SPARTA COMMERCIAL SERVICES, INC.
Form 10-Q/A
April 26, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A

(Mark One)

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

For the quarterly period ended January 31, 2011

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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	30-0298178
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

462 Seventh Ave, 20th Floor, New York, NY 10018
(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

As of March 18, 2011, we had 471,564,509 shares of common stock issued and outstanding.

SPARTA COMMERCIAL SERVICES, INC.

FORM 10-Q/A
FOR THE QUARTER ENDED JANUARY 31, 2011

INTRODUCTORY NOTE

This report on Form 10-Q/A (the "Amendment") revises our Quarterly Report on Form 10-Q for the quarter ended January 31, 2011 to discuss impact of ASU 2010-20, Receivables (Topic 310) in the Note D to the financial statements and to add a description of ASU 2010-20, Receivables (Topic 310) , to the Recent Accounting Pronouncements section of the notes to the financial statements.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	January 31, 2011 (Unaudited)	April 30, 2010
ASSETS		
Cash and cash equivalents	$26,856	$11,994
RISC loan receivables, net of reserve of $96,517 and $132,000, respectively (NOTE D)	1,106,378	1,761,474
Motorcycles and other vehicles under operating leases net of accumulated depreciation of $231,322 and $219,492 respectively, and loss reserve of $14,889 and $15,865, respectively (NOTE B)	269,494	305,265
Interest receivable	23,014	26,772
Purchased Portfolio (NOTE G)	26,004	33,559
Accounts receivable	127,625	98,322
Inventory (NOTE C)	6,443	14,622
Property and equipment, net of accumulated depreciation and amortization of $173,483 and $163,824, respectively (NOTE E)	17,764	27,423
Prepaid Expenses	147,296	0
Good will	10,000	
Restricted cash	73,624	146,333
Other Assets	-	3,628
Deposits	48,967	48,967
Total assets	$1,883,465	$2,478,358
LIABILITIES AND DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	$1,023,285	$794,811
Senior Secured Notes Payable (NOTE F)	1,220,584	2,010,989
Notes Payable Net of Beneficial Conversion Feature of $60,902 and 0, respectively (NOTE G)	1,337,354	864,399
Loans payable-related parties (NOTE H)	386,760	383,760
Other liabilities	70,217	20,513
Derivative Liabilities	454,612	0
Deferred revenue	3,600	7,650
Total liabilities	4,496,411	4,082,121
Deficit:		
Preferred stock, $.001 par value; 10,000,000 shares authorized of which 35,850 shares have been designated as Series A convertible preferred stock, with a stated value of $100 per share, 125 and 125 shares issued and outstanding, respectively	12,500	12,500
	1	1

Preferred Stock B, 1,000 shares have been designated as Series B redeemable preferred stock, $0.001 par value, with a liquidation and redemption value of $10,000 per share, 157 and 157 shares issued and outstanding, respectively		
Preferred Stock C, 200,000 shares have been designated as Series C redeemable, convertible preferred, $0.001 par value, with a liquidation and redemption value of $10 per share, 0 and 42,000 shares issued and outstanding, respectively	-	42
Common stock, $.001 par value; 750,000,000 shares authorized, 465,250,800 and 392,782,210 shares issued and outstanding, respectively	465,251	392,782
Common stock to be issued, 40,495,585 and 23,967,965, respectively	40,496	23,967
Preferred Stock B to be issued, 5.4 and 0 shares, respectively	-	-
Subsidiary Common and Preferred Stock to be issued	1,067	-
Additional paid-in-capital	32,743,810	31,470,653
Subscriptions Receivable	(2,118,309)	(2,118,309)
Accumulated deficit	(34,028,971)	(31,385,400)
Total deficiency in stockholders' equity	(2,884,155)	(1,603,763)
Noncontrolling interest	271,208	
Total Deficit	(2,612,947)	(1,603,763)
Total Liabilities and Deficit	$1,883,465	$2,478,358

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

SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF LOSSES
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2011 AND 2010
(UNAUDITED)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2011	2010	2011	2010
Revenue				
Rental Income, Leases	27,775	$36,017	$85,784	$135,327
Interest Income, Loans	51,310	100,511	190,797	355,269
Other	30,080	24,557	129,566	75,839
	109,165	161,086	406,147	566,435
Operating expenses:				
General and administrative	684,528	681,129	2,048,283	2,114,152
Depreciation and amortization	17,105	112,407	54,329	350,906
Total operating expenses	701,633	793,536	2,102,612	2,465,058
Loss from operations	(592,468)	(632,450)	(1,696,465)	(1,898,623)
Other expense:				
Interest expense and financing cost, net	88,021	124,536	263,279	584,113
Non-cash financing costs	35,087	100,319	140,863	372,428
Change in Derivative Liability	18,130	-	379,235	-
Total Finance Related Expenses	141,237	224,855	783,377	956,541
Net loss	(733,705)	(857,306)	(2,479,842)	(2,855,164)
Net loss attributed to noncontrolling interest	12,252	-	76,859	0
Preferred dividend	(86,481)	(22,876)	(240,588)	(42,738)
Net loss attributed to common stockholders	$(807,934)	$(880,182)	$(2,643,570)	$(2,897,902)
Basic and diluted loss per share	$(0.00)	$(0.00)	$(0.01)	$0.01
Basic and diluted loss per share attributed to common stockholders	$(0.00)	$(0.00)	$(0.01)	$0.01
Weighted average shares outstanding	451,985,519	346,435,384	424,970,082	279,717,310

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

SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED JANUARY 31, 2011

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Common Stock to be issued		Subscription
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Receivable
Balance, April 30, 2010	125	12,500	157	1	42,000	42	392,782,210	392,782	23,966,965	23,967	(2,118,309)
Preferred Dividend											
Beneficial conversion discount											
Reclassification of warrant liability											
Sale of Stock							22,453,512	22,452	11,483,710	11,484	
Shares issued for financing cost							4,469,000	4,469	645,000	645	
Shares issued for conversion of notes & interest							20,854,776	20,855	4,649,905	4,649	
Stock Compensation							15,960,000	15,960	(250,000)	(250)	
Shares issued for accounts payable							1,402,356	1,402			
Conversion of Series C Preferred Stock					(42,000)	(42)	7,328,820	7,328			
Employee options expense											
Subsidiary's preferred series A issued for cash											
Subsidiary's preferred series B issued for cash											
Subsidiary's common stock issued for purchase of Cyclechex, LLC											

Subsidiary's common stock to be issued											
Net Loss											
Balance January 31, 2011	125	12,500	157	25	-	-	465,250,800	465,250	40,495,580	40,495	(2,118,309)

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

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SPARTA COMMERCIAL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 2011 AND 2010
(UNAUDITED)

	Nine Months Ended October 31 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(2,479,842)	$(2,897,901)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	54,329	107,356
Allowance for loss reserves	(36,459)	(97,576)
Change in warrant liability	(142,697)	-
Change in equity of subsidiary	262,275	-
Beneficial Conversion Discount	54,097	-
Equity based compensation	80,308	349,156
Stock based finance cost	375,288	224,713
Non cash derivative liability cost	454,612	-
Loss allocable to non-controlling interest	76,859	-
Shares issued upon conversion of C Preferred	(42)	-
(Increase) decrease in operating assets and liabilities:	-	-
Inventory	8,179	(142,319)
Interest receivable	3,758	17,370
Accounts receivable	(29,303)	(76,709)
Prepaid expenses and other assets	3,628	-
Restricted cash	72,709	149,290
Portfolio	7,555	34,618
Increase (decrease) in:	-	-
Deferred revenue/expenses	(151,345)	-
Accounts payable and accrued expenses	278,179	247,044
Net cash used in operating activities	(1,107,912)	(2,084,958)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net liquidation of leased vehicles	(7,922)	223,270
Net Liquidation of RISC contracts	690,578	1,285,020
Net cash provided by investing activities	682,656	1,508,290
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	973,985	120,000
Proceeds from sale of preferred stock	-	1,320,000
Payments to senior lender	(790,405)	(1,277,264)
Proceeds from convertible notes	253,540	443,800
Proceeds from other notes	3,000	-
Proceeds from related parties	-	14,000
Net cash provided by financing activities	440,120	620,536
Net Increase (decrease) in cash	$14,863	$43,868
Unrestricted cash and cash equivalents, beginning of period	$11,994	(54,350)

Unrestricted cash and cash equivalents , end of period	$26,857	$(10,482)
Cash paid for:		
Interest	$164,371	$283,393
Income taxes	$1,961	$4,817

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

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SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2011
(UNAUDITED)

NOTE A – SUMMARY OF ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of January 31, 2011 and for the three and nine month periods ended January 31, 2011 and 2010 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission, including Form 10-Q and Regulation S-K. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. The Company believes that the disclosures provided are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited financial statements and explanatory notes for the year ended April 30, 2010 as disclosed in the Company's Form 10-K for that year as filed with the Securities and Exchange Commission.

On December 10, 2008, the Company formed Sparta Funding, LLC ("Sparta Funding"), a Delaware limited liability company, for which the Company is the sole member. Sparta Funding was formed as a special purpose company to borrow funds, but was never utilized. Sparta Funding was dissolved in November 2010. In May 2010, the Company formed Specialty Reports, Inc, a Nevada Corporation ("SRI"), for the purpose of acquiring all of the assets of Cyclechex, LLC, a Florida limited liability company ("Cyclechex"). Cyclechex's sole business was an e-commerce business which acquired the relevant motorcycle data and sold the data in the form of motorcycle history reports over the internet to consumers and dealers. As part of the transaction, the Company agreed to issue 24% of SRI common stock to the sole owner of Cyclechex.

The results of operations for the three and nine months ended January 31, 2011 are not necessarily indicative of the results to be expected for any other interim period or the full year ending April 30, 2011.

New Accounting Requirements and Disclosures

Accounting Standards Codification and GAAP Hierarchy — Effective for interim and annual periods ending after September 15, 2009, the Accounting Standards Codification and related disclosure requirements issued by the FASB became the single official source of authoritative, nongovernmental GAAP. The ASC simplifies GAAP, without change, by consolidating the numerous, predecessor accounting standards and requirements into logically organized topics. All other literature not included in the ASC is non-authoritative. We adopted the ASC as of October 31, 2009, which did not have any impact on our results of operations, financial condition or cash flows as it does not represent new accounting literature or requirements. All references to pre-codified U.S. GAAP have been removed from this Form 10Q.

Estimates

The preparation of the 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.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2011
(UNAUDITED)

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 (principal amount of the contract plus the calculated earned income over the life of the contract), and the 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.

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.

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.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2011
(UNAUDITED)

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 or the three months or nine months ended January 31, 2011.

Fair Value Measurements

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

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

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

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

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

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2011
(UNAUDITED)

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 January 31, 2011 and April 30, 2010, the Company has no items of other comprehensive income.

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 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.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2011
(UNAUDITED)

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.

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 nine months ended January 31, 2011 and the year ended April 30, 2010, the Company incurred $328 and $4,070 in advertising costs, 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.

SPARTA COMMERCIAL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2011
(UNAUDITED)

Per share basic and diluted net loss attributable to common stockholders amounted to $0.00 and $0.00 for the three months ended January 31, 2011 and 2010, respectively, and $0.00 and $0.01 for the nine months ended January 31, 2011 and 2010, respectively. At January 31, 2011 and 2010, 157,815,866 and 61,737,102 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 $2,643,570 and $4,238,353 during the nine months ended January 31, 2011 and the year ended April 30, 2010, respectively. The Company had a negative net worth of $2,612,947 at January 31, 2011.

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 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.

In July 2010, the FASB issued Accounting Standards Update ASU 2010-20, Receivables (Topic 310) – Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which required more information about credit quality. The ASU introduces the term “financing receivables”, which includes loans, trade accounts receivable, notes receivable, credit cards, leveraged leases, direct financing leases, and sales-type leases. The term does not include receivables measured at fair value or the lower of cost of fair value and debt securities among others. It also defines two levels of disaggregation for disclosure: portfolio segment and class of financing receivables.

A portfolio segment is defined as the level at which an entity determines its allowance for credit losses. A class of financing receivable is defined as a group of finance receivables determined on the basis of their initial measurement attribute (i.e., amortized cost of purchased credit impaired), risk characteristics, and an entity's method for monitoring and assessing credit risk. The ASU requires an entity to provide additional disclosures including, but not limited to, a roll forward schedule of the allowance for credit losses (with the ending allowance balance further disaggregated based on impairment methodology) and the related ending balance of the finance receivable presented by portfolio segment, and the aging of past due financing receivables at the end of the period, the nature and extent of troubled debt restructurings that occurred during the period and their impact on the allowance for credit losses, the nature and extend of troubled debt restructurings that occurred within the last year, that have defaulted in the current reporting period, and their impact on the allowance for credit losses, the nonaccrual status of financing receivables, and impaired financing receivables, presented by class. The extensive new disclosures of information as of the end of a reporting period will become effective for both interim and annual reporting periods ending after December 15, 2010 for public companies. Specific items regarding activity that occurred before the issuance of the ASU, such as the allowance roll forward and modification disclosures will be required for periods beginning after December 15, 2010 for public companies. We adopted this pronouncement as disclosed in Note D.

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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 January 31, 2011 and April 30, 2010 consist of the following:

	January 31, 2011	April 30, 2010
Motorcycles and other vehicles	$515,705	$540,623
Less: accumulated depreciation	(231,322)	(219,492)
Motorcycles and other vehicles, net of accumulated depreciation	284,383	321,131
Less: estimated reserve for residual values	(14,889)	(15,865)
Motorcycles and other vehicles under operating leases, net	$269,494	$305,265

Depreciation expense for vehicles for the three and nine months ended January 31, 2011 was $13,885 and $44,670, respectively. Depreciation expense for vehicles for the three and nine months ended January 31, 2010 was $19,489 and $69,358, respectively.

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 January 31, 2011, the Company's inventory of repossessed or returned vehicles valued at market was $6,443, which will be resold.

NOTE D – RETAIL (RISC) LOAN RECEIVABLES

RISC loan receivables, which are carried at cost, were $1,202,895 and $1,893,474 at January 31, 2011 and April 30, 2010, respectively, including deficiency receivables of $58,293 and $34,250, respectively. The following is a schedule by years of future principal payments related to these receivables. Certain of the assets are pledged as collateral for the note described in Note F.

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Year ending January 31,	
2012	$ 58,293
2013	626,735
2014	423,319
2015	94,548
	$ 1,202,895

We consider our portfolio of retail (RISC) loan receivables to be homogenous and consist of a single segment and class. Consequently we analyze credit performance primarily in the aggregate rather than stratification by any particular credit quality indicator.

We consider an RISC contract delinquent when an obligor fails to make a contractually due payment by the following due date, which date may have been extended within limits specified in the servicing agreements. The period of delinquency is based on the number of days payments are contractually past due. Automobile contracts less than 31 days delinquent are not included. The following table summarizes the delinquency status of finance receivables as of January 31, 2011 and April 30, 2010:

	January 31, 2011	April 30, 2010 Audited
Delinquency Status		
Current	$ 997,684	$ 1,693,698
31-60 days past due	79,784	98,831
61-90 days past due	54,112	63,305
91-120 days past due	13,022	3,389
	1,144,602	1,859,223
Paying deficiency receivables*	58,293	34,250
	$ 1,202,895	$ 1,893,473

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

RISC receivables totaling $40,855 and $33,426 at January 31, 2011 and April 30, 2010, respectively, have been placed on non-accrual status because of their bankruptcy status.

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The following table presents a summary of the activity for the allowance for credit losses, for the nine months and year ended January 31, 2011 and April 30, 2010, respectively:

	Nine Months Ended January 31, 2011	Year Ended April 30, 2010 Audited
Balance at beginning of year	$ 132,000	$ 235,249
Provision for credit losses	-	91,500
Charge-offs	(35,483)	(194,749)
Recoveries*	-	-
Balance at end of period	$ 96,517	$ 132,000

* Recoveries are credited to deficiency receivables

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

	Nine Months Ended January 31, 2011	Year Ended April 30, 2010 Audited
Gross balance of repossessions in inventory	$ 31,926	$ 51,749
Allowance for losses on repossessed inventory	(25,483)	(37,127)
Net repossessed inventory	$ 6,443	$ 14,622

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NOTE E – PROPERTY AND EQUIPMENT

Major classes of property and equipment at January 31, 2011 and April 30, 2010 consist of the followings:

	January31, 2011	April 30, 2010
Computer equipment, software and furniture	$191,247	$191,247
Less: accumulated depreciation and amortization	(173,483)	(163,824)
Net property and equipment	$17,764	$27,423

Depreciation and amortization expense for property and equipment was $3,220 and $9,659 for the three months and nine months ended January 31, 2011, respectively, and $17,919 for the year ended April 30, 2010. Depreciation and amortization expense for the three and nine months ended January 31, 2010 were $3,889 and $14,460, respectively.

NOTE F – PURCHASED PORTFOLIO AND SECURED SENIOR NOTE

(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 January 31, 2011 is 10.48%.

(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 and agreed to pay the remaining $20,000 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 lender. 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 lender.

The Company is obligated to pay any remainder of the Senior Secured Note by November 1, 2009 and has granted the lender a security interest in the Purchased Portfolio. The due date of the note has been extended to May 1, 2011. Once the Company has paid $150,000 to the lender 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 lender mutually agree the Purchase Portfolio has no remaining proceeds.

As of January 31, 2011, the Company carries the Purchased Portfolio at $26,004 representing its $100,000 cost, which is less than its estimated market value, less collections through the period. On January 31, 2011, the note holder converted $50,000 principal amount of the note into 4,545,455 shares of the Company's common stock which shares were classified as to be issued at January 31, 2011.The Company carries the liability for the Senior Secured Note at $41,736, which is net of note reductions.

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At January 31, 2011, the notes payable mature as follows:

12 Months Ended January 31,	Amount
2012	$ 78,337
2013	654,134
2014	401,183
2015	86,930
	$ 1,220,584

Notes payable to Senior Secured lender at April 30, 2010 were $2,010,989.

NOTE G – NOTES PAYABLE

Notes Payable	January 31, 2011	April 30, 2010
Convertible notes (a)	$815,525	$280,000
Notes payable (b)	60,000	100,000
Bridge loans (c)	206,000	161,000
Collateralized note (d)	220,000	220,000
Convertible note (e)	103,399	103,399
Sub Total	$1,404,924	$864,399
Less Beneficial Conversion Discount	(67,570)	-
Total	$1,337,354	$864,399

(a) As of January 31, 2011, the Company had outstanding convertible unsecured notes with an aggregate principal amount of $815,525, 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 $0.01 to $0.021 per share.

During the nine months ended January 31, 2011, the Company sold to an accredited investor four notes for a total of $135,000, $25,000 of which plus $50,000, which the investor had purchased in the prior fiscal year, the investor converted into 7,564,618 shares of the Company's common stock. The remaining three of the notes, in the amounts of $25,000, $40,000 and $45,000 are convertible at the note holder's option at a variable conversion price such that during the period during which the notes are outstanding, with one note convertible at 58% multiplied by the average of the three lowest closing bid prices for the common stock during the ten trading day period ending one trading day prior to the submission date of the conversion notice by the note holder to the Company (the "Discount Conversion Rate"), and the other note convertible at the lower of (i) $0.02 per share or (ii) the Discount Conversion Rate; provided, however, that, the conversion rate is subject to adjustment upon a merger, consolidation or other similar event, and, if the Company issues or sells any shares of common stock for no consideration or for a consideration per share that is less than the conversion price of the note, or issues or grants convertible securities (including warrants, rights, and options but not including employee stock option plans), with an conversion price that is less than the conversion price of the note, then the conversion price of the note will immediately be reduced to the consideration per share received in such stock issuance or the conversion price of the convertible securities issuance. The Company has reserved up to 50,930,756 shares of its common stock for conversion pursuant to the terms of the three notes. In the event the notes are not paid when due, the interest rate is increased to twenty-two percent until the note is paid in full.

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Another 10% note in the amount of $10,000 is convertible at $0.012 per share at the holder's option.

During the nine months ended January 31, 2011, the Company sold to an accredited investor fifteen, one-year, unsecured notes in the aggregate amount of $537,350, of which $42,500 was repaid, The notes bare 8% simple interest, payable in cash or shares, at the Company's option, with principal and accrued interest payable at maturity. At the Company's option, the notes are convertible into shares of common stock ranging from $0.01 to $0.018 per share. Additionally during this period, this investor converted $75,000 of notes payable into four million shares of the Company's common stock, and the investor sold $75,000 principal amount of notes to a third party who exchanged the notes with the Company for three new one-year non-interest paying notes in the aggregate amount of $79,355.89.

The three, one-year, zero interest, notes in the initial principal amount of $79,355.89 are convertible at the holder's option into shares of the company's common stock as a conversion price equal to the lesser of: (a) $0.06 per share or (b) 60% of the average of the three lowest closing prices for the 20 consecutive trading days prior to the date on which the holder elects to convert all or part of the note. Notwithstanding the forgoing, the conversion price shall be no lower than $0.005. In the event the notes are not paid when due, the interest rate is increased to eighteen percent until the note is paid in full. During the nine month period ended January 31, 2011, the note holder converted $39,260 principal amount of notes into 5,100,473 shares of the Company's common stock.

During the nine months ended January 31, 2011, three note holders holding $80,000 in notes (all of which had been classified as notes payable (b) at April 30, 2010) sold their notes and the accrued interest thereon to two accredited investors, and simultaneously, the Company then exchanged one "old" $25,000 note for a $25,000 new 0% one-year note convertible at the holder's option into common stock at the lesser of $0.06 per share or sixty percent of the average of the three lowest closing prices of the Company's common stock for the twenty successive trading days immediately preceding the day the holder elects to convert all or part of the note. In the event the note is not paid when due, the interest rate is increased to eighteen percent until the note is paid in full. The note holder converted this note into 1,915,226 shares of the Company's common stock during the nine month period. Additionally, the Company exchanged with the other investor three "old" notes aggregating $55,000 for four new one-year 8% notes aggregating $81,947.94. The notes are convertible at the holder's option at a conversion price equal to 70% of the lowest closing bid price of the Company's common stock for the three trading days prior to the day on which the Company receives a Notice of Conversion. In the event the note is not paid when due, the interest rate is increased to twenty-four percent until the note is paid in full. During the nine month period ended January 31, 2011, the note holder converted $38,868 principal amount of notes into 3,167,034 shares of the Company's common stock.

During the nine months ended January 31, 2011, the Company sold to two accredited investors each, a one-year, $25,000, 10% convertible note. The notes are subject to a repayment schedule such that the principal amount of the notes shall be repaid monthly, on the fifth business day of the month commencing December 2010, from the lease commission income received by the Company from Vion Operations LLC in the prior month. The amount of such monthly repayment shall be the greater of: (i) ten (10%) of the lease commission income received by the Company from Vion Operations LLC in the prior month, or (ii) the amount in a schedule to the note. The notes are secured by a lien on the Company's receivables from Vion. Upon the occurrence of an event of default, the interest rate on the unpaid principal balance shall be increased to an annual rate of twenty (20%) percent. The note holders, at their option, may convert the principal plus accrued interest thereon at conversion price of $0.0163 per share. During the nine month period ended January 31, 2011, each of the note holders has been repaid $1,250 pursuant to the terms of the notes.

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(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 (see a above). The remaining $20,000 note is current but is accruing interest at a default rate of 15% and is also accruing penalty shares at the rate of 20,000 shares per month and this note has been reclassified as a Bridge loan (see c). During the nine months ended January 31, 2011, the Company sold to seven accredited investors a total of $95,000 two month loans bearing interest at 12% and issued a total of 850,000 shares of restricted common stock valued at $22,500 as inducements for the loans. All of the loans have been extended to May 1, 2011. The Company will issue an additional 850,000 shares of restricted common stock for such extensions. In December 2010, two of the note holders converted a total of $35,000 principal amount of notes into 7 shares of the Series B preferred stock of the Company's subsidiary, Specialty Reports, Inc., and converted the interest on the notes into 104,450 shares of the Company's common stock.

(c) During the year ended April 30, 2007, the Company sold to five accredited investors 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 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. In July 2010, the Company sold to an accredited investor a one week 10%, $25,000 note and issued 25,000 shares of its restricted common stock as inducement for the note. The note is convertible at the holder's option into shares of common stock at $0.005 per share. In the event the note is not paid when due, the interest rate is increased to twenty percent until the note is paid in full and the Company is required to issue 50,000 shares of common stock per month until the note is paid in full. During the quarter ending July 31, 2010 one $20,000 note (which was classified as Notes Payable (see b above) has been reclassified as a Bridge Loan) 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. All of these notes have been extended to May 1, 2011.

(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, 2011 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.

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(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. This note has been extended to May 1, 2011.

NOTE H – LOANS PAYABLE TO RELATED PARTIES

As of January 31, 2011, aggregated loans payable, without demand and with no interest, to officers and directors were $386,760. At January 31, 2011 and April 30, 2010, included in accounts receivable, are $10,190 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.

NOTE I – EQUITY TRANSACTIONS

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 January 31, 2011 and April 30, 2010, respectively. The Company had 157 and 157 shares of Series B preferred stock issued and outstanding as of January 31, 2011 and April 30, 2010, respectively. The Company had no and 42,000 shares of Series C preferred stock issued and outstanding as of January 31, 2011 and April 30, 2010, respectively. The Company has 465,250,588 and 392,782,320 shares of common stock issued and outstanding as of January 31, 2011 and April 30, 2010, respectively.

Preferred Stock, Series A

During the quarter ended January 31, 2011, there were no transactions in Series A Preferred, however, at January 31, 2011, there were $4,354 of accrued dividends payable on the Series A Preferred, compared to the accrual of $3,781 at April 30, 2010. At the Company’s option, these dividends may be paid in shares of the Company’s Common Stock.

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Preferred Stock, Series B

During the quarter ended January 31, 2011, there were no transactions in Series B Preferred Stock, however, at January 31, 2011, there were $215,134 of accrued dividends payable on the Series B Preferred, payable in Series B stock, compared to the accrual of $96, 415 at April 30, 2010.

Preferred Stock Series C

During the quarter ended January 31, 2011, all of the outstanding shares of Series C Preferred were converted into 7,328,820 shares of the Company's Common Stock.

Common Stock

During the nine months ended January 31, 2011 and the nine months ended January 31, 2010, the Company expensed $140,863 and $372,428, respectively, for non-cash charges related to stock and option compensation expense.

During the nine months ended January 31, 2011, the Company:

- issued 20,959,208 shares of its common stock upon the conversion of $191,473 of notes and interest payable, 104,450 of the shares were classified as to be issued,
- issued 7,735,419 shares of common stock which had been accrued in the prior fiscal year, and 4,665,760 shares which had been accrued in the second quarter of this fiscal year,
- sold and issued 1,815,000 shares of common stock for $25,000 and issued three year warrants to purchase 1,815,000 shares of common stock at $0.07 per share,
- sold 28,313,333 shares of common stock for $288,880, 12,000,000 of the shares were classified as to be issued at January 31, 2011,
- issued, pursuant to notes and penalty provisions of notes, 19,510,000 shares of unregistered common stock, valued at $126,938. 4,022,000 of the shares were classified as shares to be issued at January 31, 2010,
- issued to members of its Advisory Council and pursuant to three consulting agreements a total of 12,400,000 shares of its common stock valued at $178,200, 1,000,000 ($18,000) of the shares had been accrued in the prior year,
- issued, pursuant to prior agreements with two creditors, 1,402,356 shares of common stock,
- 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,
- issued to five employees under the Company's 2005 Stock Incentive Compensation Plan options to purchase a total of 2,450,000 shares of common stock at $0.022 per share until December 1, 2018, subject to vesting at the rate of 40% on the grant date, 20% on December 1, 2011, 20% on December 1, 2012 and 20% on December 1, 2013,
- issued, pursuant to agreements, to four consultants 13,210,000 shares of restricted common stock valued at $233,280, 750,000 of the shares were classified as shares to be issued at October 31, 2010, and
- issued 4,545,455 shares of common stock upon conversion of $50,000 principal amount of a $91,736 note which shares were classified as to be issued at January 31, 2011.

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During the nine months ended January 31, 2011:

- 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, and
- the Company's majority owned subsidiary, Specialty Reports, Inc., sold 39.4 shares of its Series A Preferred stock to twelve accredited investors for $197,000. The Series A Preferred stock does not pay a dividend. Each share has a liquidating value of $5,000 and is redeemable by Specialty Reports at any time after one year. Each share is convertible at the holder's option at any time into either 2,632 shares of Specialty Reports, Inc common stock, or 277,778 shares of Sparta Commercial Services common stock, and, Specialty Reports, Inc. sold 28 shares of its Series B Preferred stock to seven accredited investors for $140,000. The Series B Preferred stock does not pay a dividend. Each share has a liquidating value of $5,000 and is redeemable by Specialty Reports at any time after one year. Each share is convertible at the holder's option at any time into either 2,222 shares of Specialty Reports, Inc common stock, or 200,000 shares of Sparta Commercial Services common stock.

NOTE J – NONCONTROLLING INTEREST

In May 2010, the Company formed Specialty Reports, Inc, a Nevada Corporation ("SRI"), for the purpose of acquiring all of the assets of Cyclechex, LLC, a Florida limited liability company. Cyclechex, LLC's sole business was an e-commerce business which acquired the relevant motorcycle data and sold the data in the form of Cyclechex Motorcycle History Reports© over the internet to consumers and dealers. As part of the transaction, the Company issued 24% of SRI common stock, valued at $10,000, to the sole owner of Cyclechex, LLC.

During the nine months ended January 31, 2011, SRI sold 39.4 shares of its Series A Preferred stock to twelve accredited investors for $197,000. The Series A Preferred stock does not pay a dividend. Each share has a liquidating value of $5,000 and is redeemable by Specialty Reports at any time after one year. Each share is convertible at the holder's option at any time into either 2,632 shares of Specialty Reports, Inc common stock, or 277,778 shares of Sparta Commercial Services common stock, and, SRI sold 28 shares of its Series B Preferred stock to five accredited investors for $140,000. The Series B Preferred stock does not pay a dividend. Each share has a liquidating value of $5,000 and is redeemable by SRI at any time after one year. Each share is convertible at the holder's option at any time into either 2,222 shares of SRI common stock, or 200,000 shares of Sparta Commercial Services common stock.

For the nine months ended January 31, 2011, the noncontrolling interest is summarized as follows:

	Amount
Balance at May 1, 2010	$-
Issuance of Series A Preferred Stock	197,000
Issuance of Series B Preferred Stock	140,000
Issuance of SRI Common stock for purchase of Cyclechex, LLC	10,000
Noncontrolling interest's share of losses	(76,859)
Preferred and common shares to be issued	1,067
Balance at January 31, 2011	$271,208

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NOTE K – FAIR VALUE MEASUREMENTS

The Company follows the guidance established pursuant to ASC 820 which established a framework for measuring fair value and expands disclosure about fair value measurements. ASC 820 defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes the following three levels of inputs that may be used:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The table below summarizes the fair values of our financial liabilities as of January 31, 2011:

	Fair Value at January 31, 2011	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Derivative liability	$ 454,612	-	-	$454,612
	$ 454,612	-	-	$454,612

The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial liabilities (derivative liabilities) for the three months ended January 31, 2011:

	2011
Balance at April 30, 2010	$-
Additions to derivative instruments	148,687
Change in fair value of warrant liability	305,925
Balance at January 31, 2011	$454,612

The following is a description of the valuation methodologies used for these items:

Derivative liability — these instruments consist of certain variable conversion features related to notes payable obligations and certain outstanding warrants. These instruments were valued using pricing models which incorporate the Company's stock price, volatility, U.S. risk free rate, dividend rate and estimated life.

The Company did not identify any other non-recurring assets and liabilities that are required to be presented in the balance sheets at fair value in accordance with ASC Topic 825.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE L – SUBSEQUENT EVENTS

In February and March 2011, the Company:

- issued 250,000 shares of restricted common stock, valued at $4,750, in consideration for the extension of the due date of a note,
- issued 3,100,000 shares of restricted common stock, valued at $37,850, pursuant to consulting agreements,
- issued 980,392 shares of common stock upon the conversion of $10,000 principal amount of one of the Company's 8% notes,
- issued 1,304,348 shares of common stock upon the conversion of $15,000 principal amount of one of the Company's 8% notes and 86,957 shares of common stock upon the conversion of $1,000 of interest payable,
- issued 592,000 shares of restricted common stock, valued at $10,330, to three note holders pursuant to provisions of their notes,
- sold to one accredited investor a total of 10,850,000 shares of restricted common stock for $108,500,
- borrowed $50,000 in the form of a one-year, 8% note, convertible at the Company's option at $0.012 per share, and
- borrowed $35,000 in the form of a one-year, 8% note, convertible at the holder's option at Variable Conversion Price equal to 58% multiplied by the average of the three lowest closing bid prices for the Common Stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the date the shares are converted.

In February 2011, the Company's subsidiary, Specialty Reports, Inc, sold 2 shares of its Series B Convertible Preferred stock to an accredited investor for $10,000.

NOTE M – GOING CONCERN MATTERS

The accompanying unaudited condensed 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, unaudited, condensed financial statements during the period January 1, 2001 (date of inception) through January 31, 2011, the Company incurred loss of $34,028,969. Of these losses, $2,643,570 was incurred in the nine months ending January 31, 2011 and $2,897,902 in the nine months ending January 31, 2010. 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. However, there can be 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 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion of our financial condition and results of operations should be read in conjunction with (1) our interim unaudited financial statements and their explanatory notes included as part of this quarterly report, and (2) our annual audited financial statements and explanatory notes for the year ended April 30, 2010 as disclosed in our annual report on Form 10-K for that year as filed with the SEC.

"Forward-Looking" Information

This report on Form 10-Q 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 expected growth. The words "believe," "expect," "anticipate," "estimate," "project," 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.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended January 31, 2011 to the Three Months Ended January 31, 2010

For the three months ended January 31, 2011 and 2010, we have generated limited sales revenues, have incurred significant expenses, and have sustained significant losses.

Revenues

Revenues totaled $109,951 during the three months ended January 31, 2011 as compared to $161,086 during the three months ended January 31, 2010. Current period revenue was comprised of $27,775 in lease revenue, $51,310 in interest income from RISC loans, and $30,866 in other income. Prior period revenue was comprised of $36,017 in lease revenue, $100,511 in interest income from RISC loans, and $24,557 in other income. This decline in revenues was due to the continued run-off of our RISC loan portfolio which declined $194,117 (14.9%) in the quarter while we had a nominal $5,570 (2.1%) increase in our lease portfolio. Prior period RISC portfolio run-off was $305,151 (13%) while the lease portfolio declined $127,831 (27%). This run-off of our portfolios will continue until we are able to obtain one or more new credit facilities with which to commence underwriting for own account.

Costs and Expenses

General and administrative expenses were $684,528 during the three months ended January 31, 2011, compared to $681,129 during the three months ended January 31, 2010, essentially unchanged. Expenses incurred during the current three month period consisted primarily of the following expenses: compensation and related costs, $286,891; accounting, audit and professional fees, $40,068; consulting fees, $48,863; rent, utilities and telecommunications expenses $114,964; travel and entertainment, $10,293; and stock based compensation, $118,923. Expenses incurred during the comparative three month period in 2010 consisted primarily of the following expenses: compensation and related costs, $336,995; accounting, audit and professional fees, $48,338; consulting fees, $53,497; rent, utilities and telecommunication expenses $113,411; travel and entertainment, $11,106; and stock based compensation, $41,401.

Net Loss

We incurred a net loss before preferred dividends of $733,705 for our three months ended January 31, 2011 as compared to $857,306 for the corresponding interim period in 2010, a $123,601 or 14.4% decrease. The decrease in our net loss before preferred dividends for our three month interim period ended January 31, 2011 was attributable primarily to a $51,135 or 31.7% decrease in revenue which was partially offset by a $91,903 or 11.6% decrease in operating expenses and a $83,618 or 37.2% decrease in interest expense and financing costs. This loss was partially off-set by the $12,252 loss attributed to non-controlling interest.

The Company's policy is to repossess any loans or leases which are 90 days past due and to write off accounts which are over 120 days past due. At January 31, 2011, the Company's delinquent accounts 60 days or more past due were 9.8% of the outstanding balance as compared to 1.69% at January 31, 2010 and 3.02% at April 30, 2010. This trend in increasing delinquencies reflects both the continued run-off of the portfolios and the general economic climate.

During the quarter ended January 31, 2011, the Company charged off $48,312 of accounts over 120 days representing a loss of 0.78% of the average outstanding combined lease and loan portfolios for the period. For the three months ended January 31, 2010 the equivalent charge offs were $93,117 or 0.85% of the average outstanding combined lease and loan portfolios for the period. While comparable period charge-offs declined slightly on a percentage basis, the current period increase in delinquencies over 60 days indicate that charge-offs may increase in subsequent periods. The Company maintains loss reserves of 8% and 5% for our RISC loan and lease portfolios, respectively, which we believe are adequate.

We also incurred non-cash preferred dividend expense of $86,481 for our three month period ended January 31, 2011, with a dividend expense of $22,876 in the corresponding interim period of 2010. The increase in preferred dividend expense was attributable to the under-accrual of series B Preferred stock during the prior quarters. To correct this, an additional accrual of $46,718 was debited during the quarter.

Our net loss attributable to common stockholders decreased to $807,934 for our three month period ended January 31, 2011 as compared to $880,182 for the corresponding period in 2010. The $72,248 or 8.2% decrease in net loss attributable to common stockholders for our three month period ended January 31, 2011 was due primarily to the 11.6% decrease in operating expenses and a $83,618 or 37.2% decrease in interest expense and financing costs.

Comparison of the Nine Months Ended January 31, 2011 to the Nine Months Ended January 31, 2010

For the nine months ended January 31, 2011 and 2010, we have generated limited sales revenues, have incurred significant expenses, and have sustained significant losses.

Revenues

Revenues totaled $406,147 during the nine months ended January 31, 2011 as compared to $566,436 during the nine months ended January 31, 2010. Current period revenue was comprised of $85,784 in lease revenue, $190,797 in interest income from RISC Loans and $129,566 of other income. Prior period revenue was comprised of $135,327 in lease revenue, $355,269 in interest income from RISC Loans and $75,839 in other income. This decline in revenues was due to the continued run-off of our RISC loan portfolio which declined $655,095 (37.2%) in the nine months while our lease portfolio declined $34,986 (11.5%) in the same period. Prior period RISC portfolio run-off was $1,202,476 (58.8%) while the lease portfolio declined $277,597 (44.6%). This run-off of our portfolios will continue until we are able to obtain one or more new credit facilities with which to commence underwriting for own account.

Costs and Expenses

General and administrative expenses were $2,048,283 during the nine months ended January 31, 2011, compared to $2,114,152 during the nine months ended January 31, 2010, a decrease of $65,869, or 3.12%. Expenses incurred during the current nine month period consisted primarily of the following expenses: compensation and related costs, $860,287; accounting, audit and professional fees, $190,724; consulting fees, $126,322; rent, utilities and telecommunication expenses $302,204; travel and entertainment, $32,327; and non-cash stock based compensation, $339,588. Expenses incurred during the comparative nine month period in 2010 consisted primarily of the following expenses: compensation and related costs, $978,275; accounting, audit and professional fees, $337,382; consulting fees, $120,322; rent, utilities and telecommunication expenses $314,252; travel and entertainment, $30,326; and non-cash stock based compensation, $186,685.

For the nine months ended January 31, 2011, we incurred a non-cash charge of $140,863 related to shares of common stock and warrants issued for financing cost and a non-cash charge of $379,235 for change in derivative liability. For the nine months ended January 31, 2010, we incurred a non-cash charge of $334,928 related to shares of common stock and warrants issued for financing cost and $37,500 for debt offer expense.

Net Loss

We incurred a net loss before preferred dividends of $2,479,842 for our nine months ended January 31, 2011 as compared to $2,855,164 for the corresponding interim period in 2010. The $375,322 or 13.15% decrease in our net loss before preferred dividends for our nine month interim period ended January 31, 2011 was attributable to: a $160,288, 28.3%, decrease in revenue; a $65,869, 3.12% decrease in general and administrative expenses; a $296,577, 84.52% decrease in depreciation and amortization; a $320,834, 54.9% decrease in interest expense: a 231,565, 62.2% decrease in non-cash financing costs; and a 379,235 increase in derivative liability which category was not required in the comparable period in 2010. The net loss was partially off-set by $76,859 loss attributed to non-controlling interest which was not recognized in the similar period last year as it was not significant.

During the nine months ended January 31, 2011, the Company charged off $101,523 of accounts over 120 days representing a loss of 1.39% of the average outstanding combined lease and loan portfolios for the period. For the nine months ended January 31, 2010 the equivalent charge offs were $257,026 or 1.94% of the average outstanding combined lease and loan portfolios for the period. While comparable period charge-offs declined slightly on a percentage basis, the current period increase in delinquencies over 60 days indicate that charge-offs may increase in subsequent periods. The Company maintains loss reserves of 8% and 5% for our RISC loan and lease portfolios, respectively, which we believe are adequate.

We also incurred non-cash preferred dividend expense of $240,588 for our nine month period ended January 31, 2011 as compared with a non-cash expense of $42,738 in the corresponding interim period of 2010. The increase in preferred dividend expense was attributable to the $121,310 under accrual of preferred dividend during the same period last year which was recognized in the current nine month period.

Our net loss attributable to common stockholders decreased to $2,643,570 for our nine month period ended January 31, 2011 as compared to $2,897,902 for the corresponding period in 2010. The $254,322 decrease in net loss attributable to common stockholders for our nine month period ended January 31, 2011 was due to the decrease in net loss and the increase in preferred dividends.

LIQUIDITY AND CAPITAL RESOURCES

As of January 31, 2011, we had a negative net worth of $2,612,947. We generated a deficit in cash flow from operations of $1,107,912 for the nine months ended January 31, 2011. This deficit is primarily attributable to our net loss from operations of $2,479,842, partially offset by depreciation and amortization of $54,329, other non-cash charges totaling $1,047,424, loss allocable to non-controlling interest of $76,859, and to changes in the balances of current assets and liabilities. Accounts payable and accrued expenses increased by $278,179, receivables decreased $25,545, inventory decreased $8,179, portfolio assets declined by $7,555, and deferred revenue and expenses decreased by $151,345.

Cash flows provided by investing activities for the nine months ended January 31, 2011 was $682,656 primarily due to the net proceeds of RISC contracts of $690,578 and payments for motorcycle and vehicle leases of $7,922.

We met our cash requirements during the nine month period through net proceeds from the sale of common and preferred equity in the amount of $973,985, and convertible notes of $253,540. We made payments on senior secured debt financing of $790,405. Additionally, we have received limited revenues from leasing and financing motorcycles and other vehicles, fees from our municipal lease program, and from our subsidiary, Specialty Reports, Inc., and our Preferred Provider Program.

We do not anticipate incurring significant research and development expenditures, and we do not anticipate the sale or acquisition of any significant property, plant or equipment, during the next twelve months. At January 31, 2011 we had 10 full time employees. If we are able to 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 obtaining sources of financing originating loans and leases and generating revenues there from. 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.

We continue seeking additional financing, which may be in the form of senior debt, subordinated debt or equity. There is no guarantee that we will be successful in raising the funds required to support our operations. We estimate that we will need approximately $2,000,000 in addition to our normal operating cash flow to conduct operations during the next twelve months. In September 2010 we entered into an initial $5 million motorcycle lease purchase facility with a subsidiary of a major fund. We are presently in negotiations with this fund to initiate an automobile lease purchase facility. Based on the above, on capital received from equity financing to date, 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.

GOING CONCERN ISSUES

The independent auditors report on our April 30, 2010 and 2009 financial statements included in the Company's Annual Report states that the Company's historical losses and the lack of revenues raise substantial doubts about the Company's ability to continue as a going concern, due to the losses incurred and its lack of significant operations. If we are unable to develop our business, we 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.

In order to improve the Company's liquidity, the Company's management is actively pursuing additional financing through discussions with investment bankers, financial institutions and private investors. There can be no assurance the Company will be successful in its effort to secure additional 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 debt or equity investments in our Company; short term interim debt financing: and private placements of debt and equity securities with accredited investors.

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

INFLATION

The impact of inflation on the costs of the Company, and the ability to pass on cost increases to its customers over time is dependent upon market conditions. The Company is not aware of any inflationary pressures that have had any significant impact on the Company's operations over the past quarter, and the Company does not anticipate that inflationary factors will have a significant impact on future operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not maintain off-balance sheet arrangements nor does it participate in non-exchange traded contracts requiring fair value accounting treatment.

TRENDS, RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

See Note A to the unaudited condensed consolidated financial statements for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on our consolidated financial statements, which is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and our 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 covered by this report. Based on that evaluation, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

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. Through our third quarter ended January 31, 2011, we have generated cumulative sales revenues of $4,416,781, have incurred significant expenses, and have sustained significant losses. Our net loss for the nine months ended January 31, 2011 was $2,643,570 (after $760,686 in non-cash charges and dividends). As of January 31, 2011, we had a deficit net worth of $2,612,947.

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. This line had been terminated.

In July 2005, we entered into a secured senior credit facility with New World Lease Funding for a revolving line of credit. New World received a security interest in substantially all of our assets with seniority over the rights of the holders of our preferred stock and our common stock. Until the security interests are released, those assets will not be available to us to secure future indebtedness. Presently, New World is not extending new loans and is in liquidation. However, we are not in default of our agreement with them. As of January31, 2011, we owed New World an aggregate of $1,178,848 (which is secured by $1,488,063 of consumer Retail Installment Sales Contracts and Leases and $73,102 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.

We have an agreement for a master lease funding agreement.

In September 2010, we entered into a two year $5 million master lease funding agreement. Under this agreement we originate and underwrite motorcycle leases pursuant to the credit criteria of the lender and sell the leases to the lender for a fee. This type of agreement is known as a pass-through. The company is liable for ten percent of the lender’s losses on the leases sold to it up to $500,000. There can be no assurances that we can underwrite a sufficient number of leases to fully utilize the initial amount of the agreement, and if we do there can be no assurance that this lender will increase the amount of the agreement.

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 $2 million over the next twelve months to support our business plan. 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.

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

Cyclechex LLC was engaged in the business of selling, via the internet, information describing the title history of motorcycles. Since May 2011, we have devoted a substantial amount of the Company's resources to improving the amount and quality of the data offered, the Cyclechex web site, launched a new but similar product RV Checks, attracted affiliates to the web sites all with the aim to be defacto go to sites for motorcycle and RV data. To date, Specialty Reports, Inc has operated at a loss. There can be no assurance that we can achieve this goal or that even if we do, that these products will be profitable.

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 January 31, 2011, 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 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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. The Company applied proceeds from financing activities described below to working capital.

During the three months ended January 31, 2011, the Company sold to an accredited investor five one-year, unsecured notes in the aggregate amount of $162,500. The notes bare 8% simple interest, payable in cash or shares at the Company's option, with principal and accrued interest payable at maturity. At the Company's option, the notes are convertible into shares of common stock at $0.01 per share. One note in the amount of $42,500 was repaid in December 2010.

During the three months ended January 31, 2011, the Company sold to each of two accredited investors a $25,000, 10%, one-year convertible promissory notes. The notes are convertible at the option of the holder at $0.0163 per share. Additionally, the notes are subject to a mandatory monthly repayment schedule, and the note holders are secured by certain revenue receipts from the Company's subsidiary, Specialty Reports, Inc.

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During the three months ended January 31, 2011, the Company sold to one accredited investor two notes totaling $85,000 of nine month, 8% notes convertible at the holder's option into such number of shares of the Company's common stock as determined by a forty-two 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 standard anti-dilutive provisions. The Company has reserved up to 46,502,457 shares of its common stock in the event of conversion pursuant to the terms of the note. In the event the note is not paid when due, the interest rate is increased to twenty-two percent until the note is paid in full.

During the three months ended January 31, 2011, the Company sold to four accredited investors 20,250,000 shares of common stock for $202,500 of which 8,865,000 shares were classified as to be issued at January 31, 2011.

During the three months ended January 31, 2011, three note holders converted $69,679 of notes into 7,115,592 shares of common stock.

During the three months ended January 31, 2011, two note holders converted a total of $35,000 of notes into 7 shares of Series B Preferred stock of the Company's majority owned subsidiary, Specialty Reports, Inc., and converted the interest due on the notes into 104,450 shares of the Company's common stock which shares are classified as to be issued at January 31, 2011.

During the three months ended January 31, 2011, all of the outstanding shares of the Company's Series C Preferred stock were converted into 7,328,820 shares of common stock.

During the three months ended January 31, 2011, the Company issued, pursuant to two consulting agreements an aggregate of 3,560,000 shares of its common stock valued at $64,080.

During the three months ended January 31, 2011, the Company agreed to issue to two consultants 750,000 shares of its common stock, valued at $15,000, which shares are classified as to be issued at January 31, 2011.

During the three months ended January 31, 2011, the Company issued 850,000 shares to existing note holders in consideration of the extension of the maturity dates of notes.

In January 2011, a note holder converted $50,000 principal amount of a $91,736 note into 4,545,455 shares of common stock which shares are classified as to be issued at January 31, 2011.

In February 2011, the Company issued 250,000 shares of restricted common stock, valued at $4,750, in consideration for the extension of the due date of a note issued in September 2010.

In February and March 2011, the Company issued 3,100,000 shares of restricted common stock, valued at $37,850, to consultants pursuant to consulting agreements dated June 1, 2010.

In February 2011, the Company issued 980,392 shares of common stock upon the conversion of $10,000 principal amount of one of the Company's 8% notes issued in July 2010. In March 2011, the Company issued 1,304,348 shares of common stock upon the conversion of $15,000 principal amount of one of the Company's 8% notes issued in July, 2011, and 86,957 shares of common stock upon the conversion of $1,000 of interest payable.

In February and March 2011, the Company issued a total of 592,000 shares of restricted common stock, valued at $10,330, to three note holders pursuant to late payments provisions of their notes entered into in prior fiscal years.

In February and March 2011, the Company sold to one accredited investor a total of 10,850,000 shares of restricted common stock for $108,500.

In February 2011, the Company borrowed $50,000 \ in the form of a, one-year, 8% note, convertible at the Company's option at $0.012 per share.

In March 2011, the Company borrowed $35,000 in the form of a one-year, 8% note, convertible at the holder's option at 58% multiplied by the average of the three lowest closing bid prices for the Company's 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.

In February 2011, the Company's subsidiary, Specialty Reports, Inc, sold 2 shares of its Series B Convertible Preferred Stock to an accredited investor for $10,000. Each Series B share is convertible at the holder's option at any time into either 2,222 shares of Specialty Reports, Inc. common stock, or 200,000 shares of Sparta Commercial Services common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. (REMOVED AND RESERVED)

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following exhibits are filed with this report:

Exhibit No.	Description
11	Statement re: computation of per share earnings is hereby incorporated by reference to "Financial Statements" of Part I - Financial Information, Item 1 - Financial Statements, contained in this Form 10-Q.
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

SIGNATURES

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

	SPARTA COMMERCIAL SERVICES, INC.	
Date: April 26, 2011	By:	/s/ Anthony L. Havens Anthony L. Havens Chief Executive Officer
Date: April 26, 2011	By:	/s/ Anthony W. Adler Anthony W. Adler Principal Financial Officer