 - October 31, 2008)	\$0.10	\$0.03
Third quarter (November 1, 2008 - January 31, 2009)	\$0.09	\$0.02
Fourth quarter (February 1, 2009 - April 30, 2009)	\$0.09	\$0.02

Holders

The approximate number of holders of record of our common stock as of April 30, 2010 was 3,014 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, 2010, 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, 2010, 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, 2010, there was \$758 of accrued Series A dividends payable.

As of April 30, 2010, 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, 2010, 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.

On July 29, 2009, the Company entered into a Preferred Stock Purchase Agreement with Optimus Capital Partners, LLC pursuant to which Optimus was committed to purchase up to \$5,000,000 of the Company's Series B Preferred Stock for a one year period.

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

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

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

On December 17, 2009, Optimus exercised the warrant by delivering a secured recourse note in the amount of \$903,309. The Company has reclassified the Secured Promissory Notes (the "Notes") receivable to subscriptions receivable. As of the date of this filing, the maker of the Notes has failed to provide the information necessary for the Company to perfect its lien on the collateral securing the Notes.

In February 2010, the Company sold to one accredited investor \$100,000 principal amount of 8% four month notes which are convertible at the Company's option into shares of common stock at \$0.021 per share.

In February 2010, the Company sold to one accredited investor a \$50,000, nine month, 8% note convertible at the holder's option into such number of shares of the Company's common stock as determined by a forty-four percent discount from the average of the three lowest closing prices of the Company's common stock for the ten trading days immediately preceding the day the holder notices the Company of its intent to convert. The conversion price is subject to certain anti dilutive provisions. 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.

During the three months ending April 30, 2010, pursuant to a consulting agreement, the Company issued 500,000 shares of restricted common stock and accrued an additional 1,000,000 shares of restricted common stock with a combined value of \$45,000.

In April 2010, the Company issued 3,333,333 shares of restricted common stock to an officer of the Company in lieu of payment for unreimbursed expenses in the amount of \$30,461 and unpaid salary in the amount of \$19,539

In April 2010, the Company issued 3,333,333 shares of restricted common stock to an officer of the Company in lieu of payment for unreimbursed expenses in the amount of \$32,738, unpaid salary in the amount of \$8,763 and repayment of a loan to the Company in the amount of \$8,500.

In March and April 2010, the Company sold 9,116,288 shares of its restricted common stock and three-year warrants to purchase 9,116,288 shares of common stock at an exercise price of \$0.07 per share. These securities were sold to seven accredited investors for an aggregate purchase price of \$105,000.

On May 12, 2010, the Company issued to stock options, exercisable at \$0.025 per share until May 12, 2015, subject to vesting at the rate of 20% on the grant date, 40% on May 12, 2011, and 40% on May 12, 2011, to the following officers and directors: Anthony Havens, 6,672,500 options; Kristian Srb, 2,465,000 options; Richard Trotter, 4,016,250 options; Jeffrey Bean, 956,250 options; Anthony Adler, 3,995,000 options; and Sandra Ahman, 3,145,000 options.

In May 2010, the Company formed a new subsidiary, Specialty Reports, Inc., a Nevada corporation, and in May 2010 a 24% equity interest in Specialty Reports was issued in consideration of substantially all of the assets of Cyclechex, LLC, a Florida limited liability company.

In May, June and July 2010, the Company sold to one accredited investor an aggregate of \$150,000 in one year 8% notes convertible at the Company's option into common stock at \$0.012 per share.

In June 2010, the Company sold to an accredited investor a convertible note in the amount of \$25,000. The note is convertible at the note holder's option. The note is convertible 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.

In June and July 2010, the Company sold 5,703,889 shares of its restricted common stock and three-year warrants to purchase 5,703,889 shares of common stock at an exercise price of \$0.07 per share. These securities were sold to two accredited investors for an aggregate purchase price of \$90,000.

In June 2010, an investor purchased from one of our note holders a past due 6% \$25,000 promissory note dated January 7, 2008 and paid that note holder the accrued interest on the note. The Company agreed to exchange that purchased note for a \$25,000, 0% convertible note due June 1, 2011. In case of default, interest will accrue at the rate of 18% from the issue date of the original note. The note is convertible at any time at the holder's option into shares of the Company's common stock at the lower of \$0.06 or sixty percent of the average of the three lowest closing prices of the Company's common stock for the twenty consecutive trading days prior to the date upon which the note holder elects to convert part or all of the note.

In June 2010, an investor purchased from two of our note holders four past due 10% bridge notes issued in January 2009, July 2009 and August 2008 with a combined principal balance of \$65,000, and paid the note holders the accrued interest of \$16,947.87 on the notes. The Company agreed to exchange the purchased notes for four new convertible notes due June 18, 2011 in the principal amounts of \$37,156.05, \$6,712.91, \$13,425.81 and \$24,653.17. The convertible notes provide for interest at the rate of 8% commencing as of June 18, 2010. In case of default, the interest rate on the notes will increase to 24%. The notes are convertible at any time at the holder's option into shares of the Company's common stock at seventy percent of the of the three lowest closing prices of the Company's common stock for the three consecutive trading days prior to the date upon which the note holder elects to convert part or all of

the note.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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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, 2010 and April 30, 2009 and footnotes found in the Company's Annual Report on Form 10-K.

RESULTS OF OPERATIONS

For the year ended April 30, 2010, our revenues decreased. We have continued to incur declining but significant expenses, and have sustained significant losses. ..

Revenues

Revenues totaled \$713,363 in fiscal 2010 compared to revenues of \$1,144,644 in fiscal 2009. Fiscal 2010 revenues were primarily comprised of \$443,026 in interest income from Retail Installment Sales Contracts, \$190,035 in income from Operating and Finance Leases, \$21,154 in Commissions on municipal lease transactions, \$6,081 from gain on disposition of vehicles, and \$53,067 in other fee income.

Costs and Expenses

We incurred employee compensation and benefit costs of \$1,061,074 for the year ended April 30, 2010 compared with \$1,461,957 in fiscal 2009. The decrease is related to the reduced costs we recognized in decreasing our employee base during the year from 14 employees at fiscal year-end 2009 to 10 employees at fiscal year-end 2010. In order for us to expand our business in the future and to attract and retain quality personnel, management anticipates that we will continue to offer competitive compensation, including awards of common stock or stock options, to consultants and employees.

We paid \$280,000 and \$290,639 to its Chief Executive Officer, in fiscal 2010 and 2009, respectively. These payments were charged to operations, and are included in the compensation costs described above.

In connection with placement transactions, we expensed non-cash costs in the form of shares of common stock or warrants of \$593,629 and \$605,389 for the years ended April 30, 2010 and 2009, respectively. In connection with consulting services, we expensed non-cash costs in the form of shares of common stock or warrants of \$260,000 and \$633,629 for the years ended April 30, 2010 and 2009, respectively. These amounts were charged to financing costs. Additionally, during the fiscal year ended April 30, 2010, we expensed \$76,289 as the value of employee stock and option based compensation as compared to \$222,409 in the prior fiscal year. During the year ended April 30, 2010, we charged a \$45,000 beneficial discount for convertible note conversion options to financing costs as compared to \$318,182 in fiscal 2009. At April 30, 2010 and 2009, accrued preferred dividends of \$97,175 and \$758, respectively, were charged to retained earnings.

We incurred consulting costs of \$138,950 for the year ended April 30, 2010, as compared to \$166,800 for the year ended April 30, 2009. This decrease was the result of reduced reliance on outside consultants. We incurred legal and accounting fees of \$365,561 for the year ended April 30, 2010, as compared to \$271,404 for the year ended April 30, 2009.

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We incurred other operating expenses of \$617,717 for the year ended April 30, 2010. Notable expenses in this category are: general office expenses of \$99,159; rent of \$312,633; loss reserve expense of \$69,431; travel and entertainment of \$36,118; utilities of \$60,427; web development of \$13,839; marketing of \$10,654; maintenance contracts of \$8,504; and taxes of \$6,953. We incurred other operating expenses of \$1,089,029 for the year ended April 30, 2009. Notable expenses in this category are: general office expenses of \$78,067; rent of \$310,419; loss reserve expense of \$445,288; travel and entertainment of \$52,423; utilities of \$66,857; web development of \$30,226; credit bureaus of \$39,714; lease booking fees of \$13,250; marketing of \$18,319; maintenance contracts of \$17,665; and taxes of \$16,799.

Interest costs for the fiscal year ended April 30, 2010 were \$920,760 as compared to \$963,890 for the fiscal year ended April 30, 2009. Depreciation and amortization for the fiscal year ended April 30, 2010 was \$702,388 as compared to \$310,601 for the fiscal year ended April 30, 2009. The \$391,786 increase was due primarily to the write-off in the current year of deferred costs associated with the DZ Bank transaction.

Net Loss

Our net loss attributable to common stockholders for the year ended April 30, 2010 decreased \$684,251 (13.9%) to \$4,238,353 from a loss of \$4,922,604 for the year ended April 30, 2009. The decrease in net loss attributable to common stockholders was primarily due to: a \$1,340,637 (34.7%) decrease in total operating expenses from \$3,860,228 to \$2,519,591; a \$431,281 (37.7%) decrease in revenues from \$1,144,644 to \$713,363; a \$263,099 (13.9%) decrease in interest expense and financing costs from \$1,632,562 to \$1,849,933; and a \$391,787 (126.1%) increase in depreciation and amortization to \$702,388 from \$310,601. \$4462,412 of the current year's loss was due to the write off, at year end, of deferred financing and start-up costs in connection with the DZ facility which costs, had the facility been in place, would have been written-off during fiscal year 2011.

Our net loss per common share (basic and diluted) attributable to common stockholders was \$0.01 for the year ended April 30, 2010 and \$0.03 for the year ended April 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

As of April 30, 2010, we had deficit net worth of \$1,603,763. We generated a deficit in cash flow from operations of \$2,505,269 for the year ended April 30, 2010. This deficit is primarily attributable to net loss from operations of \$4,141,179, adjusted for depreciation and amortization of \$702,387, equity based compensation of \$336,288, stock based financing costs of \$593,619, allowance for loss reserve of \$69,431, beneficial conversion discount of convertible securities of \$45,000, and to changes in the balances of current assets, consisting primarily of a decrease in restricted cash of \$202,530, a decrease in interest receivable of \$22,387 and an increase in accounts receivable of \$80,423, and current liabilities, consisting primarily of a decrease in accounts payable of \$307,576. Cash flows provided by investing activities for the year ended April 30, 2010 were \$1,960,162, comprising of \$370,386 from the retirement of leased vehicles, and liquidation of Retail Installment Sales Contracts in the amount of \$1,589,766. We met our cash requirements during the period through net proceeds from the issuances of notes of \$750,300, we repaid senior loans of \$1,683,849 during the period, and we sold common and preferred stock for net proceeds of \$1,544,999.

Our senior credit facility with New World Lease Funding was suspended by them in August 2008 due to the global financial crisis at the time. While we are told this lender hopes to resume lending, the line remained suspended as of April 30, 2010.

In December 2008, our wholly owned special purpose subsidiary, Sparta Funding LLC, entered into an agreement for a secured credit facility with DZ Bank (the "RCA"). The DZ Bank facility required, among other things, that we have a minimum tangible net worth of \$2,000,000 (plus (i) 50% of the aggregate amount of our consolidated net income

since December 19, 2008 and (ii) 90% of the net proceeds (net capital less expenses and distributions) of any new equity contributions we raise after December 19, 2008, including any subordinated debt) before Sparta Funding could draw upon that credit facility for the purchase of consumer retail installment sales contracts from our authorized and private label dealers and the purchase of vehicles for lease to customers of our authorized and private label dealers. In addition to the tangible net worth, we were required obtain commitments for \$3,000,000 of additional capital (in the form of subordinated debt or other committed capital satisfactory to DZ Bank) to access the DZ Bank facility. On July 29, 2009, we entered into a Preferred Stock Purchase Agreement with Optimus Capital Partners, LLC, an unaffiliated investment fund. Under the agreement, Optimus was committed to purchase up to \$5,000,000 of our Series B Preferred Stock for a one year period. In August and November 2009, Optimus purchased \$1,570,000 of Series B Preferred Stock and five year warrants to purchase 13,500,000 shares of common stock at \$0.09 per share and five year warrants to purchase 18,066,176 shares of common stock at \$0.068 per share. On October 13, 2009, we notified DZ Bank that we believed we had satisfied borrowing conditions and requested that we be allowed to start utilizing the credit facility. As we were approaching the one year anniversary of the signing of the RCA at the urging of DZ's representatives we formally requested that the RCA be extended for one year as provided for in the RCA. In November and December 2009, Optimus exercised their warrants by delivering to the Company two fully secured, five year notes aggregating \$2,118,309. Subsequently, without permitting us to commence utilizing the credit facility, in December 2009, the Company was verbally notified by representatives of DZ Bank that the Company's request to extend the term of its Revolving Credit Agreement RCA for one year was denied due to DZ Bank's German parent's concern over the United States general economic condition and, more specifically, the weakness in the overall U.S. consumer market. The RCA terminated on December 18, 2009 without any funds being advanced. The Company has reclassified the Secured Promissory Notes (the "Notes") receivable to subscriptions receivable. As of the date of this filing, the maker of the Notes has failed to provide the information necessary for the Company to perfect its lien on the collateral securing the Notes

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. However, we are in negotiations with two senior lenders for senior secured financing and have signed an agreement with a placement agent for both debt and equity. There is no guarantee that we will be successful in raising the funds required.

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, 2010 and 2009 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, 2010, 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.

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.

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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Sparta Commercial Services, Inc. ("the Company"), as of April 30, 2010 and 2009, and the related consolidated statements of losses, deficiency in stockholders' equity and cash flows for each of the two years in the period ended April 30, 2010. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sparta Commercial Services, Inc. at April 30, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the two years in the period ended April 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

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

/s/ R B S M LLP

New York, New York
August 13, 2010

SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

	Year end April 30, 2010 AUDITED	Year end April 30, 2009 AUDITED
ASSETS		
Cash and cash equivalents	\$ 11,994	\$ 2,790
RISC loan receivables, net of reserve of \$132,000 and \$235,249, respectively (NOTE D)	1,761,474	3,248,001
Motorcycles and other vehicles under operating leases net of accumulated depreciation of \$219,492 and \$256,485 respectively, and loss reserve of \$15,865 and \$32,726, respectively (NOTE B)	305,265	621,797
Interest receivable	26,772	49,159
Purchased Portfolio (NOTE G)	33,559	72,635
Accounts receivable	98,322	17,899
Inventory (NOTE C)	14,622	12,514
Property and equipment, net of accumulated depreciation and amortization of \$163,824 and \$147,905, respectively (NOTE E)	27,423	43,342
Prepaid Expenses	-	593,529
Restricted cash	146,333	348,863
Other Assets	3,628	-
Deposits	48,967	48,967
Total assets	\$ 2,478,358	\$ 5,059,497
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY		
Liabilities:		
Bank overdraft	\$ -	\$ 57,140
Accounts payable and accrued expenses	794,811	1,851,876
Senior Secured Notes Payable (NOTE F)	2,010,989	3,694,838
Notes Payable (NOTE G)	864,399	5,102,458
Loans payable-related parties (NOTE H)	383,760	378,260
Other liabilities	20,513	88,285
Deferred revenue	7,650	13,050
Total liabilities	4,082,121	11,185,907
Deficiency in Stockholders' Equity:		
Preferred stock, \$.001 par value; 10,000,000 shares authorized of which 35,850 shares have been designated as Series A convertible preferred stock, with a stated value of \$100 per share, 125 and 825 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 0 shares issued and outstanding, respectively	1	-
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, 42,000 and 0 shares issued and	42	-

outstanding, respectively		
Common stock, \$.001 par value; 740,000,000 shares authorized, 392,782,210 and 170,730,064 shares issued and outstanding, respectively	392,782	170,730
Common stock to be issued, 23,967,965, and 16,735,453 respectively	23,967	16,735
Preferred Stock B to be issued, 5.4 and 0 shares, respectively	-	-
Additional paid-in-capital	31,470,653	20,820,672
Subscriptions Receivable	(2,118,309)	
Accumulated deficit	(31,385,400)	(27,147,047)
Total deficiency in stockholders' equity	(1,603,763)	(6,126,410)
Total Liabilities and deficiency in stockholders' equity	\$ 2,478,358	\$ 5,059,497

See accompanying notes to consolidated financial statements.

SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED STATEMENT OF LOSSES

	For the year ended April 30,	
	2010	2009
Revenue		
Rental Income, Leases	\$ 190,035	\$ 298,476
Interest Income, Loans	443,026	759,801
Other	80,302	86,367
	713,363	1,144,644
Operating expenses:		
General and administrative	2,519,592	3,860,228
Depreciation and amortization	702,388	310,601
Total operating expenses	3,221,980	4,170,829
Loss from operations	(2,508,616)	(3,026,185)
Other expense:		
Interest expense and financing cost, net	1,632,562	1,895,661
Net loss	(4,141,179)	(4,921,846)
Preferred dividend	97,175	758
Net loss attributed to common stockholders	\$ (4,238,353)	\$ (4,922,604)
Basic and diluted loss per share attributed to common stockholders	\$ (0.01)	\$ (0.03)
Weighted average shares outstanding - basic and dilutive	300,447,151	159,112,249

See accompanying notes to consolidated financial statements.

SPARTA COMMERCIAL SERVICES, INC.
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 FOR THE TWO YEARS ENDED APRIL 30, 2010

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional		
	Shares	Amount	Shares	Amount	Shares	Amount	to be issued Shares	Amount	Paid in Capital	Accumulated Deficit	
April	825	\$ 82,500			130,798	657	\$ 130,798	12,160	210	\$ 17,727,890	(22,224,442)
ended											
of	(700)	(70,000)			1,875,000	1,875	(1,426,280)	(1,426)	69,551		
							100,000	100	324,900		
									117,438	(758)	
ended					7,272,000	7,272	586,000	586	531,382		
ended					2,585,420	2,585	482,190	482	114,815		
ended					20,714,217	20,714	3,333,333	3,333	1,003,753		
ion					7,484,769	7,485	1,500,000	1,500	624,644		
ion									15,000	.	
									222,409		
on									46,791		
nt											
ars									6,881		
y									15,217		

(4,238,353) (

April

125 \$ 12,500 157 \$ 0 42,000 \$ 42 392,782,210 \$ 392,781 23,966,965 \$ 23,967 \$ 31,470,654 (31,385,399) (

See accompanying notes to consolidated financial statements.

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SPARTA COMMERCIAL SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year end April 30, 2010	Year end April 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (4,141,179)	\$ (4,921,846)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	702,387	191,256
Allowance for loss reserves	69,431	156,432
Amortization of deferred revenue	-	(9,567)
Beneficial Conversion Discount	45,000	325,000
Shares issued for debt and accrued interest		226,941
Equity based compensation	336,288	915,652
Stock based finance cost	593,619	539,240
Extinguishment of dividend payable	-	117,437
Change in fair value of warrant liability	-	15,217
(Increase) decrease in operating assets and liabilities:	-	
Inventory	(2,108)	-
Interest receivable	22,387	-
Accounts receivable	(80,423)	-
Other Receivables	-	9,223
Prepaid expenses and other assets	(3,628)	(532,849)
Restricted cash	202,530	96,039
Deposits and other	-	6,881
Portfolio	39,076	
Increase (decrease) in:		
Accounts payable and accrued expenses	(288,649)	561,649
Net cash used in operating activities	(2,505,269)	(2,303,295)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net liquidation of leased vehicles	370,386	449,001
Net Liquidation of RISC contracts	1,589,776	863,065
Purchase of portfolio	-	(72,635)
Net cash provided by investing activities	1,960,162	1,239,431
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from sale of common stock	224,999	-
Net proceeds from sale of preferred stock	1,320,000	-
Net Payments to senior lender	(1,683,849)	(1,441,542)
Net Proceeds from convertible notes	744,800	1,638,399
Net Proceeds from other notes	-	479,000
Net Loan proceeds from other related parties	5,500	133,500
Net proceeds secured note	-	131,516
Net cash provided by financing activities	611,450	940,873
Net Increase (decrease) in cash	\$ 66,343	\$ (122,991)
Unrestricted cash and cash equivalents, beginning of period	\$ (54,349)	68,642
Unrestricted cash and cash equivalents, end of period	\$ 11,994	\$ (54,349)

Cash paid for:

Interest	\$	357,303	\$	570,618
Income taxes	\$	4,897	\$	2,366

Non-Cash Investing and Funding Activities (Note N)

See accompanying notes to consolidated financial statements.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

Business and Basis of Presentation

The Company is 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).

On December 10, 2008, we formed Sparta Funding, LLC ("Sparta Funding"), a Delaware limited liability company, for which we are the sole member. Sparta Funding has had no operations as of April 30, 2010.

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

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.

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.

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.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

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, 2010 and 2009, the Company had recorded deferred revenue related to these contracts of \$7,650 and \$13,050, 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.

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 740 also 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 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, 2010.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

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.

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, 2010, the Company has no items of other comprehensive income.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

Segment Information

The Company does not have separate, reportable segments under 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 interim 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 segment.

Stock Based Compensation

The Company adopted ASC 718-10, which records stock 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 to employees 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.

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.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

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, 2010 and 2009, the Company incurred advertising costs of \$4,170 and \$8,116, 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.

Per share basic and diluted net loss attributable to common stockholders amounted to \$0.01 and \$0.03 for the years ended April 30, 2010 and 2009, respectively. At April 30, 2010 and 2009, 54,987,623 and 37,948,231 potential shares, respectively, were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

Liquidity

As shown in the accompanying consolidated financial statements, the Company has incurred a net loss of \$4,141,179 and \$4,921,846 during the years ended April 30, 2010 and 2009, respectively. The Company's deficit net worth as of April 30, 2010 was \$1,603,763.

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

In January 2010, the FASB issued Accounting Standards Update 2010-06, "Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements" (FASB ASU 2010-06). FASB ASU 2010-06

amends Subtopic 820-10, Fair Value Measurements and Disclosures - Overall, and requires new disclosures related to the transfers in and out of Level 1 and 2, as well as requiring that a reporting entity present separately information about purchases, sales, issuances, and settlements rather than as one net number. Additionally, FASB ASU 2010-06 amends Subtopic 820-10 by clarifying existing disclosures related to level of disaggregation as well as disclosures about inputs and valuation techniques. FASB ASU 2010-06 is effective for

SPARTA COMMERCIAL SERVICES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 APRIL 30, 2010 AND 2009

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, these disclosures are effective for reporting periods beginning after December 15, 2010. The Company does not expect adoption of FASB ASU 2010-06 to have an impact on its financial condition or results of operations.

In June 2009, the FASB issued Accounting Standards Update 2009-16 "Transfer and Servicing," which among other things, removes the concept of a qualifying special-purpose entity, and changes the requirements for derecognizing financial assets. Additionally, the update requires additional disclosures about transfers of financial assets, including securitization transactions and areas where companies have continued exposure to the risks related to transferred financial assets. The update is effective for annual reporting periods beginning after November 15, 2009. The Company is currently evaluating the impact that the update may have on future consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future financial statements.

NOTE B - MOTORCYCLES AND OTHER VEHICLES UNDER OPERATING LEASES

Motorcycles and other vehicles under operating leases at April 30, 2010 and 2009 consist of the following:

	2010	2009
Motorcycles and other vehicles	\$ 540,623	\$ 911,008
Less: accumulated depreciation	(219,492)	(256,458)
Motorcycles and other vehicles, net of accumulated depreciation	321,131	654,523
Less: estimated reserve for residual values	(15,865)	(32,726)
Motorcycles and other vehicles under operating leases, net	\$ 305,266	\$ 621,797

At April 30, 2010, 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, 2010 and 2009 was \$90,940 and \$173,337 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 revenues on non-cancelable operating leases as of April 30, 2010:

Year ending April 30,	
2011	\$ 44,068
2012	26,925
2013	13,292
2014	178
2015	
Total	\$ 84,463

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, 2010 and 2009, the Company had repossessed vehicles which are held for resale totaling \$14,622 and \$12,514 respectively.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE D – RETAIL (RISC) LOAN RECEIVABLES

RISC loan receivables, which are carried net of reserves, were \$1,761,474 and \$3,248,001 at April 30, 2010 and 2009, respectively. As of April 30, 2010 and 2009, the Company had deficiency receivables of \$34,250 and \$122,554, respectively. At April 30, 2010 and 2009, the reserve for doubtful RISC loan receivables was \$132,000 and \$235,249, 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,		
2011	\$	779,737
2012		699,594
2013		384,026
2014		30,117
2015		-
Total Due	\$	1,893,474

NOTE E - PROPERTY AND EQUIPMENT

Major classes of property and equipment at April 30, 2010 and 2009 consist of the followings:

	2010	2009
Computer equipment, software and furniture	\$ 191,247	\$ 191,247
Less: accumulated depreciation and amortization	(163,824)	(147,905)
Net property and equipment	\$ 27,423	\$ 43,342

Depreciation and amortization expense related to property and equipment was \$17,919 and \$17,919 for the years ended April 30, 2010 and 2009, respectively.

NOTE F - SENIOR SECURED NOTES PAYABLE

(a)The Company finances certain of its leases through a third party. 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, 2010 is 10.33%.

(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.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE F - SENIOR SECURED NOTES PAYABLE (continued)

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 and has granted the note holder a security interest in the Purchased Portfolio. The Company and the note holder have been in discussions regarding the repayment of the outstanding balance of the Senior Secured Note which was \$98,432 at April 30, 2010.

At April 30, 2010, the notes payable mature as follows:

Year ended April 30,	Amount
2011	\$ 923,500
2012	702,977
2013	367,995
2014	16,516
2015	-
Total Due	\$ 2,010,989

NOTE G – NOTES PAYABLE

Notes Payable	April 30, 2010	April 30, 2009
Convertible notes (a)	\$ 280,000	\$ 4,055,559
Notes payable (b)	100,000	547,500
Bridge loans (c)	161,000	176,000
Collateralized note (d)	220,000	220,000
Convertible note (e)	103,399	103,399
Total	\$ 864,399	\$ 5,102,458

(a)As of April 30, 2010, the Company had outstanding convertible unsecured notes with an original aggregate principal amount of \$280,000, which accrue interest at rates ranging from 8% to 15% per annum. The majority of the notes are convertible into shares of common stock, at the Company's option, ranging from \$0.012 to \$0.021 per share. All but one of the convertible notes are current. One of the notes in the amount \$50,000 is convertible at the note holder's option at a variable conversion price such that during the period during which the notes are outstanding, the note is convertible at the lower of (i) the price per share at which the Company sells or issues any shares of common stock (except for shares of common stock issued directly to vendors or suppliers of the Company in satisfaction of amounts owed to them, provided, however, that such vendors or suppliers shall not have an arrangement to transfer, sell or assign such shares of common stock prior to the issuance of such shares, shares issued pursuant to the Company's Employee Stock Option Plan, or any shares of common stock issued for no consideration or for a consideration per share before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith, or (ii) 58% multiplied by the average of the lowest 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 Company recorded a

beneficial conversion discount of \$45,000 for this note as of April 30, 2010. Another note in the amount of \$10,000 due August 15, 2010 is convertible at \$0.012 per share.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE G - NOTES PAYABLE (continued)

During the twelve months ended April 30, 2010, the Company issued \$748,000 new convertible notes with three year warrants to purchase 4,953,264 shares of the Company's common stock at \$0.15 per share, repaid \$3,200 of convertible notes and converted \$4,520,359 of convertible notes and accrued interest thereon into approximately 139,600,000 shares of the Company's common stock.

- (b) As of April 30, 2010, the Company had outstanding unsecured notes with an original principal amount of \$100,000, which accrue interest ranging from 6% to 15% per annum, all of which were past due. In July 2010, \$80,000 of these notes were purchased by a third party who exchanged the notes with the Company for new convertible notes all of which are current. The remaining \$20,000 note was due August 8, 2009 and is accruing interest at a default rate of 15% and is also accruing penalty shares at the rate of 20,000 shares per month. The Company is in discussions with this note holder to recast the note. During the twelve months ended April 30, 2010, \$447,500 of notes payable and accrued interest thereon were converted into approximately 13,800,000 shares of the Company's common stock
- (c) During the year ended April 30, 2007, the Company sold to five accredited investor's bridge notes in the aggregate amount of \$275,000. The bridge notes were originally scheduled to expire on various dates through November 30, 2006, together with simple interest at the rate of 10%. The notes provided that 100,000 shares of the Company's unregistered common stock are to be issued as "Equity Kicker" for each \$100,000 of notes purchased, or any prorated portion thereof. The Company had the right to extend the maturity date of notes for 30 to 45 days, in which event the lenders were entitled for "additional equity" equal to 60% of the "Equity Kicker" shares. In the event of default on repayment by the Company, the notes provided for a 50% increase in the "Equity Kicker" and the "Additional Equity" for each month, as penalty, that such default has not been cured, and for a 20% interest rate during the default period. The repayments, in the event of default, of the notes are to be collateralized by certain security interest. The maturity dates of the notes were subsequently extended to various dates between December 5, 2006 to September 30, 2009, with simple interest rate of 10%, and Additional Equity in the aggregate amount of 165,000 unregistered shares of common stock to be issued. Thereafter, the Company was in default on repayment of these notes. During the year ended April 30, 2009, \$99,000 of these loans was repaid and during 2010, \$15,000 of these notes and accrued interest thereon was converted into approximately 463,000 shares of the Company's common stock. The holders of the remaining notes have agreed to contingently convert those notes plus accrued interest into approximately 8,000,000 shares of the Company's common stock upon the Company's ability to meet all conditions precedent to begin drawing down on a senior credit facility.
- (d) During the year ended April 30, 2009, the Company sold a secured note in the amount of \$220,000. The note bore 12.46% simple interest. The note matured on January 29, 2010 and has been extended to September 1, 2010 and is secured by a second lien on a pool of motorcycles. In July 2010, the note holder agreed to convert the note and all accrued interest thereon into approximately 12,000,000 shares of the Company's common stock upon the Company demonstrating that it can meet all conditions precedent to begin drawing down on a senior credit facility.
- (e) On September 19, 2007, the Company sold to one accredited investor for the purchase price of \$150,000 securities consisting of a \$150,000 convertible debenture due December 19, 2007, 100,000 shares of unregistered common stock, and 400,000 common stock purchase warrants. The debentures bear interest at the rate of 12% per year compounded monthly and are convertible into shares of the Company's common stock at \$0.0504 per share. The warrants may be exercised on a cashless basis and are exercisable until September 19, 2007 at \$0.05 per share. In the event the debentures are not timely repaid, the Company is to

issue 100,000 shares of unregistered common stock for each thirty day period the debentures remain outstanding. The Company has accrued interest and penalties as per the terms of the note agreement. In May, 2008, the Company repaid \$1,474 of principal and \$3,526 in accrued interest. Additionally, from April 26, 2008 through April 30, 2009, a third party to the note paid, on behalf of the Company, \$41,728 of principal and \$15,272 in accrued interest on the note, and the note holder converted \$3,399 of principal and \$6,601 in accrued interest into 200,000 shares of our common stock. As of April 30, 2010, the balance outstanding was past due.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE H - LOANS PAYABLE TO RELATED PARTIES

During the year ended April 30, 2010, the Company borrowed \$31,320 from a Director of the Company on a demand basis without interest and repaid \$17,320 leaving a balance outstanding of \$370,000 to that Director. Additionally, during the fiscal year ending April 30, 2008, the Company borrowed \$13,760 from an officer which remains outstanding. During the year ended April 30, 2010, one officer converted a loan to the Company in the amount of \$8,500 into 566,667 shares of the Company's common stock.

At April 30, 2009 and 2010, included in accounts receivable, are \$10,189 and \$169, 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 - FAIR VALUE MEASUREMENTS

Our short-term financial instruments, including cash and convertible notes payable, consist primarily of instruments without extended maturities, the fair value of which, based on management's estimates, reasonably approximate their book value. The fair value of our notes is based on management estimates and reasonably approximates their book value based on their current maturity.

NOTE J- EQUITY INSTRUMENTS

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 stated value per share, and 200,000 shares have been designated as Series C Preferred Stock with a \$10 per share liquidation value, and 750,000,000 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, 2010 and April 30, 2009, respectively. The Company had 157 and no shares of Series B preferred stock issued and outstanding as of April 30, 2010 and April 30, 2009, respectively. The Company had 42,000 and no shares of Series C preferred stock issued and outstanding as of April 30, 2010 and April 30, 2009, respectively. The Company had 392,782,210 and 170,730,064 shares of common stock issued and outstanding as of April 30, 2010 and April 30, 2009, respectively.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE J- EQUITY INSTRUMENTS (continued)

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 641 shares of common stock. There were no transactions of the Series A Preferred Stock during the year ended April 30, 2010.

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.

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

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

The Company agreed to file after each drawn down, and to seek and maintain effectiveness of, a registration statement covering the shares underlying the issued warrants. On the earlier of the first draw down or six months from the date

of the agreement, the Company agreed to pay a non-refundable commitment fee of \$250,000 to Optimus. Pursuant to a concurrent transaction between Optimus and several of the Company's non-affiliated stockholders, Optimus may borrow up to 33,990,000 shares of the Company's common stock from such stockholders. On July 31, 2009, pursuant to the agreement, the Company requested Optimus to purchase 90 shares of the Company's Series B Preferred Stock valued at \$900,000 and issued five year warrants to purchase 13,500,000 shares of common stock at \$0.09 per share. On August 14, 2009, the Company sold to Optimus 90 shares of Series B Preferred Stock for gross proceeds of \$900,000. On October 21, 2009, pursuant to the agreement, the Company requested Optimus to purchase 67 shares of the Company's Series B Preferred Stock valued at \$670,000 and issued five year warrants to purchase 18,066,176 shares of common stock at \$0.068 per share. On November 6, 2009, the Company sold to Optimus 67 shares of Series B Preferred Stock for gross proceeds of \$670,000, and purchased from Optimus 2,000,000 shares of the Company's common stock at a price of \$0.05 or \$100,000. In November and December 2009, Optimus exercised their warrants by delivering to the Company two fully secured, five year promissory notes aggregating \$2,118,309. The Company has reclassified the Secured Promissory Notes (the "Notes") receivable to subscriptions receivable. As of the date of this filing, Optimus has failed to provide the information necessary for the Company to perfect its lien on the collateral securing the Notes

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE J - EQUITY INSTRUMENTS-(continued)

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.

Pursuant to an agreement reached on October 31, 2009 to convert certain accounts payable to Series C Preferred Stock, the Company recorded the conversion of \$125,000 of accounts payable, as of October 31, 2009, into 12,500 shares of Series C Preferred Stock. On November 2, 2009, the Company issued 30,000 shares of Series C Preferred Stock for services for a total of 42,500 issued Series C Preferred Stock. On November 18, 2009, the Company redeemed 500 shares of Series C Preferred Stock by paying the holder \$5,000.

Common Stock

During the fiscal years ended April 30, 2010 and 2009, respectively, the Company expensed \$306,289 and \$871,039, respectively, for non-cash charges related to stock and option compensation expense.

During the fiscal year ended April 30, 2009, the Company:

- issued an aggregate of 2,000,000 shares of unregistered common stock valued at \$125,000 to the four members of its Advisory Council.
- issued an aggregate of 5,882,000 shares of unregistered common stock valued at \$407,520 to thirteen note holders pursuant to the terms and provisions of their loans.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE J - EQUITY INSTRUMENTS-(continued)

- issued an aggregate of 1,390,000 shares of unregistered common stock valued at \$91,500 to ten individuals as an inducement for loans.
- pursuant to two consulting agreements, the Company issued a net of 5,484,769 shares of unregistered common stock valued at \$463,629 to two consulting firms. One agreement was subsequently cancelled and the consultant returned 1,015,231 shares of the 6,000,000 issued valued at \$91,371. The second agreement dated January 1, 2009 called for the payment of \$15,000 per month, the issuance of 500,000 shares of common stock and the issuance of 1,500,000 five year common stock purchase warrants, issued at the rate of 250,000 per month commencing January 2009 at various escalating exercise prices. This agreement was suspended in February 2009 and renegotiated in fiscal year 2010 and then terminated. The Company issued a total of 2,500,000 shares to this consultant.
- issued an aggregate of 1,875,000 shares of common stock to five individuals who converted 292,500 shares of Series A Convertible Preferred Stock, of which 222,500 were converted in prior years.
- issued an aggregate of 23,299,637 shares of unregistered common stock to eighteen convertible note holders who converted \$827,800 principal amount of notes and \$99,942 in accrued interest thereon.

During the fiscal year ended April 30, 2010, the Company:

- sold 11,533,203 shares of its common stock for \$225,000. 3,596,067 of the shares were classified as to be issued as of April 30, 2010 and issued three year warrants to purchase 1,409,869,
- shares of its common stock exercisable at \$0.15 per share and three year warrants to purchase 10,200,734 shares of its common stock at \$0.07 per share,
- issued, pursuant to penalty provisions of notes, 4,400,000 shares of unregistered common stock, valued at \$243,220 of which 180,000 shares were classified as stock to be issued,
- issued, pursuant to the terms of a note, 200,000 shares of its common stock in payment of \$6,600 in accrued interest and \$3,400 for principal reduction of the note,
 - issued 171,424,140 shares of unregistered common stock (of which 18,275,680 had been classified as shares to be issued at April 30, 2009), valued at \$5,542,808, upon conversion of \$4,982,859 in notes and convertible notes and \$559,949 of accrued interest resulting in an increase in additional-paid-in capital of \$5,402,973,
- issued, pursuant to two consulting agreements, 5,500,000 shares of its common stock valued at \$230,000, 1,500,000 (\$45,000) of the shares had been accrued in the prior year and 1,000,000 shares valued at \$30,000 have been accrued in the current year, which shares were subsequently issued in June 2010,
- issued 2,815,371 shares of common stock under its 2009 Consultant Stock Plan in satisfaction of accounts payable of \$166,755,
-

issued 31,566,176 shares of common stock, upon the exercise of common stock purchase warrants, for five year, 2%, secured, full recourse notes in the amount of \$2,118,309 (see Note J),

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE J- EQUITY INSTRUMENTS (continued)

- issued to a consultant three year warrants to purchase 500,000 shares of common stock at an exercise price of \$0.066 per share,
- sold \$185,000 of 8% four month convertible notes with three year warrants to purchase 4,953,264 shares of common stock at \$0.15 per share. All of the notes were converted at prices ranging from \$0.02 to \$0.05 per share during the year as described above,
- sold \$134,000 of 8% convertible demand notes all of which were converted during the year at prices ranging from \$0.035 to \$0.046 as described above,
- sold \$314,000 of 8% four month convertible notes convertible at prices ranging from \$0.012 to \$0.021 per share. During the year, \$94,000 of the notes were converted at prices ranging from \$0.018 to \$0.021 as described above,
 - sold a \$50,000, 8%, 9 month note convertible at a variable price as described in Note G(a) above,
 - sold a \$10,000, 15%, 3 month note convertible at \$0.012 per share,
- sold a \$20,000, 10%, 3 month bridge note and agreed to issue 100,000 shares valued at \$0.06 per share as inducement for the loan these shares were classified as to be issued at April 30, 2010, and
- sold a \$20,000, 10%, 4 month note and agreed to issue 80,000 shares valued at \$0.08 per share as inducement for the loan these shares were classified as to be issued at April 30, 2010.

On August 14, 2009, the Company filed a Schedule 14C with the Securities and Exchange Commission, and at the same time notified the Company's shareholders via an Information Statement, that in April, 2009, the holders of a majority of votes represented by the issued and outstanding shares of the Company common stock, at that time, by means of a written consent in lieu of a special meeting of the stockholders, voted in favor of amending the Company's Articles of Incorporation to increase the authorized number of shares of the Common Stock from 340,000,000 to 750,000,000. This increase in authorized shares of common stock became effective on September 21, 2009.

On May 1, 2009, the Company adopted its 2009 Consultant Stock Plan. The plan provides for the issuance of up to 10,000,000 shares of the Company's common stock, pursuant to stock awards, to eligible consultants. The plan is effective for ten years from its adoption.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE K - INCOME TAXES

At April 30, 2010 and 2009, the Company has available for federal income tax purposes a net operating loss carry forward of approximately \$24,313,564 and \$24,500,000, respectively, that may be used to offset future taxable income. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the earnings history of the Company; it is more likely than not that the benefits will not be realized. Also, due to change in the control after reverse acquisition of Sparta Commercial Services, Inc., the Company's past accumulated losses to be carried forward may be limited.

Components of deferred tax assets as of April 30, 2010 and 2009 are as follows:

	2010	April 30, 2009
Noncurrent:		
Net operating loss carry forward	\$ 6,807,978	\$ 6,860,000
Valuation allowance	(6,807,978)	(6,860,000)
Net deferred tax asset	\$ -	\$ -

The valuation allowance and increased by \$52,022 and \$1,120,800 during the years ended April 30, 2010 and 2009, respectively.

NOTE L - STOCK OPTIONS AND WARRANTS

On April 29, 2005, the Company issued to the Chief Operating Officer non qualified stock options to purchase 875,000 shares of the Company's common stock, subject to vesting conditions, at an exercise price of \$0.605 per share. The options have a five year life from vesting.

During December 2005, the Company granted options to purchase an aggregate of 160,000 shares of common stock to two employees. The options have been valued at \$75,795 using the Black-Sholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 177%, (3) risk-free interest rate of 4.38%, and (4) expected life of 3 years. The options have an exercise price of \$0.59, vest over a 38 month period and expire if unexercised in ten years.

During the year ended April 30, 2007, the Company granted options to purchase an aggregate of 4,500,000 shares of common stock to one employee and one Director. At grant date, 1,000,000 options vested immediately. The vested and unvested options have been valued at \$636,433 using the Black-Scholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 131%; (3) risk-free interest rate of 5.04% and 5.24%, vest over a 36 month period and expire if unexercised in five years.

During the year ended April 30, 2008, the Company granted options to purchase an aggregate of 1,170,000 shares of common stock to thirteen employees. However, four employees left during the three months ended July 31, 2007 and two employees left during the three months ended January 31, 2009. As a result of these resignations, 530,000 unexercised options were cancelled. During the year ended April 30, 2010, two employees left as a result, 150,000 unexercised options were cancelled. The remaining vested and unvested options have been valued at \$40,285 using the Black-Scholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 143%; (3) risk-free interest rate of 4.76%, vest over a 48 month period and expire if unexercised in ten years.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE L - STOCK OPTIONS AND WARRANTS (continued)

During the year ended April 30, 2009, the Company issued warrants to purchase an aggregate of 250,000 shares of common stock to a consultant. The warrants have been valued at \$17,423 using the Black-Sholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 248%, (3) risk-free interest rate of 1.72%, and (4) expected life of 5 years. The warrants have an exercise price of \$0.05 and are fully vested.

During the year ended April 30, 2009, the Company issued warrants to purchase an aggregate of 694,444 shares of common stock to one accredited investor in connection with the sale of a convertible note. The warrants have been valued at \$40,811 using the Black-Sholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 285%, (3) risk-free interest rate of 1.27%, and (4) expected life of 3 years. The warrants have an exercise price of \$0.15 and are fully vested.

During the year ended April 30, 2009, the Company issued warrants to purchase an aggregate of 200,000 shares of common stock to two individuals in connection with their services to the Company. The warrants have been valued at \$5,979 using the Black-Sholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 268%, (3) risk-free interest rate of 1.41%, and (4) expected life of 5 years. The warrants have an exercise price of \$0.15 and are fully vested.

During the year ended April 30, 2010, the Company issued warrants to purchase an aggregate of 500,000 shares of common stock to a consultant. The warrants have been valued at \$24,339 using the Black-Sholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 261%, (3) risk-free interest rate of 1.44%, and (4) expected life of 3 years. The warrants have an exercise price of \$0.05 and are fully vested.

During the year ended April 30, 2010, in connection with the sale of short term notes, the Company issued three year warrants to purchase 4,849,097 shares of its common stock at \$0.15 per share. The warrants have been valued at \$346,726 using the Black-Sholes option pricing model with the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 281%, (3) risk-free interest rate of 1.42%, and (4) expected life of 3 years.

During the year ended April 30, 2010, in connection with the sale of common stock, the Company issued three year warrants to purchase 3,219,866 shares of its common stock at \$0.15 per share and three year warrants to purchase 10,123,334 shares of its common stock at \$0.07 per share.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE L - STOCK OPTIONS AND WARRANTS (continued)

The following table summarizes common stock options issued to officers, directors and employees outstanding and the related exercise price.

Options Outstanding			Options Exercisable	
Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
5,500,000	4	\$0.23	5,500,000	\$0.23

Transactions involving stock options issued to employees are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at April 30, 2007	5,535,000	\$ 0.26
Granted	1,170,000	0.10
Exercised	-	-
Canceled or expired	(530,000)	0.10
Outstanding at April 30, 2008	6,175,000	\$ 0.24
Granted	-	-
Exercised	-	-
Canceled or expired	(150,000)	0.10
Outstanding at April 30, 2009	6,025,000	\$ 0.24
Granted	-	-
Exercised	-	-
Canceled or expired	(525,000)	0.27
Outstanding at April 30, 2010	5,500,000	\$ 0.23

There were no options granted during the years ended April 30, 2010 or 2009

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE L - STOCK OPTIONS AND WARRANTS (continued)

- (b) The following table summarizes the changes in warrants outstanding and the related prices for the shares of the Company's common stock issued to non-employees of the Company.

Exercise Prices	Warrants Outstanding			Warrants Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$ 0.215	1,755,537	.80	\$ 0.215	1,755,537	\$ 0.215	
\$ 0.15	7,057,574	2.18	\$ 0.15	7,057,574	\$ 0.15	
\$ 0.11	250,000	3.06	\$ 0.11	250,000	\$ 0.11	
\$ 0.07	10,123,334	2.88	\$ 0.07	10,123,334	\$ 0.07	
\$ 0.066	500,000	2.51	\$ 0.066	250,000	\$ 0.066	
\$ 0.05	1,975,000	2.61	\$ 0.05	1,975,000	\$ 0.05	
\$ 0.0438	1,632,833	2.76	\$ 0.0438	1,632,833	\$ 0.0438	
	23,294,258	2.97	\$ 0.10	23,294,258	\$ 0.10	

Transactions involving stock warrants issued to non-employees are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at April 30, 2008	9,950,873	\$ 0.147
Granted	1,144,444	\$ 0.111
Exercised	-	\$ -
Canceled or expired	(4,687,503)	\$ 0.195
Outstanding at April 30, 2009	6,407,814	\$ 0.108
Granted	17,236,444	\$ 0.102
Exercised	-	\$ -
Canceled or expired	(350,000)	\$ 0.061
Outstanding at April 30, 2010	23,294,278	\$ 0.10

The weighted-average fair value of stock warrants granted to non-employees during the years ended April 30, 2010 and 2009 was \$0.05 and \$0.05 respectively, and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes option pricing model are as follows:

	2010	2009
Significant assumptions (weighted-average):		
Risk-free interest rate at grant date	1.42%	1.39
Expected stock price volatility	281%	277

Expected dividend payout	-	-
Expected option life-years	3 yrs	3 yrs

The amount of the expense charged to operations for compensatory warrants granted in exchange for services was \$260,000 and \$633,630 for the years ended April 30, 2010 and 2009, respectively.

SPARTA COMMERCIAL SERVICES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 APRIL 30, 2010 AND 2009

NOTE M - COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

In October 2004, the Company entered into a lease agreement with an unrelated party for office space in New York City from December 1, 2004 through November 30, 2007. This lease was renewed on October 24, 2007 for an additional 5 years. Total lease rental expense for the years ended April 30, 2010 and 2009, was \$312,633 and \$310,419, respectively. The Company has determined not to record deferred rent in order to recognize rent expense over the term of the lease on a straight line basis, as the amount has been determined to be immaterial to the overall consolidated financial statements.

Commitment for minimum rentals under non-cancelable leases Including Contractual charge for water and sprinkler are:

April 30, 2011	\$	304,985
April 30, 2012	\$	312,565
To November 1, 2012	\$	184,947

Employment and Consulting Agreements

The Company does not have employment agreements with any of its non-executive employees.

The Company has consulting agreements with outside contractors to provide marketing and financial advisory services. The agreements are generally for a term of 12 months from inception and renewable automatically from year to year unless either the Company or consultant terminates such engagement by written notice.

The Company entered into an employment agreement, dated as of July 12, 2004, with Anthony L. Havens, our Chief Executive Officer. The employment is for a term of five years. The employment term is to be automatically extended for one five-year period, and additional one-year periods, unless written notice is given three months prior to the expiration of any such term that the term will not be extended. The agreement was automatically extended for five years on July 12, 2009. He is entitled to six weeks of paid vacation per year, and health insurance, short term and long term disability insurance, retirement benefits, fringe benefits, and other employee benefits on the same basis as is generally made available to other senior executives. He did not receive any equity compensation as part of this agreement.

On November 1, 2004, the Company entered into an employment agreement with Richard P. Trotter. The term of employment is one year, and is to be automatically extended for one two-year period, and an additional two-year period, unless written notice is given three months prior to the expiration of any such term that the term will not be extended. The agreement expired in November 2009. The Company and the executive have agreed to negotiate a new employment agreement.

The Company entered into an employment agreement, effective September 22, 2006, with Anthony W. Adler, to serve as our Executive Vice President and interim Principal Financial Officer. The term of employment is three years. The agreement expired in September 2009. The Company and the executive have agreed to negotiate a new employment agreement

Litigation

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity.

In July 2009, the Company entered into a Preferred Stock Purchase Agreement with Optimus Capital Partners, LLC, d/b/a Optimus Special Situations Capital Partners, LLC (“Optimus CP”). In connection therewith, on November 4, 2009 and December 17, 2009, the Company received two full recourse Secured Promissory Notes from Optimus CG II, Ltd. (“Optimus CG”), the sole shareholder of Optimus CP, in the principal amounts of \$1,215,000 and \$903,308.80 respectively (“the Secured Notes”). Pursuant to the terms of the Secured Notes, Optimus CG is obligated to maintain a basket of publicly traded securities in an amount at least equal to the principal amounts due as security. Despite written demand, Optimus CG has refused to disclose the specific securities in the basket, or to issue a requested comfort letter to the Company’s auditors. The Company has therefore declared the Secured Notes in default.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE N - NON-CASH FINANCIAL INFORMATION

During the year ended April 30, 2010, the Company:

- Issued 4,000,000 shares of unregistered common stock valued at \$230,000 and 2,000,000 shares of registered stock valued at \$100,000 to two consulting firms.
- Issued 4,220,000 shares of unregistered common stock valued at \$234,820 and accrued 180,000 shares of unregistered common stock valued at \$8,400 to five individuals pursuant to the terms and provisions of their loans.
- Accrued 180,000 shares of unregistered common stock valued at \$12,400 to two individuals as an inducement for loans.

During the year ended April 30, 2009, the Company:

- Issued 2,000,000 shares of unregistered common stock, valued at \$125,000, to four individuals for their services as members of our Advisory Council.
- Issued 5,882,000 shares of unregistered common stock, valued at \$407,520, to thirteen individuals pursuant to the terms and provisions of their loans.
- Issued 1,390,000 shares of unregistered common stock valued at \$91,500 to ten individuals as an inducement for loans.
 - Issued a net of 5,484,769 shares of unregistered common stock valued at \$463,629 to two consulting firms.

NOTE O - SUBSEQUENT EVENTS

In May 2010, the company sold to an accredited investor a convertible note in the amount of \$25,000. The note is convertible at the note holder's option at a variable conversion price such that during the period during which the notes are outstanding, the notes are convertible at the lowest of (i) the price per share at which the Company sells or issues any shares of Common (except for shares of Common Stock issued directly to vendors or suppliers of the Company in satisfaction of amounts owed to such vendors or suppliers, provided, however, that such vendors or suppliers shall not have an arrangement to transfer, sell or assign such shares of Common Stock prior to the issuance of such shares, and except for shares issued pursuant to the Company's Employee Stock Option Plan, any shares of Common Stock for no consideration or for a consideration per share before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith, or (ii) 58% multiplied by the average of the lowest three (3) lowest closing bid price for the Common Stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent by the note holder to the Company.

In June and July 2010, the Company sold 5,703,889 shares of its restricted common stock and three-year warrants to purchase 5,703,889 shares of common stock at an exercise price of \$0.07 per share. These securities were sold to two accredited investors for an aggregate purchase price of \$90,000.

In May, June and July 2010, the Company sold to one accredited investor an aggregate of \$175,000 in one year 8% notes which are convertible at the Company's option into common stock at \$0.012 per share.

On May 12, 2010, the Company issued to stock options, exercisable at \$0.025 per share until May 12, 2015, subject to vesting at the rate of 20% on the grant date, 40% on May 12, 2011, and 40% on May 12, 2011, to the following officers and directors: Anthony Havens, 6,672,500 options; Kristian Srb, 2,465,000 options; Richard Trotter, 4,016,250 options; Jeffrey Bean, 956,000 options; Anthony Adler, 3,995,000 options; and Sandra Ahman, 3,145,000 options.

In August 2010, the Company sold to five accredited investors, \$42,000 principal amount of 12%, sixty day notes, and agreed to issue a total of 420,000 shares of the Company's restricted common stock, valued at \$8,400, as inducement for the loans. In case of default, the interest rate on the loans is increased to 22% and the number of inducement shares doubles.

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010 AND 2009

NOTE O - SUBSEQUENT EVENTS (continued)

In June 2010, an investor purchased from one of our note holders a past due 6% \$25,000 promissory note dated January 7, 2008 and paid that note holder the accrued interest on the note. The Company agreed to exchange that purchased note for a \$25,000, 0% convertible note due June 1, 2011. In case of default, interest will accrue at the rate of 18% from the issue date of the original note. The note is convertible at any time at the holder's option into shares of the Company's common stock at the lower of \$0.06 or sixty percent of the average of the three lowest closing prices of the Company's common stock for the twenty consecutive trading days prior to the date upon which the note holder elects to convert part or all of the note.

In June 2010, an investor purchased from two of our note holders four past due 10% bridge notes issued in January 2009, July 2009 and August 2008 with a combined principal balance of \$55,000, and paid the note holders the accrued interest of \$26,947.87 on the notes. The Company agreed to exchange the purchased notes for four new convertible notes due June 18, 2011 in the principal amounts of \$37,156.05, \$6,712.91, \$13,425.81 and \$24,653.17. The convertible notes provide for interest at the rate of 8% commencing as of June 18, 2010. In case of default, the interest rate on the notes will increase to 24%. The notes are convertible at any time at the holder's option into shares of the Company's common stock at seventy percent of the of the three lowest closing prices of the Company's common stock for the three consecutive trading days prior to the date upon which the note holder elects to convert part or all of the note.

In May 2010, the Company formed a new subsidiary, Specialty Reports, Inc., a Nevada corporation, and in May 2010 a 24% equity interest in Specialty Reports was issued in consideration of substantially all of the assets of Cyclechex, LLC, a Florida limited liability company.

NOTE P - GOING CONCERN MATTERS

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying consolidated financial statements during the period October 1, 2001 (date of inception) through April 30, 2010, the Company incurred a cumulative loss of \$31,385,400. Approximately 50% of these losses were non-cash. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The Company's existence is dependent upon management's ability to develop profitable operations. Management is devoting substantially all of its efforts to developing its business and raising capital and there can be no assurance that the Company's efforts will be successful. While, the planned principal operations have commenced, no assurance can be given that management's actions will result in profitable operations or the resolution of its liquidity problems. The accompanying statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

In order to improve the Company's liquidity, the Company's management is actively pursuing additional equity financing through discussions with investment bankers and private investors. There can be no assurance the Company will be successful in its effort to secure additional equity financing.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period ended April 30, 2010. Based upon such evaluation, our Chief Executive Officer and Principal Financial Officer have concluded that, as of such date, our disclosure controls and procedures are effective in providing reasonable assurance that the information required to be disclosed in this report has been recorded, processed, summarized and reported, on a timely basis, as of the end of the period covered by this report, and that our disclosure controls and procedures are also effective to ensure that information required to be disclosed in the reports we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management, with the participation of our Chief Executive Officer and Principal Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 30, 2010. In its evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of April 30, 2010. This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we engaged our independent registered public accounting firm to perform, an audit on our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended April 30, 2010 to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

ITEM 9B. OTHER INFORMATION

In May 2010, the Company formed a new subsidiary, Specialty Reports, Inc., a Nevada corporation, and in May 2010 a 24% equity interest in Specialty Reports was issued in consideration of substantially all of the assets of Cyclechex, LLC, a Florida limited liability company.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATION GOVERNANCE

Our Management

The following table sets forth our executive officers and directors and their respective ages and positions as of August 1, 2010.

Name	Age	Position
Anthony L. Havens	56	Chief Executive Officer, President, and Chairman
Kristian Srb	55	Director
Jeffrey Bean	57	Director
Anthony W. Adler	70	Executive Vice President and Principal Financial Officer
Richard P. Trotter	67	Chief Operating Officer
Sandra L. Ahman	47	Vice President, Secretary and Director

Management Profiles

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

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

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

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

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

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

Board of Directors Information and Corporate Governance

There are no family relationships among our executive officers or directors. None of our directors or officers serves or has served during the past five years as a director of another reporting company or a registered investment company. Based solely in reliance on representations made by our officers and directors, during the past ten years, none of the following occurred with respect to such persons: no petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such persons, or any partnership in which he or she was a general partner or any corporation or business association of which he or she was an executive officer at or within two years before the time of such filing; no such persons were convicted in a criminal proceeding or are a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses); no such persons were the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of any competent jurisdiction, permanently or temporarily enjoining, or of any federal or state authority barring, suspending or otherwise limiting, their involvement in any type of business practice, or in securities or banking or other financial institution activities; and no such persons were found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or by the Commodity Futures Trading Commission to have violated any federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Our directors are elected annually to serve for one year and hold office until the next annual meeting of the stockholders and until their successors are elected and qualified. Our Board of Directors may increase the size of the Board of Directors. Any director who fills a position created by the Board of Directors serves until the next annual meeting of the stockholders. Our officers are elected by the Board of Directors at the first meeting after each annual meeting of our stockholders, and hold office until their death, resignation or removal from office. In seeking candidates for directors, our Board may use their business, professional and personal contacts, accept the recommendations from other Board members, stockholders or management. Candidates recommended by security holders are considered. Current members of the Board are considered for re-election. The process for evaluating candidates and the manner of evaluation is the same regardless of the category of person recommending the proposed candidate. The Board considers business experience, mix of skills and other criteria and qualities appropriate for Board membership, including: intelligence, high personal and professional ethics, values, integrity and sound judgment; education; business and professional skills and experience; familiarity with our business and the industry in general; independence from management; ability to devote sufficient time to Board business; commitment to regularly attend and participate in meetings of our Board and its committees; and concern for the long-term interests of the stockholders. While such factors important in evaluating candidates, we do not impose any specific, minimum qualifications for director nominees.

Our Board of Directors does not currently maintain a separately-designated standing audit, nominating, or compensation committee, or other similar committee, of the Board of Directors, and we do not have audit, nominating, or compensation committee, or other similar charter. Functions customarily performed by such committees are performed by our Board as a whole as our operations have been limited and we have had a small

number of officers and a small number of directors since inception. We are not required to maintain such committees under the applicable rules of the OTC Bulletin Board. None of our directors qualify as an "audit committee financial expert." As all of our Board members are officers or nominees of a substantial stockholder who may not be deemed independent, we have not established separate Board committees.

The Board of Directors has not adopted a specific process with respect to security holder communications, but security holders wishing to communicate with the Board of Directors may do so by mailing such communications to the Board of Directors at our offices.

Code of Ethics

We have not yet adopted a "code of ethics", as defined by the SEC, which applies to our Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller and persons performing similar functions. We have not previously adopted a code of ethics as our operations have been limited and we have had a small number of employees since inception. We expect to adopt a code of ethics during our present fiscal year.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Sparta's executive officers, directors, and persons who beneficially own more than ten percent of Sparta's common stock to file with the Securities and Exchange Commission initial reports of beneficial ownership and reports of changes in beneficial ownership of Sparta's common stock. Such persons are also required by Securities and Exchange Commission regulations to furnish Sparta with copies of all such Section 16(a) forms filed by such person. Based solely on a review of the copies of such reports furnished to Sparta in connection with the fiscal year ended April 30, 2010, Sparta is not aware of any material delinquencies in the filing of such reports, except as follows: Mr. Srb filed a Form 4 on November 5, 2009 reporting the purchase of 25,000 shares on August 25, 2007; and Mr. Bean filed a Form 4 on March 5, 2010 reporting the purchases of 100 shares on April 23, 2009, and a Form 4 on March 5, 2010 reporting the purchase of 20,000 shares on March 2, 2010.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation

The table below sets forth information concerning the compensation we paid to our Chief Executive Officer and our next two most highly compensated executive officers who served during our fiscal year ended April 30, 2010 ("Named Executive Officers").

Name and Principal Position	Year	Salary (\$)(a)	Bonus (\$)	Stock Awards (\$)(b)(c)	Option Awards (\$)(b)(d)	All Other Compensation (\$)(e)	Total (\$)
Anthony L. Havens Chief Executive Officer	2010	280,000	0	0	0	0	280,000
	2009	280,000	0	0	0	10,639	290,639
Anthony W. Adler Executive Vice President and Principal Financial Officer	2010	185,000	0	0	141,280	0	326,280
	2009	185,000	0	0	141,280	0	326,280
Richard P. Trotter Chief Operating Officer	2010	200,000	0	0	0	0	200,000
	2009	200,000	0	20,000	49,420	0	269,420

(a) For Mr. Adler, includes accrued; unpaid net salary of \$80,627 and \$19,539 in salary foregone in exchange of 1,302,600 shares of common stock in fiscal 2010. For Mr. Trotter, includes accrued; unpaid net salary of \$116,419

and \$8,763 in salary foregone in exchange of 578,179 shares of common stock in fiscal 2010.

- (b) Represents the stock-based compensation recognized in accordance with ASC 718. Stock-based awards are valued at the fair value on the grant date using a Black-Scholes model. Assumptions made in the valuation of stock-based awards are discussed in Note N to the consolidated financial statements
- (c) For Mr. Trotter, refers to the value of 12,500 shares of common stock, granted pursuant to an employment agreement dated November 1, 2004, that vested in each of the reported fiscal years.

(d) For Mr. Adler, refers to the value of 1,200,000 stock options, granted pursuant to an option agreement dated September 22, 2006, that vested in each of the reported fiscal years. The options are exercisable at \$0.1914 per share until September 21, 2011.

For Mr. Trotter, refers to the value of 175,000 stock options, granted pursuant to an option agreement dated April 29, 2005, that vested in fiscal 2009. The options are exercisable at \$0.605 per share until April 29, 2014.

(e) This column reports the total amount of perquisites and other benefits provided, if such total amount exceed \$10,000. In fiscal 2009, for Mr. Havens, this includes \$10,639 for garage rental.

In general, compensation payable to a Named Executive Officer consists of a base salary, and in cases of persons other than our CEO, a stock or stock option award. During our 2010 fiscal year, we had in effect written employment agreements with the Named Executive Officers. Our compensation system has generally not been tied to performance based conditions other than the passage of time.

Employment Agreement with CEO

We entered into an employment agreement, dated as of July 12, 2004, with Anthony L. Havens who serves as our Chief Executive Officer. The agreement was for an initial term of five years, and provided for automatic extensions for one five-year period and for additional one-year periods, unless written notice is given three months prior to the expiration of any such term that the term will not be extended. The agreement was automatically extended for five years in July 2009. His base salary is at an annual rate of \$280,000. He is entitled to defer a portion of his base salary each year. He is entitled to annual increases in his base salary and other compensation as may be determined by the Board of Directors. He is entitled to a \$1,000,000 term insurance policy. He is entitled to six weeks of paid vacation per year, health insurance, short term and long term disability insurance, retirement benefits, fringe benefits, and other employee benefits on the same basis as is generally made available to other senior executives. He is entitled to reimbursement of reasonable business expenses incurred by him in accordance with company policies. If terminated, he is entitled to three months of severance for up to six months of service for each year of employment, plus full participation in all standard employee benefits during the period of severance payments. The employment agreement provides for termination for cause. If he resigns for good reason or is terminated without cause within twelve months after a change in control, he is entitled to receive an additional lump sum payment equal to the greater of the severance payment or the balance of his base salary for the remaining employment term, continued coverage under any welfare benefits plans for two years, and full vesting of any account balance under a 401(k) plan. For purposes of the employment agreement, a change in control refers to:

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

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

Employment Agreement with EVP

We entered into an employment agreement, effective September 22, 2006, with Anthony W. Adler, to serve as our Executive Vice President and interim Principal Financial Officer for a term of three years. The agreement expired in

September 2009, and the Company and the executive have agreed to negotiate a new employment agreement. Under the employment agreement, Mr. Adler's base salary was at the annual rate of \$185,000.

Employment Agreement with COO

We entered into an employment agreement, effective November 1, 2004, with Richard P. Trotter, to serve as our Chief Operating Officer for an initial term of one year. Pursuant to its terms, the employment term was automatically extended for subsequent periods, and expired in November 2009. The Company and the executive have agreed to negotiate a new employment agreement. Under the employment agreement, Mr. Trotter's base salary was at the annual of \$200,000.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning outstanding equity awards held by the Name Executive Officers as at April 30, 2010.

Name	Option Awards				Stock Awards	
	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)
Anthony W. Adler (1)	4,000,000	-	0.1914	9/21/2011	-	-
Richard P. Trotter (2)	175,000	-	0.605	4/29/2011	-	-
Richard P. Trotter (2)	175,000	-	0.605	4/29/2012	-	-
Richard P. Trotter (2)	175,000	-	0.605	4/29/2013	-	-
Richard P. Trotter (2)	175,000	-	0.605	4/29/2014	-	-

(1) Granted pursuant to an option agreement dated September 22, 2006. The options are exercisable for a period of five years from the vesting date at \$0.1914 per share.

(2) Granted pursuant to an option agreement dated April 29, 2005.

Compensation of Directors

No compensation was paid to non-employee directors in fiscal year 2010.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes our equity compensation plan information as of April 30, 2010.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan
Equity compensation plans approved by securities holders	300,000	\$ 0.10	8,200,000
Equity compensation plans not approved by security holders	11,463,370	\$ 0.16	0
Total	11,763,370	\$ 0.16	8,200,000

(a) Includes 100,000 vested shares, pursuant to a restricted stock grant, which have not yet been issued. There is no exercise price associated with the restricted stock grant.

(b) Calculation excludes shares subject to restricted stock grants.

Plans in the Shareholder Approved Category

In July 2004, we adopted our 2005 Stock Incentive Compensation Plan. The plan authorizes our Board of Directors to grant securities, including stock options, to employees, directors and others, in the aggregate amount of 8,500,000 shares of common stock. Securities issued under the plan may be stock awards, non-qualified options, incentive stock options, or any combination of the foregoing. In general, stock options granted under the plan have a maximum duration of ten years from the date of the grant and are not transferable. The per share exercise price of any incentive stock option granted under the plan may not be less than the fair market value of the common stock on the date of grant. Incentive stock options granted to persons who have voting control over ten percent or more of our capital stock are granted at 110% of fair market value of the underlying common stock on the date of grant and expire five years after the date of grant. No options may be granted after July 1, 2014. During the year ended April 30, 2010, no options were granted or exercised, and 350,000 unexercised options were cancelled. As of April 30, 2010, options to purchase 300,000 shares of common stock were outstanding under the plan.

Plans Not in the Shareholder Approved Category

On November 1, 2004, pursuant to an employment agreement with Richard P. Trotter, our Chief Operating Officer, we granted an award of 125,000 shares of our common stock, subject to vesting and subject to continued employment. As of April 30, 2010, Mr. Trotter was vested with 125,000 shares, of which only 25,000 shares have been issued to date.

On April 29, 2005, pursuant to an option agreement with Richard Trotter, our Chief Operating Officer, we issued stock options to purchase up to 875,000 shares of our common stock. The stock options are exercisable for five years from the vesting date at \$0.605 per share. Options to purchase 175,000 shares vested on April 29, 2005 and expired on April 29, 2010. Additional options to purchase 175,000 shares vested on each of April 29, 2006, 2007, 2008 and

2009.

In connection with the private placement during the year ended April 30, 2006, we granted 1,755,537 common stock purchase warrants to the placement agent, exercisable for five years at \$0.215 per share.

On September 22, 2006, pursuant to an option agreement with Anthony W. Adler, our Executive Vice President, we issued stock options to purchase up to 4,000,000 shares of a common stock, exercisable at \$0.1914 per share until September 22, 2011.

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On October 23, 2006, pursuant to an option agreement with Jeffrey Bean, one of our directors, we issued stock options to purchase up to 500,000 shares of common stock, exercisable at \$0.12 per share until October 23, 2011.

In July 2007, we entered into a three month consulting agreement with a consulting firm pursuant to which we issued five year warrants to purchase 1,000,000 shares of common stock exercisable at \$0.05 per share.

In September 2007, we issued, pursuant to a consulting agreement, five year warrants to purchase 400,000 shares of common stock exercisable at \$0.05 per share.

In October 2007, we entered into a consulting agreement for financial advisory services with an individual pursuant to which we issued five year warrants to purchase 375,000 shares of common stock exercisable at \$0.05 per share.

On January 31, 2008, we issued to a consultant pursuant to a placement agency agreement five year warrants to purchase 1,632,833 shares of common stock exercisable at \$0.0438 per share.

On May 20, 2008, we entered into a consulting agreement for financial advisory services with a firm pursuant to which we issued five year warrants to purchase 250,000 shares of common stock exercisable at \$0.011 per share.

On February 27, 2009, we issued to two consultants five year warrants to purchase an aggregate of 200,000 shares of common stock at \$0.05 per share.

On November 20, 2009, we entered into a consulting agreement for financial advisory services with a firm pursuant to which we issued three year warrants to purchase 500,000 shares of common stock exercisable at \$0.066 per share.

Common Stock Ownership

The table below sets forth information regarding the beneficial ownership of our common stock as of April 30, 2010 by: each of our directors; each of our executive officers; all of our executive officers and directors as a group; and each person known by us to be the beneficial owner of more than 5% of our common stock.

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

Name (a)	Number of Shares Beneficially Owned	Percentage of Class Beneficially Owned
Anthony L. Havens (1)	30,933,250	7.8
Kristian Srb (2)	33,983,250	8.3
Jeffrey Bean (3)	546,100	*
Anthony W. Adler (4)	8,403,333	2.1
Richard P. Trotter (5)	4,158,333	1.0
Sandra L. Ahman	580,865	*
Glenn Little (6)	38,710,963	9.7
All current directors and named officers as a group (6 in all)	77,893,431	19.3

*

Represents less than 1%

- (a) Unless indicated otherwise, the address for each person named in the table is c/o Sparta Commercial Services, Inc., 462 Seventh Ave, 20th Floor, New York, NY 10018.
- (1) Mr. Havens' minor son owns approximately 500,000 shares of common stock in a trust account. Mr. Havens is not the trustee for his son's trust account, and does not have the sole or shared power to vote or direct the vote of such shares. Mr. Havens disclaims beneficial ownership of such shares held in his son's trust account.

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- (2) Includes 62,500 shares of common stock held by Mr. Srb's minor daughter, for which Mr. Srb may be deemed to have beneficial ownership of such shares.
- (3) Includes 500,000 vested stock options, exercisable at \$0.12 per share until October 23, 2011.
- (4) Includes 4,000,000 vested stock options, exercisable at 0.1914 per share until September 22, 2011, and 3,333,333 shares held by The Anthony W. Adler Irrevocable Trust, dated October 1, 2008.
- (5) Includes 125,000 vested shares, of which only 25,000 of such vested shares have been issued to date, 700,000 vested stock options, exercisable at \$0.605 per share and expiring at the rate of 175,000 on each of April 29, 2011, 2012, 2013, and 2014, and 3,333,333 shares held by The Richard and Kay Trotter Trust Established March 18, 2008.
- (6) His address is 211 West Wall Street, Midland, Texas 79701.

Changes in Control

We do not have any arrangements that may result in a change in control.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

During the fiscal years ended April 30, 2010 and 2009, we received non-interest bearing demand loans in the aggregate amount of \$31,320, of which \$17,320 was repaid, and \$136,000, respectively from Kristian Srb, one of our directors. As of April 30, 2010, we owed Mr. Srb \$370,000.

On October 31, 2008, the Company purchased certain loans secured by a portfolio of all American Motorcycle Leasing Corp's motorcycle leases for a total purchase price of \$100,000. At April 30, 2009 and 2010, included in accounts receivable, are \$10,169 and \$169 respectively, due from American Motorcycle Leasing Corp. From time to time, we have engaged in certain transactions with American Motorcycle Leasing Corp. A director of the Company serves on American Motorcycle Leasing Corp.'s board of directors. The Company's Chief Executive Officer was formerly a control person of American Motorcycle Leasing Corp. Certain of our officers, directors, and employees have worked for American Motorcycle Leasing Corp. and may continue to do so on a limited basis for the near future, and have had equity interests in American Motorcycle Leasing Corp. While our business plans differ from those of American Motorcycle Leasing Corp., we operate in the same industry as American Motorcycle Leasing Corp. and issues could arise with respect to the taking of corporate opportunities of each other. Any competition with American Motorcycle Leasing Corp. could adversely affect our business, operating results and financial condition. Accordingly, we may be subject to legal proceedings and claims, including claims of alleged infringement of the intellectual property, competition, conflict of interest, and other business governance related claims. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

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

Director Independence

None of our directors, other than Kristian Srb and Jeffrey Bean, is deemed an independent director. For purposes of determining independence, we are applying the independence standards of the NASDAQ Stock Market LLC.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

Fees for audit services provided by RBSM LLP, our principal independent registered public accounting firm, during the fiscal years ended April 30, 2010 and 2009 were \$126,810 and \$139,832, respectively. Audit fees consist of the aggregate fees billed for the audits of our annual financial statements, the reviews of our quarterly financial statements, and services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit-Related Fees

Fees for audit-related services provided by our principal independent registered public accounting firm during the fiscal years ended April 30, 2010 and 2009 were \$0. Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements outside of those fees disclosed above under the caption Audit Fees.

Tax Fees

Fees for tax services provided by our principal independent registered public accounting firm during the fiscal years ended April 30, 2010 and 2009 were \$0. Tax fees consist of fees billed for tax compliance, tax advice, and tax planning.

All Other Fees

There were no other fees billed for services our principal independent registered public accounting firm for the fiscal years ended April 30, 2010 and 2009.

Pre-Approval Policies and Procedures

Our Board of Directors has a policy that requires pre-approval of all audit, audit-related, tax services, and other services, including non-audit services, performed by our independent registered public accounting firm. All services performed by our principal independent registered public accounting firm, and all fees paid, in our fiscal years ended April 30, 2010 and 2009 were pre-approved. The Board of Directors is responsible for matters typically performed by an audit committee. We do not presently have a separate audit committee of the Board of Directors. The Board of Directors considered whether, and determined that, the auditor's provision of audit and non-audit services was compatible with maintaining the auditor's independence.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) List of documents filed as a part of this report:

(1) Index to Consolidated Financial Statements

Report of Registered Independent Certified Public Accounting Firm

Balance Sheets as of April 30, 2010 and 2009

Statements of Losses for the years ended April 30, 2010 and 2009

Statement of Deficiency in Stockholders' Equity for the years ended April 30, 2010 and 2009

Statements of Cash Flows for the years ended April 30, 2010 and 2009

Notes to Financial Statements

(2) Index to Financial Statement Schedules

Not required.

(3) Index to Exhibits

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Exhibit Number	Description of Exhibit
3(i)(1)	Articles of Incorporation of Tomahawk Oil and Minerals, Inc. (Incorporated by reference to Exhibit 3(i) (1) of Form 10-KSB filed on August 13, 2004)
3(i)(2)	Certificate of Amendment of Articles of Incorporation, November 1983 (Incorporated by reference to Exhibit 3(i) (2) of Form 10-KSB filed on August 13, 2004)
3(i)(3)	Certificate of Amendment of Articles of Incorporation for name change, August 2004 (Incorporated by reference to Exhibit 3(i) of Form 8-K filed on August 27, 2004)
3(i)(4)	Certificate of Amendment of Articles of Incorporation for increase in authorized capital, September 2004 (Incorporated by reference to Exhibit 3(i) of Form 8-K filed on September 17, 2004)
3(i)(5)	Certificate of Amendment of Articles of Incorporation for decrease in authorized capital, December 2004 (Incorporated by reference to Exhibit 3(i) of Form 8-K filed on December 23, 2004)
3(i)(6)	Certificate of Designation for Series A Redeemable Preferred Stock, December 2004 (Incorporated by reference to Exhibit 3(i) of Form 8-K filed on January 4, 2005)
3(i)(7)	Certificate of Designation for Series B Preferred Stock (Incorporated by reference to Exhibit B to Preferred Stock Purchase Agreement, dated as of July 29, 2009 (see Exhibit 10.21 below)
3(i)(8)	Certificate of Amendment of Articles of Incorporation for increase in authorized capital, September 21, 2009 (Incorporated by reference to Exhibit 3(i)(8) of Form S-1 filed on October 2, 2009)
3(i)(9)	Certificate of Designations of Series C Convertible Preferred Stock (Incorporated by reference to Exhibit 5.03(i) of Form 8-K filed on November 19, 2009)
3(ii)(1)	By-laws (Incorporated by reference to Exhibit 3(ii) (1) of Form 10-KSB filed on August 13, 2004)
3(ii)(2)	By-laws Resolution (Incorporated by reference to Exhibit 3(ii) (2) of Form 10-KSB filed on August 13, 2004)
3(ii)(3)	Board of Directors Resolutions amending By-laws (Incorporated by reference to Exhibit 3(ii) of Form 10-QSB filed on December 15, 2004)
10.1	Service Agreement with American Motorcycle Leasing Corp. (Incorporated by reference to Exhibit 10.1 of Form 10KSB filed on August 13, 2004)
10.2	License Agreement with American Motorcycle Leasing Corp. (Incorporated by reference to Exhibit 10.1 of Form 10KSB filed on August 13, 2004)
10.3	Amended License Agreement with American Motorcycle Leasing Corp. (Incorporated by reference to Exhibit 10.1 of Form 10KSB filed on August 13, 2004)
10.4	Lease for office facilities (Incorporated by reference to Exhibit 10 of Form 10-QSB filed on December 15, 2004)
10.5+	Form of Employment Agreement with Anthony Havens (Incorporated by reference to Exhibit 10.4 of Form 10-KSB filed on August 13, 2004)
10.6+	Employment Agreement with Richard Trotter (Incorporated by reference to Exhibit 10 of Form 8-K filed on October 29, 2004)
10.7+	Option Agreement with Richard Trotter (Incorporated by reference to Exhibit 10.1 of Form 8-K filed on May 5, 2005)
10.8+	Employment Agreement with Anthony W. Adler (Incorporated by reference to Exhibit 10.1 of Form 8-K filed on October 2, 2006)
10.9+	Stock Option Agreement with Jeffrey Bean, dated October 23, 2006 (Incorporated by reference to Exhibit 10.1 of Form 8-K filed on October 24, 2006)
10.10+	2005 Stock Incentive Compensation Plan (Incorporated by reference to Exhibit 4 of Form 10-KSB filed on August 13, 2004)
10.11	2009 Consultant Stock Plan (Incorporated by reference to Exhibit 99.1 of Form S-8 filed on May 12, 2009)
10.12	Master Loan and Security Agreement - Motor Vehicles (Incorporated by reference to Exhibit 10.1 of Form 8-K filed on July 28, 2005)

- 10.13 Master Loan and Security Agreement (Installment Sale Contract) (Incorporated by reference to Exhibit 10.2 of Form 8-K filed on July 28, 2005)
- 10.14 Form of Loan Agreement, December 2005 (Incorporated by reference to Exhibit 10.1 of Form 10-QSB filed on March 22, 2006)
- 10.15 Form of Promissory Note (Incorporated by reference to Exhibit 10.3 of Form 10-QSB filed on December 18, 2006)
- 10.16 Form of Promissory Note (Incorporated by reference to Exhibit 10.4 of Form 10-QSB filed on December 18, 2006)
- 10.17 Form of Convertible Debenture (Incorporated by reference to Exhibit 10.1 of Form 10-QSB filed on December 21, 2007)
- 10.18 Revolving Credit Agreement dated December 19, 2008 (Incorporated by reference to Exhibit 10.1 of Form 8-K filed on March 23, 2009)
- 10.19 Preferred Stock Purchase Agreement, dated as of July 29, 2009, by and among Sparta Commercial Services, Inc. and Optimus Capital Partners, LLC (Incorporated by reference to Exhibit 10.1 of Form 8-K filed on July 30, 2009)
- 11 Statement re: computation of per share earnings is hereby incorporated by reference to Part II, Item 8 of this report
- 31.1* Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
- 31.2* Certification of Principal Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
- 32.1* Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
- 32.2* Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350

* Filed herewith.

+ Represents executive compensation plan or agreement

SIGNATURES

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

SPARTA COMMERCIAL SERVICES, INC.

By: /s/ Anthony L. Havens
Anthony L. Havens
Chief Executive Officer

Date: August 13, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Company Name

By: /s/ Anthony L. Havens
Anthony L. Havens
Chief Executive Officer, President
and Chairman of the Board

Date: August 13, 2010

By: /s/ Anthony W. Adler
Anthony W. Adler
Executive Vice President, and
Interim Principal Financial Officer

Date: August 13, 2010

By: /s/ Sandra L. Ahman
Sandra L. Ahman
Vice President and Director

Date: August 13, 2010

By: /s/ Kristian Srb
Kristian Srb
Director

Date: August 13, 2010

By: /s/ Jeffrey Bean
Jeffrey Bean
Director

Date: August 13, 2010

