

**SPARTA COMMERCIAL SERVICES, INC.**  
**Franchise Dealer Agreement**

Non-recourse except to General Representations, Warranties, Covenants of Dealer, and Initial Payment Default

As of \_\_\_\_\_, 2010, \_\_\_\_\_  
("Dealer"), with its principal business office at \_\_\_\_\_,  
and Sparta Commercial Services, Inc., a Nevada corporation ("SCS"), with its principal business office at 462  
Seventh Avenue, 20<sup>th</sup> Floor, New York, NY 10018, in consideration of the mutual agreements contained herein,  
agree as follows:

Section 1.1 Contracts. Dealer may from time to time forward to SCS for review a credit application received from prospective or actual purchasers ("Buyer") of a motor vehicle. Such review will be for the purpose of determining (i) whether SCS would purchase from Dealer a retail installment contract and security agreement, or other enforceable form of agreement accepted by SCS (in either case, a "Contract") relating to the purchase of a motor vehicle ("Vehicle") by Buyer from Dealer, and (ii) the terms on which SCS would purchase such Contract. The terms and conditions (these terms and conditions will change from time to time at SCS's sole discretion) under which SCS currently purchases Contracts and funds Leases are described in the Guidelines or like document, which are incorporated herein by this reference.

Section 1.2 Contract Specifications. Dealer shall not submit a Contract to SCS for purchase unless it meets each of the following specifications ("Contract Specifications"):

- (a) the Contract has not been rescinded and is a legal, valid, binding, enforceable, and undisputed obligation of the Buyer;
- (b) as of the date the Contract was initially executed and as of the date the Contract became a Purchased Contract, the Contract was in compliance in all respects, with all requirements of applicable federal, state, and local laws, and regulations thereunder, including applicable usury laws, the Federal Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Billing Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Federal Trade Commission Act, the Magnuson-Moss Warranty Act, Federal Reserve Board Regulations B, M, and Z, state adaptations of the National Consumer Act and of the Uniform Consumer Credit Code and any other applicable federal or state consumer credit or equal opportunity laws or regulations;
- (c) Dealer has transferred and assigned to SCS a first priority perfected security interest in the Vehicle;
- (d) all representations and warranties of Dealer set forth in this Agreement are true and correct as of the date the Contract became a Purchased Contract;
- (e) Buyer has paid and Dealer has received the cash down payment and/or trade-in described in the Contract;
- (f) the Vehicle was sold to Buyer in satisfactory operating condition with no defects known to Dealer and Buyer has taken delivery of the Vehicle;
- (g) all amounts indicated in the Contract to be paid by Dealer to any third party (that will not be paid by SCS on behalf of Dealer) will be paid prior to, or immediately after the Contract becomes a Purchased Contract;
- (h) the Contract has been originated with respect to a Vehicle that has been sold by Dealer to Buyer; and
- (i) the Contract is fully amortizing and payable in equal monthly installments.

Section 1.3 Terms and Conditions Regarding Purchase of Contract. Any purchase of a Contract by SCS shall be upon and subject to the following terms and conditions:

- (a) submission of a Contract to SCS constitutes a representation and warranty by Dealer that Contract fulfills all Contract Specifications set forth in Section 1.2;
- (b) SCS's issuance of a preliminary approval to Dealer shall not be deemed to be approval of a Contract for purchase hereunder. Acceptance of a Contract for purchase hereunder shall occur only at such time as SCS receives and approves the contents of the related Contract File. Upon the request of SCS, Dealer will furnish SCS with any additional powers of attorney and other documents that SCS deems necessary or appropriate to enable SCS to exercise its rights and duties with respect to each Purchased Contract;
- (c) SCS may, in its sole and absolute discretion, reject any Contract submitted for purchase hereunder for cause, here by defined as a incomplete set of documents or a contract and supporting required documents that do not meet Sparta's published credit rate and advance guidelines, at any time; and
- (d) SCS is hereby authorized and empowered to (i) endorse Dealer's name on any payments made payable to Dealer or on all certificates of title and other instruments evidencing legal ownership of a Vehicle, and (ii) execute and deliver, in dealer's name or in SCS's name, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to Purchased Contract.

**Section 1.4 Purchases of Contract.** Upon the underwriting and approval for purchase by SCS of a Contract offered by Dealer as provided in Section 1.3, SCS shall pay Dealer within 5 business days or its designee an amount that shall be agreed upon between Dealer and SCS prior to the applicable Purchase Date ("Purchase Price"). The Purchase Price shall constitute the full amount to be paid to Dealer to purchase the Contract. Upon payment of the Purchase Price to Dealer (i) the Contract shall become a Purchased Contract, and (ii) Dealer shall have sold to SCS all of Dealer's right, title, and interest in and to Purchased Contract (including, but not limited to, all payments on or collections with respect to Purchased Contract) and the related Vehicle (including, but not limited to, the security interest therein).five business days. Upon the purchase of Contract by SCS, Dealer shall no longer have any right, title or interest in the Contract or the related Vehicle.

**Section 1.5 Purchased Contract Payments Received by Dealer.** Dealer shall instruct the Buyer to remit all payments due under a Purchased Contract to SCS or its designee in accordance with instructions to be provided to Dealer by SCS. If any payments on a Contract are received by Dealer after the applicable Purchase Date, Dealer will forward such payments to SCS no later than the close of the following business day.

**Section 1.6 Physical Damage Insurance.** Dealer shall require that each Buyer with respect to a Purchased Contract obtain adequate insurance covering damage, destruction, and theft of the related Vehicle. The amount of insurance shall be the greater of (a) the minimum amount required by law, (b) the principal balance of the Purchased Contract, or (c) the amount stated in the Guidelines. The maximum deductible on such insurance contract shall not exceed \$500.00 per occurrence.

**Section 1.7 Security Interests in Vehicle.** Dealer will take such steps as are necessary to perfect the security interest in the Vehicle relating to the Purchased Contract in the name of SCS or its designee, including naming SCS or its designee as the first priority lienholder on the title to such Vehicle.

**Section 2.1.1 General Representations, Warranties, and Covenants of Dealer.** As of the date of this Agreement and as of the date each Contract is executed and as of the applicable Purchase Date, Dealer hereby represents, warrants, and covenants to SCS that:

- (a) Dealer is duly organized and is a validly existing corporation in good standing under the laws of the state of its formation, with full power and authority to own its properties and to conduct its business, has had at all relevant times the power, authority, and legal right to originate, acquire, and own such Contract, and is duly qualified to do business in the state in which such Contract was originated;
- (b) this Agreement has been duly authorized, executed, and delivered by Dealer and is a valid and binding agreement of Dealer, enforceable against Dealer in accordance with its terms, except to the extent that enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights generally, and (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity);
- (c) Dealer has complied with all federal, state, local, and foreign laws, ordinances, regulations and orders applicable to it, or the related Contract or Vehicle. There are no proceedings pending or, to Dealer's knowledge, threatened against Dealer, alleging the violation of any federal, state, local, or foreign law, ordinance, regulation, or order. All licenses, permits, orders, or approvals of any governmental or regulatory body which are required in connection with Dealer's business ("Permits") are in full force and effect, no violations are or have been recorded with respect to any Permits. There are no proceedings pending or threatened that may terminate, revoke, or limit any Permits;
- (d) the execution, delivery, and/or performance by Dealer of this Agreement does not violate any applicable law or breach any provision contained in Dealer's organizational documents or in any agreement, contract, instrument, or document to which Dealer is now a party or by which Dealer is bound;
- (e) Dealer has disclosed to SCS all facts relating to the Purchased Contract. No representation or warranty by Dealer to SCS in this Agreement, or in any statement, title, certificate, schedule, exhibit, or other document furnished or to be furnished to SCS by or on behalf of Dealer pursuant hereto or in connection with the transactions contemplated hereby is false or inaccurate in any respect or contains any untrue statement of a fact or omits or will omit to state any fact necessary to make the statements contained herein or therein not misleading. Dealer has disclosed to SCS in writing all information pertaining to Dealer and the Purchased Contract which would or could adversely affect SCS or its interests in the Purchased Contract; and
- (f) Dealer will from time to time, and at any time, upon request of SCS, do, execute, and deliver all such further acts or additional documents as may be reasonably requested by SCS to effect the transactions contemplated by this Agreement. In addition, Dealer agrees to perform its obligations under the Contract and to use its best efforts to resolve any disputes related to the Vehicle.

**Section 2.1.2 General Representations, Warranties, and Covenants of SCS.** As of the date of this Agreement and as of the date each Contract is executed and as of the applicable Purchase Date, SCS hereby represents, warrants, and covenants to Dealer that:

- (a) SCS is duly organized and is a validly existing corporation in good standing under the laws of the state of its formation, with full power and authority to own its properties and to conduct its business, has had at all relevant times the power, authority, and legal right to originate, acquire, and own such Contract, and is duly qualified to do business in the state in which such Contract was originated;

- (b) this Agreement has been duly authorized, executed, and delivered by SCS and is a valid and binding agreement of SCS, enforceable against SCS in accordance with its terms, except to the extent that enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights generally, and (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity);
- (c) SCS has complied with all federal, state, local, and foreign laws, ordinances, regulations and orders applicable to it, or the related Contract or Vehicle. There are no proceedings pending or, to SCS's knowledge, threatened against SCS, alleging the violation of any federal, state, local, or foreign law, ordinance, regulation, or order. All licenses, permits, orders, or approvals of any governmental or regulatory body which are required in connection with Dealer's business ("Permits") are in full force and effect, no violations are or have been recorded with respect to any Permits. There are no proceedings pending or threatened that may terminate, revoke, or limit any Permits;
- (d) the execution, delivery, and/or performance by SCS of this Agreement does not violate any applicable law or breach any provision contained in SCS's organizational documents or in any agreement, contract, instrument, or document to which SCS is now a party or by which SCS is bound;
- (e) SCS has disclosed to Dealer all facts relating to the Purchased Contract. No representation or warranty by SCS to Dealer in this Agreement, or in any statement, title, certificate, schedule, exhibit, or other document furnished or to be furnished to Dealer by or on behalf of SCS pursuant hereto or in connection with the transactions contemplated hereby is false or inaccurate in any respect or contains any untrue statement of a fact or omits or will omit to state any fact necessary to make the statements contained herein or therein not misleading. SCS has disclosed to Dealer in writing all information pertaining to SCS and the Purchased Contract which would or could adversely affect Dealer or its interests in the Purchased Contract; and
- (f) SCS will from time to time, and at any time, upon request of Dealer, do, execute, and deliver all such further acts or additional documents as may be reasonably requested by Dealer to effect the transactions contemplated by this Agreement. In addition, SCS agrees to perform its obligations under the Contract and to use its best efforts to resolve any disputes related to the Vehicle.

Section 2.2.1 Representations, Warranties and Covenants Regarding the Purchased Contract. With respect to each Purchased Contract, Dealer hereby represents, warrants, and covenants to SCS as of the date of this Agreement and as of the date the Contract is executed and as of the applicable Purchase Date that:

- (a) immediately prior to the sale of a Purchased Contract to SCS, Dealer had good, indefeasible and merchantable title to and ownership of such Purchased Contract, free and clear of any and all liens, claims, security interests, and other encumbrances;
- (b) each Purchased Contract was originated by Dealer for the sale of a Vehicle in the ordinary course of Dealer's business, was fully and properly executed by the parties thereto, and contains customary and enforceable provisions for an retail installment sale of a motor vehicle in the state in which the Dealer has its place of business and in the state in which the Buyer resides. Each Purchased Contract is in compliance with all applicable consumer laws and regulations and meets the Contract Specifications;
- (c) each Purchased Contract has not been originated in, and is not subject to the laws of, any jurisdiction under which the assignment of such obligation under this Agreement would be unlawful, void, or voidable;
- (d) there is only one executed original of each Purchased Contract;
- (e) no claims, counterclaims, offsets, encumbrances, or other defenses to payment exist in favor of the Buyer or of any other Person under a Purchased Contract;
- (f) no credit previously entered on a Purchased Contract or any part of such credit, was gratuitous or was given for consideration other than payment of money or receipt of property being traded-in, or was given for a payment by any corporate parent, affiliate or subsidiary, or any employee or agent of the Dealer; and no Purchased Contract was originated in connection with a renewal granted for the purpose of concealing a delinquency;
- (g) each Purchased Contract was entered in compliance with all applicable laws, rules and regulations and constitutes a valid, binding, and enforceable obligation of the Buyer; and the Purchased Contract was not obtained by or entered into as a result of any fraud or misrepresentation on the part of Dealer or of any other Person;
- (h) the Purchased Contract and the related Contract File contain all of the agreements between the parties thereto. The Purchased Contract and the related Contract File make true and accurate reference to the transaction from which they arose and correctly describe such transaction; there being no special or side agreements for rebate, extension of payment, or other concessions affecting the obligations of Buyer arising therefrom;
- (i) with respect to each Purchased Contract, the Buyer has paid the full and complete down payment as described in the Contract. Dealer has not paid any or all of the down payment, nor has Dealer made any oral or written promises, affirmations, warranties, or representations to Buyer to provide all of or any part of the down payment;
- (j) Dealer has not modified or altered the terms of any Purchased Contract to reflect, in whole or part, any of the costs, fees, or discounts that SCS may charge Dealer in connection with SCS's purchase of the Purchased Contract;
- (k) the Buyer had a validly existing and duly authorized drivers license at the time the Purchased Contract was originated, and that drivers license has not been suspended, revoked or terminated, is in full force

and effect as of the applicable Purchase Date and has a motorcycle endorsement if so required by the state of issue;

- (l) subject to Section 7.1(a)(i) and Section 7.2 the Buyer will pay the Initial Payment to SCS when due in accordance with the terms of the Purchased Contract, and Dealer has not paid any or all of the Initial Payment, nor has Dealer made any oral or written promises, affirmations, warranties, or representations to Buyer to provide all of or any part of the Initial Payment,
- (m) the amount of any down payment paid by the Buyer in connection with the purchase of the Vehicle has been applied in reduction of the purchase price in accordance with the terms of the Purchased Contract. If the down payment was paid by check and the Dealer uses a check service (i.e., Tele-Check), the Buyer's down payment check has cleared with sufficient funds so that full payment had been received by the related check service on or prior to the applicable Purchase Date. Upon SCS's request, Dealer shall submit written verification of the amount of any down payment paid by Buyer with respect to a Purchased Contract;
- (n) the description of the Vehicle as set forth in the Contract, Buyer's Order, Used Vehicle evaluation form, and/or like document including but not limited to make, model, mileage, and equipment, is true and accurate; and
- (o) the Vehicle is not a salvage vehicle, a reconstructed vehicle, or a lemon law buyback, and there is no adverse notation required to be made by Dealer or any other Person on the certificate of title ("Branded Title"). The Vehicle is not subject to any unresolved accident, nor did Dealer acquire the Vehicle on the "gray market".

**Section 2.2.2 Representations, Warranties and Covenants Regarding the Purchased Contract.** With respect to each Purchased Contract, SCS hereby represents, warrants, and covenants to Dealer as of the date of this Agreement and as of the date the Contract is executed and as of the applicable Purchase Date that:

- (a) each Purchased Contract was purchased from Dealer by SCS in the ordinary course of SCS's business and was fully and properly executed by the parties thereto. Each Purchased Contract is in compliance with all applicable consumer laws and regulations and meets the Contract Specifications;
- (b) each Purchased Contract was entered in compliance with all applicable laws, rules and regulations and constitutes a valid, binding, and enforceable obligation of the Buyer; and the Purchased Contract was not obtained by or entered into as a result of any fraud or misrepresentation on the part of SCS or of any other Person;
- (c) once accepted and purchased by SCS, the Purchased Contract and the related Contract File contain all of the agreements between the parties thereto. The Purchased Contract and the related Contract File make true and accurate reference to the transaction from which they arose and correctly describe such transaction; there being no special or side agreements for rebate, extension of payment, or other concessions affecting the obligations of Buyer arising there from.

**Section 2.3.1 Representations, Warranties, and Covenants Regarding Sale of Purchased Contract.** With respect to each Purchased Contract, Dealer hereby represents, warrants, and covenants that:

- (a) the Purchase Price with respect to such Purchased Contract represents fair and reasonably equivalent value to the Dealer for the sale of such Purchased Contract;
- (b) upon payment of the Purchase Price with respect to a Purchased Contract by SCS in accordance with Section 1.4, Dealer shall have relinquished all rights in respect to the Purchased Contract and the related Vehicle and SCS shall have obtained good and indefeasible title to such Purchased Contract free and clear of any lien, claim, or encumbrance in favor of Dealer or any other Person; and
- (c) Dealer shall not be insolvent as of the applicable Purchase Date and shall not be rendered insolvent as a result of the sale of the Purchased Contract to SCS on such date.

**Section 2.3.2 Representations, Warranties, and Covenants Regarding Sale of Purchased Contract.** With respect to each Purchased Contract, SCS hereby represents, warrants, and covenants that:

- (a) upon payment of the Purchase Price with respect to a Purchased Contract by SCS in accordance with Section 1.4, Dealer shall be relieved of all obligations in respect to the Purchased Contract and the related Vehicle and SCS shall have obtained good and indefeasible title to such Purchased Contract free and clear of any lien, claim, or encumbrance in favor of Dealer or any other Person; and subject to representations and warrants and Section 2.1, Section 2.2 and Section 3.1.
- (b) SCS shall not be insolvent as of the applicable Purchase Date and shall not be rendered insolvent as a result of the purchase of the Purchased Contract from Dealer on such date.

**Section 3.0 Leases.** Dealer may from time to time forward to SCS for review a credit application received from prospective lessees ("Lessee") of a Vehicle. Such review will be for the purpose of determining (i) whether SCS would enter into a Vehicle Lease Agreement ("VLA") with the Lessee, (ii) purchase a Vehicle from the Dealer ("Purchased Vehicle") for subsequent lease to the Lessee, or (iii) lease to the Lessee a Vehicle owned by SCS.

**Section 3.1 Representations, Warranties and Covenants Regarding the VLA.** With respect to each VLA, Dealer hereby represents, warrants, and covenants to SCS as of the date of this Agreement and as of the date the VLA is executed and as of the applicable Purchase Date that:

- (a) there is only one executed original of each VLA;
- (b) with respect to each VLA, the Lessee has paid the full and complete down payment as described in the VLA. Dealer has not paid any or all of the down payment, nor has Dealer made any oral or written promises, affirmations, warranties, or representations to Lessee to provide all of or any part of the down payment;
- (c) Dealer has not modified or altered the terms of any VLA to reflect, in whole or part, any of the costs, fees, or discounts that SCS may charge Dealer in connection with SCS's signing the VLA and purchasing the Vehicle;
- (d) the Lessee had a validly existing and duly authorized drivers license at the time the VLA was signed, and that drivers license has not been suspended, revoked or terminated, is in full force and effect as of the applicable Purchase Date and has a motorcycle endorsement if so required by the state of issue;
- (e) the amount of any down payment paid by the Lessee in connection with the purchase of the Vehicle has been applied in reduction of the purchase price in accordance with the terms of the VLA. If the down payment was paid by check and the Dealer uses a check service (i.e., Tele-Check), the Lessee's down payment check has cleared with sufficient funds so that full payment had been received by the related check service on or prior to the applicable Purchase Date. Upon SCS's request, Dealer shall submit written verification of the amount of any down payment paid by Lessee with respect to a VLA;
- (f) the description of the Vehicle as set forth in the VLA, Buyer's Order, Used Vehicle evaluation form, and/or like document including but not limited to make, model, mileage, and equipment, is true and accurate;
- (g) the Vehicle is not a salvage vehicle, a reconstructed vehicle, or a lemon law buyback, and there is no adverse notation required to be made by Dealer or any other Person on the certificate of title. The Vehicle is not subject to any unresolved accident, nor did Dealer acquire the Vehicle on the "gray market"; and
- (h) Dealer shall not be insolvent as of the applicable Purchase Date and shall not be rendered insolvent as a result of the sale of the Vehicle to SCS on such date.

Section 3.2 Purchased Vehicle Terms and Requirements. SCS will not purchase a Vehicle from Dealer unless each of the following requirements are met ("Purchased Vehicle Terms and Requirements"):

- (a) SCS's issuance of a preliminary approval of a Lessee to Dealer shall not be deemed to be approval of a Vehicle purchase hereunder. Acceptance of a Vehicle for purchase hereunder shall occur only at such time as SCS receives and approves the contents of the related Lease File which contents are specified in the Guidelines. Upon the request of SCS, Dealer will furnish SCS with any additional powers of attorney and other documents that SCS deems necessary or appropriate to enable SCS to exercise its rights and duties with respect to each VLA;
- (b) SCS is hereby authorized and empowered to (i) endorse Dealer's name on any payments made payable to Dealer or on all certificates of title and other instruments evidencing legal ownership of a Vehicle, and (ii) execute and deliver, in dealer's name or in SCS's name, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the VLA.
- (c) Dealer has transferred or applied for transfer of the Vehicle Title to SCS or its assigns as specified in the Guidelines;
- (d) all representations and warranties of Dealer set forth in this Agreement are true and correct as of the date the Vehicle was purchased from Dealer;
- (e) Lessee has paid and Dealer has received the cash down payment and / or trade-in described in the VLA; and
- (f) the Vehicle was sold to SCS in satisfactory operating condition with no defects known to Dealer and Lessee has taken delivery of the Vehicle.

Section 3.3 VLA and Purchase of Vehicle. Upon the underwriting and approval of a lease by SCS and of the purchase of the Vehicle subject to the VLA, as provided in Section 3.1 and 3.2, SCS shall pay Dealer or its designee an amount that shall be agreed upon between Dealer and SCS prior to the applicable Purchase Date ("Vehicle Purchase Price"). The Vehicle Purchase Price shall constitute the full amount to be paid to Dealer to purchase the Vehicle. Upon payment of the Vehicle Purchase Price to Dealer or its designee (i) Dealer shall have sold to SCS all of Dealer's right, title, and interest in and to the Vehicle. Upon the purchase of Vehicle by SCS, Dealer shall no longer have any right, title or interest in the Vehicle.

Section 3.4 VLA Payments Received by Dealer. Dealer shall instruct the Lessee to remit all payments due under a VLA to SCS or its designee in accordance with instructions to be provided to Dealer by SCS. If any payments on a VLA are received by Dealer after the applicable Purchase Date, Dealer will forward such payments to SCS no later than the close of the following business day.

Section 3.5 Public Liability and Damage Insurance. Dealer shall direct each Lessee to obtain insurance covering liability, damage, destruction, and theft of the related leased Vehicle. The minimum required coverage is: for Public Liability Insurance covering up to \$50,000 for property damage, \$100,000 for bodily injuries to any one person, and \$300,000 for bodily injuries for any one accident. Physical Damage Insurance must, also, be maintained in the amount of the full replacement value of the vehicle, and must have deductibles of no more than \$500 for comprehensive fire and theft loss. All policies must name Sparta Commercial Services, LLC or its assignees, as co-insured and co-payees to the extent our respective interests may appear and must contain a

provision requiring at least 30 days prior written notice to SCS of cancellation of such policy. Appropriate written evidence of such coverage must be provided to SCS prior to the time that SCS purchases the leased Vehicle.

Section 4.0 Dealer Participation. SCS may, at its option, offer to purchase certain eligible Contracts for a Purchase Price greater than the amount financed that is stated in the Contract. Alternatively, in the case of a leased Vehicle, SCS may, at its option, allow the Dealer to adjust the Money Factor used to determine the monthly lease payment by an amount as stated in the Guidelines. The portion of the Purchase Price or monthly lease payment that is designated as Dealer Participation shall be calculated as stated in the Guidelines. Dealer shall repay to SCS the Dealer Participation the Dealer received if: (i) SCS declares such Contract in default prior to receiving from Buyer or Lessee full payment of the number of regular monthly installments or lease payments required for Dealer to retain the Dealer Participation as specified in the Guidelines, provided, SCS is entitled to declare such Contract in default, or (ii) if the balance on such Contract or Lease is paid in full prior to receipt by SCS of the number of regular monthly installments or lease payments required for Dealer to retain the Dealer Participation as specified in the Guidelines. In either event, Dealer shall pay the funds due to SCS within ten days of Dealer receiving notice from SCS requesting repayment.

## Section 5.0 Consignment

Section 5.1 Consignment of Vehicles. The terms and conditions under which a Dealer shall hold Vehicles owned by SCS for lease or sale shall be pursuant to the following understanding and conditions:

- (a) SCS shall deliver to Dealer certain vehicles, including but not limited to, repossessions, as SCS and Dealer shall agree and such Vehicles will be consigned to Dealer. Each Vehicle shall be described on a Delivery Receipt and Condition Report to be delivered by SCS to Dealer at the time of delivery of the vehicle to Dealer ("Delivered Vehicle"). The Dealer will review the Delivery Receipt and Condition Report with the person delivering the Vehicle to the Dealer and both parties must sign the Delivery Receipt and Condition Report acknowledging that it is complete and correct. The Dealer must then forward a copy of the Delivery Receipt and Condition Report to SCS by fax and send four (4) digital photographs of the Delivered Vehicle by email to SCS.
- (b) All SCS lessees who wish to return their vehicles at the end of their lease or earlier, are advised to return their vehicle to the originating dealer ("Returned Vehicle"). The Dealer agrees to: (i) notify SCS of any such return by fax, (ii) inspect the vehicle and review the Delivery Receipt and Condition Report with the person delivering the Vehicle to the Dealer, both parties must sign the Delivery Receipt and Condition Report acknowledging that it is complete and correct and forward a copy of the Delivery Receipt and Condition Report to SCS by fax and send four (4) digital photographs of the Returned Vehicle by email to SCS, (iii) collect any return fees due and remit same to SCS and (iv) notify SCS by fax as to whether or not the Dealer wishes to keep the vehicle on consignment. If Dealer does not wish to keep the vehicle on consignment or purchase it, SCS will arrange to have the vehicle removed from Dealer's premises as soon as reasonably possible.

For the term of the Consignment of the Delivered Vehicles and the Returned Vehicles (collectively "Consigned Vehicles"), that each Consigned Vehicle remains on consignment with Dealer, not less than thirty days, Dealer agrees that such Consigned Vehicles will be housed on Dealer's premises at no cost to SCS.

All Consigned Vehicles damaged or otherwise rendered unmerchantable by fire, vandalism, flood, or other casualty shall be returned in their damaged condition to SCS and in the event of any total loss by fire, theft, or other casualty, Dealer shall be responsible for Consigned Vehicles that are lost or destroyed as if such Consigned Vehicles had been sold

The selling price and/or commission for each Vehicle shall be specified in writing by SCS at the time the Vehicle is placed on consignment.

Dealer acknowledges that during the consignment period, any Consigned Vehicle may be advertised on the classified pages of the SCS web site. Dealer, also, acknowledges that after 30 days or at anytime, at its sole discretion, should a Consigned Vehicle remain unsold, SCS may choose to retrieve such Consigned Vehicle from Dealer. Dealer may request that SCS retrieve any Consigned Vehicle at any time during the consignment period. This request should be made in writing (via mail, fax, or email) and SCS will make arrangements for transport.

Section 5.2 Title to Products. All Consigned Vehicles shall be identified on the Premises as the property of SCS. Such identification shall be accomplished in as appropriate and practical a manner as possible. Each of the Consigned Vehicles covered by this Agreement are not the property of the Dealer. All title documents for the Consigned Vehicles shall at all times reside with SCS until a Consigned Vehicle is sold or leased. Upon the sale or lease of such Consigned Vehicle, all proceeds received by Dealer shall be held in trust for the benefit of SCS and promptly remitted to SCS. Upon receipt of agreed upon compensation SCS will release the title documents to Dealer.

Section 5.3 Service and Repairs. All agreed upon service and repairs to Consigned Vehicles shall be billed at Dealer's cost plus ten (10%) percent.

Section 5.4 Display of Consigned Vehicles. Dealer shall maintain, display and sell or lease the Consigned Vehicles only at the Premises, unless SCS shall authorize display, sale or lease at another site or sites in writing.

Section 5.5 Books and Records. SCS shall have the right to examine the books and records of Dealer with respect to the Consigned Vehicles to assure that a proper accounting for the Consigned Vehicles and sales or leases thereof have been made.

Section 5.6 Security Interest in Products. In addition to its retention of title to the Consigned Vehicles as herein provided, SCS hereby retains a security interest in, and this Agreement shall constitute a security agreement for, all such Consigned Vehicles and the proceeds therefrom in the custody, control, or possession of Dealer (collectively the "Collateral"), and SCS shall have all of the rights of a creditor granted pursuant to Articles 2 and 9 of the Uniform Commercial Code in effect from time to time in each jurisdiction where the Collateral or any part thereof, is located.

Section 5.7 Insurance. Dealer agrees that at all times during the term of this Agreement Dealer shall maintain garageman's insurance on the Consigned Vehicles at the full value thereof, including coverage for theft, fire and all risk coverage. All such policies shall name SCS as an additional co-insured,

Section 6.0 Indemnities.

1) Dealer will defend, indemnify, and hold harmless SCS and its directors, officers, employees, agents, stockholders, representatives, investors, affiliates, successors, and assigns collectively, the "SCS Indemnified Parties" from and against any and all costs, expenses, losses, damages, claims, and liabilities (including attorney's fees and all expenses of litigation) arising out of or resulting from:

- (a) any breach of any of the representations, warranties, or covenants made by Dealer in this Agreement;
- (b) any taxes that may at any time be asserted against SCS with respect to the transactions contemplated herein (other than taxes measured by the net income of SCS or taxes or fees imposed upon SCS's registration, qualification, or licensing), including any sales, use, gross receipts, tangible, or intangible personal property, or ad valorem taxes and costs and expenses in defending against same; and
- (c) all Losses from any Claims brought against a SCS Indemnified Party relating to a Contract, a Purchased Contract, a VLA or the underlying Vehicle; provided, however, that such indemnity shall only apply to Claims that arise: 1) out of the actions of Dealer Indemnified Parties (as defined below), or 2) Dealers breach of its representations, warranties or covenants herein, or 3) out of the breach of Dealers obligations to Buyer or Lessee hereunder.

2) SCS will defend, indemnify, and hold harmless Dealer and its directors, officers, employees, agents, stockholders, representatives, investors, affiliates, successors, and assigns collectively, the "Dealer Indemnified Parties" from and against any and all costs, expenses, losses, damages, claims, and liabilities (including attorney's fees and all expenses of litigation) arising out of or resulting from:

- (a) any breach of any of the representations, warranties, or covenants made by SCS in this Agreement;
- (b) any taxes that may at any time be asserted against Dealer with respect to the transactions contemplated herein (other than taxes measured by the net income of Dealer or taxes or fees imposed upon Dealer's registration, qualification, or licensing), including any sales, use, gross receipts, tangible, or intangible personal property, or ad valorem taxes and costs and expenses in defending against same; and
- (c) all Losses from any Claims brought against a Dealer Indemnified Party relating to a Contract, a Purchased Contract, a VLA or the underlying Vehicle; provided, however, that such indemnity shall only apply to Claims that arise: 1) out of the actions of SCS Indemnified Parties (as defined above), or 2) SCS's breach of its representations, warranties or covenants herein, or 3) out of the breach of SCS's obligations to Buyer or Lessee hereunder.

Section 7.0 Termination. Either SCS or Dealer may terminate this Agreement upon thirty (30) days prior written notice to the other, provided, however, that such termination shall not affect the responsibilities of SCS or of Dealer as to any Purchased Contract purchased, or VLA entered into, prior to receipt of such notice.

Section 7.1 Event of Default. Each of the following events shall constitute an "Event of Default" hereunder:

- (a) assignment by Dealer of its rights, the delegation of its duties under this Agreement, or any change in the control of Dealer without the prior written consent of SCS; provided, however, that SCS shall not

unreasonably withhold consent to any assignment by Dealer of its rights to receive payments of Purchase Prices OF CONTRACTS under this Agreement;

- (b) failure on the part of Dealer to remit to SCS in accordance with Section 1.5 or Section 3.4 any payment with respect to a Contract or VLA paid to Dealer after the applicable Purchase Date;
- (c) failure on the part of Dealer duly to observe or to perform any covenant or agreement set forth in this Agreement (other than the covenant to remit payments to SCS in accordance with Section 1.5 or Section 3.4), which failure shall continue unremedied for a period of ten business days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to Dealer by SCS;
- (d) the breach by Dealer of any representation, warranty, or covenant set forth in this Agreement in a manner that adversely affects a Purchased Contract, VLA, Purchased Vehicle, or SCS's interest therein;
- (e) the misrepresentation by Dealer in any respect of any facts or circumstances relating to a Purchased Contract, VLA, or an item in a Contract file or Lease File or relating to a Buyer or a Lessee or a Vehicle;
- (f) the default in payment or performance of any debt or obligation of Dealer whether to SCS or to a third party.
- (g) a Delivery of Title Default occurs with respect to a Purchased Contract or Vehicle; or
- (h) a Down Payment Default. or
- (i) an Initial Payment Default occurs with respect to a Purchased Contract or VLA.

**Section 7.2** SCS's Remedies. Upon the occurrence of an Event of Default (other than an Event of Default pursuant to Section 7.1(i)), SCS may require Dealer to repurchase the affected Purchased Contract or Vehicle for an amount equal to the lesser of (i) the Purchase Price plus the amount of the acquisition fee plus the actual repossession fee (not to exceed \$395), (ii) the unpaid Contract balance, plus accrued and unpaid interest to the date of repurchase, or (iii) the adjusted lease balance as provided for in the VLA plus, the actual costs and expenses of SCS in enforcing such remedy including reasonable attorney's fees ("Repurchase Price"). Dealer hereby agrees to repurchase any such Purchased Contract or Vehicle within five (5) days after receipt of a demand for repurchase. If Dealer is required to repurchase a Purchased Contract or Vehicle pursuant to this Section 7.2, SCS shall release the related Contract File and assign the Contract to Dealer upon its receipt of the Repurchase Price. Dealer shall pay all costs associated with the transfer of the Purchased Contract from SCS to Dealer pursuant to this Section 7.2.

Upon the occurrence of an Event of Default pursuant to Section 7.1(i), provided that within 180 days of Purchase Date, SCS delivers to Dealer the Vehicle that secures the affected Purchase Contract or VLA, Dealer shall repurchase such Purchased Contract or Vehicle from SCS. The repurchase price for such Purchased Contract or Vehicle shall be the Purchase Price for such Purchased Contract or Vehicle plus the amount of the acquisition fee plus the actual repossession fee (not to exceed \$395), due upon delivery of the Vehicle to Dealer. If Dealer should fail to pay such an amount when due, then in addition to all other remedies available to SCS, such repurchase price shall accrue interest at the applicable Contract rate.

**Section 7.3** Products. With respect to any Purchased Contract or VLA which may include "back end" products or services (including, without limitation, service contract, life, accident and health insurance, guaranteed vehicle protection) each as approved by SCS (collectively, "Products"), within twenty four (24) hours of written notice from SCS that the Buyer or Lessee is in default under the Purchased Contract or VLA, or that the Products have been canceled if SCS has included the cost of such Products in the purchase price then, Dealer shall pay SCS one hundred percent (100%) of all sums and refunds which are due to SCS from Dealer pertaining to the prorated unused portion of the Products. Dealer agrees that if a service contract is included in the Purchased Contract or Lease then SCS will withhold funds equal to the cost of the service contract from the proceeds of the Dealer and forward those proceeds to the vendor or provider of the service contract for the benefit of the Dealer and the Dealer herein instructs SCS to do so. Dealer further agrees to forward to SCS any unearned premium for service contract or life, accident, and health insurance upon cancellation, whether requested by Buyer, Lessee or by SCS. Dealer hereby assigns to SCS Dealer's right to receive any such unearned premium and authorizes and instructs any third party who has received such premium to return it to SCS.

**Section 7.4** Consequences of Termination. Upon termination all Consigned Vehicles in dealer's possession or control shall be returned to SCS within ten (10) days either of receipt of notice of termination or of the occurrence of any event of termination not requiring notice. SCS, in addition to any other rights it may have under this Agreement or otherwise, shall have the right to enter the Premises, and/or any other premises where Collateral is located, and remove such Collateral there from. Dealer also shall immediately return to SCS all invoices, advertising material and other documentation provided by SCS to Dealer.

**Section 7.5** Effect of Termination. Termination of this Agreement shall not affect the rights and obligations of the parties as to any VLA entered into, or Purchased Contract or Vehicle purchased, by SCS prior to the effective date of such termination. If Dealer submits any Contracts or Vehicles to SCS for purchase after termination of this Agreement, upon purchase of any such Contracts or Vehicles by SCS, the terms and conditions of this Agreement shall apply to that Purchased Contract or Vehicle, notwithstanding the termination. The provisions of Sections 1.5, 1.6, Section 2.1, Section 4.0, Sections 7.1, 7.2, 7.3, Section 5.0, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, Section 8.0 and all definitions shall survive the termination of this Agreement.

Section 8.0 Notices. All demands, notices and communications under this Agreement shall be sufficient if in writing and delivered personally or sent by certified mail, return receipt requested, first-class postage prepaid, by regular mail, first-class postage prepaid, by overnight delivery service providing evidence of delivery, or by telecopy and shall be deemed to have been duly given upon first attempted delivery if sent by certified mail or overnight delivery service and upon receipt if delivered personally or sent by regular mail or telecopy, at the address specified on the first page of this Agreement, or at such other address as shall be designated in writing by a party.

Section 9.1 Assignment. This Agreement shall inure to the benefit of SCS and its successors and assigns. This Agreement shall inure to the benefit of Dealer and its permitted successors and assigns. Dealer may not assign any of its rights or obligations hereunder without the written consent of SCS. SCS may assign its rights hereunder, and may sell or pledge Purchased Contract and payments thereon, without the consent of Dealer.

Section 9.2 Delegation of Duties; Liability. SCS may execute any of its duties under this Agreement by or through agents, assignees, nominees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. SCS shall not be responsible for the negligence or misconduct of any agents, assignees and nominees or attorneys-in-fact selected by it with reasonable care. Neither SCS nor any of its officers, directors, employees, nominees, attorneys-in-fact, or affiliates shall be liable for any action lawfully taken or omitted to be taken by it or any such Person under or in connection with this Agreement, except for its or such Person's own gross negligence or willful misconduct.

Section 9.3 Rights Cumulative. All rights and remedies from time to time conferred upon or reserved to SCS under this Agreement are cumulative, and none is intended to be exclusive of another. No delay or omission in insisting upon the strict observance or performance of any provision of this Agreement or in exercising any right or remedy shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy.

Section 9.4 Right of Setoff. SCS may, at any time and from time to time, at its option, set off and apply against any amounts due by it to Dealer either hereunder or otherwise, any amounts due to SCS by Dealer.

Section 9.5 Litigation Costs. In the event that a dispute arises between the parties to this Agreement with respect to the subject matter hereof, except as otherwise expressly provided herein, the prevailing party in litigation or other dispute resolution proceeding shall be entitled to receive (from the nonprevailing party) an amount equal to its reasonable attorneys' fees, actual court costs, and actual expenses arising out of such dispute.

Section 9.6 Relationship and Intention of Parties. The following shall be the entire relationship between SCS and Dealer: (a) notwithstanding any provision to the contrary elsewhere in this Agreement, SCS is acting independently of Dealer, and shall have no duties or responsibilities to Dealer, except those expressly set forth herein, or any fiduciary relationship with Dealer, and no implied covenants, functions, responsibilities, duties, obligations, liabilities, joint venture or partnership arrangement shall be read into this Agreement or otherwise exist between SCS and Dealer; and (b) the Dealer and SCS intend that the sale of each Purchased Contract and Vehicle to SCS pursuant to this Agreement be an absolute sale, conveyance, and assignment free and clear of all liens, rather than a financing.

Section 9.7 Complete Agreement. This Agreement contains the complete agreement of the parties hereto, and supersedes any and all prior agreements, including prior Dealer Agreements (whether written or oral), and prior courses of dealing. This Agreement may be amended from time to time (i) in writing by the parties hereto or (ii) by written notice from SCS. Any such amendment by written notice from SCS shall be effective with respect to future Purchased Contract only if SCS purchases a Contract from Dealer after the date of such notice. Should any provision of this Agreement be in conflict with any provision of any Purchased Contract, the provision set forth in this Agreement shall govern as between the parties to this Agreement, and the conflicting provision in the Purchased Contract shall be deemed deleted to the extent of such conflict.

Section 9.8 Prior Dealer Agreement. If SCS and Dealer have entered into any prior agreements ("Prior Dealer Agreement") in consideration of the mutual agreements contained herein SCS and Dealer hereby agree that (i) this Agreement shall be deemed to amend and restate in its entirety each and every such Prior Dealer Agreement, effective as of the date of such Prior Dealer Agreement and (ii) each retail motor vehicle installment contract, conditional sales contract, security agreement or other like document previously purchased by SCS shall be deemed to have been purchased on the terms and conditions set forth in this Agreement and shall constitute a Purchased Contract hereunder.

Section 9.9 Joint and Several Obligations. If Dealer consists of more than one Person, then the obligations of Dealer hereunder shall be joint and several.

Section 9.10 Severability of Provisions. If any one or more of the provisions of this Agreement shall be for any reason whatsoever held invalid, then such provisions shall be deemed severable from the remaining provisions of this Agreement or the rights of Dealer or SCS.

Section 9.11 Governing Law; Venue. This Agreement shall be deemed made under the laws of the State of New York and shall be construed and enforced in accordance with and governed by the laws of the State of New York and the laws of the United States of America, except with respect to specific liens, or the perfection thereof, evidenced by loan documents covering personal property that by the laws applicable thereto are required to be construed under the laws of another jurisdiction. Dealer hereby irrevocably submits to the jurisdiction of the state and federal courts of the State of New York and agrees and consents that service of process may be made upon it in any legal proceeding relating to this Agreement by any means allowed under New York or federal law.

Section 9.12 Usage of Terms. With respect to all terms in this Agreement, the singular includes the plural and the plural the singular; words importing any gender include the other gender; references to agreements and other contractual instruments include all subsequent amendments thereto or changes therein entered into in accordance with their respective terms and not prohibited by this Agreement; references to Persons include their permitted successors and assigns;" and the term "including" means "including without limitation."

Section 9.13 Headings. The headings herein are for convenience of reference only and shall not control or affect the meaning or construction of any provisions hereof.

Section 9.14 Counterparts. This Agreement may be executed in any number of counterparts, by facsimile or by original signature. Each counterpart of this Agreement so executed shall be fully effective as an original.

## DEFINITIONS

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

“Agreement” means this Dealer Agreement as executed by SCS and Dealer and all amendments and supplements hereto.

“Buyer” with respect to a Contract means the purchaser or co-purchaser of a Vehicle or any other Person who owes, guarantees, or is otherwise obligated to make payments under such Contract.

“Claims” means allegations that a SCS Indemnified Party has a legally enforceable liability, whether raised affirmatively or by way of defense.

“Consignment” means the terms and conditions under which a Dealer shall hold Vehicles owned by SCS for lease or sale pursuant to Section 5.0.

“Contract” means a retail installment sales contract, conditional sales contract, security agreement, vehicle lease agreement or other like document in the form approved by SCS from time to time under which Buyer is purchasing and/or financing a Vehicle from Dealer.

“Contract File” with respect to a Contract means all documents (including the executed Contract) and business records relating to such Contract.

“Contract Specifications” has the meaning set forth in Section 1.2.

“Delivery of Title Default” means the failure of Dealer to deliver or cause to be delivered to SCS an original certificate of title or like document with respect to a Vehicle securing a Purchased Contract reflecting SCS or its designee or assignee as the first lienholder (Retail Installment Sales Contract) or Lessor (Lease Agreement) thereon within 60 days from the Purchase Date.

“Down Payment Default” means the failure of a Buyer to pay to Dealer the down payment with respect to a Vehicle as required under the terms of the related Contract and this Agreement.

“Event of Default” means an event specified in Section 7.1.

“Guidelines” means the SCS underwriting guidelines and SCS underwriting criteria defined in the SPARTA MOTORCYCLE RETAIL INSTALLMENT GUIDELINES or SPARTA 600cc MOTORCYCLE LEASE GUIDELINES or like document provided to Dealer by SCS. These Guidelines may be modified (both the title and/or content may be modified) from time to time by SCS and the Guidelines that shall apply to a particular Contract shall be those in effect at the time such Contract became a Purchased Contract.

“Initial Payment” means the first and second payment required to be paid by the Buyer on all programs, **except Credit Tier 1, Credit Tier 2, and Credit Tier 3** programs, under the terms of the related Purchased Contract or VLA and this Agreement.

“Initial Payment Default” means the failure of the Buyer to pay the Initial Payment required to SCS. If a Dealer pays or attempts to pay the Initial Payment required on behalf of the Buyer, such payment paid by Dealer shall not count toward the Buyer’s Initial Payment for purposes of determining if a Buyer has paid such payments as described in Section 7.1(i) of this Agreement.

“Lease” means a contract granting use of a Vehicle for a specified time in exchange for payment.

“Lessee” with respect to a Lease means the Person who signs and is obligated to make payments under such Lease.

“Lease File” with respect to a lease means all documents (including the executed VLA) and business records relating to such VLA.

“Lessor” means the owner of the leased Vehicle.

“Losses” means liabilities assessed against a SCS Indemnified Party in a judicial, arbitral or administrative proceeding and includes reasonable attorney fees and expenses incurred by a SCS Indemnified Party in such a proceeding or incurred by a SCS Indemnified Party in order to avoid such a proceeding.

“Person” means a legal person, including any individual, limited liability company, corporation, estate, partnership, joint venture, association, joint stock company, trust, incorporated organization, or government or any agency or political subdivision thereof.

“Prior Dealer Agreement” has the meaning set forth in Section 9.8.

"Purchased Contract" means a Contract that has been purchased by SCS from Dealer under this Agreement.

"Purchased Vehicle" means a Vehicle that has been purchased by SCS from Dealer under this Agreement.

"Purchase Date" means the date the Contract or Vehicle is purchased by SCS from the Dealer under this Agreement.

"Purchase Price" with respect to a Contract means the amount paid to Dealer or for the benefit of Dealer for the purchase of that Contract pursuant to Section 1.4. With respect to a Vehicle means the amount paid to the Dealer or for benefit of the Dealer for the purchase of that Vehicle pursuant to Section 3.3.

"Repurchase Price" with respect to a Purchased Contract or Purchased Vehicle, means the amount to be paid to SCS by Dealer pursuant to Section 7.2.

"Vehicle" means a motorcycle, all-terrain vehicle, motor scooter, automobile, sport utility vehicle or light truck, together with all accessions thereto.

"VLA" means either a closed-end operating lease agreement or direct finance lease agreement with terms not to exceed sixty (60) consecutive months or for terms of not less than twelve (12) consecutive months in the form approved by SCS from time to time, under which a Lessee agrees to Lease the Vehicle described therein from SCS under the terms contained in the VLA.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective officers as of the day and year first written above, but in no event shall this Agreement be effective until executed on behalf of SCS by its duly authorized corporate officer in the space provided below.

SPARTA COMMERCIAL SERVICES, INC.

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
(Name of Dealership)

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_