

VIPER POWERSPORTS INC

FORM 10KSB (Annual Report (Small Business Issuers))

Filed 04/16/08 for the Period Ending 12/31/07

Address	10895 EXCELSIOR BLVD., STE. 203 HOPKINS, MN 55343
Telephone	952-938-2481
CIK	0001337213
Symbol	VPWI
SIC Code	3751 - Motorcycles, Bicycles, and Parts

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

FORM 10-KSB

- ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) of the Securities Exchange Act of 1934 for the Year Ended December 31, 2007.
- TRANSITION PURSUANT TO SECTION 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

VIPER POWERSPORTS INC.

(Name of Small Business Issuer in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

41-1200215
(IRS Employer ID Number)

19950 177th St., Suite F
Big Lake, MN
(Address of principal executive offices)

55309
(Zip Code)

(763) 263-5700
(Issuer's Telephone Number)

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:

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

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

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

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

State issuer's revenue for its most recent fiscal year: \$178,717

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity, as of a specified date within the past 60 days. \$9,879,456 as of March 30, 2008.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 19,368,314 Common Shares as of March 30, 2008.

Transitional Small Business Disclosure Format (check one): YES

NO

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PART I

Item 1. Description of Business

BUSINESS DEVELOPMENT

Viper Powersports Inc. is the successor to ECCO Capital Corporation (“ECCO”), which was incorporated in Nevada in 1980 under a former name. ECCO ceased all active operations in 2001 and remained inactive until its stock exchange acquisition of Viper Motorcycle Company in early 2005, incident to which it changed its name to Viper Powersports Inc.

Effective March 31, 2005, Viper Powersports Inc. acquired all of the outstanding capital stock of Viper Motorcycle Company, a Minnesota corporation, resulting in Viper Motorcycle Company becoming a wholly-owned subsidiary of Viper Powersports Inc. For accounting and operational purposes, the acquisition was a recapitalization conducted as a reverse acquisition of Viper Powersports Inc., with Viper Motorcycle Company being regarded as the acquirer. Consistent with reverse acquisition accounting, all of the assets, liabilities and accumulated deficit of Viper Motorcycle Company are retained on our financial statements as the accounting acquirer. Since Viper Powersports Inc. had no assets or liabilities upon the effectiveness of the reverse acquisition, its book value has been stated at zero on our recapitalized balance sheet. The stock exchange for the reverse acquisition was effected on a one-for-one basis, resulting in the stockholders of Viper Motorcycle Company exchanging all of their capital stock for a like amount of capital stock of Viper Powersports Inc. This resulted in the former shareholders of Viper Motorcycle Company acquiring approximately 94% of the resulting combined entity.

Viper Performance Inc. is also a wholly-owned subsidiary of Viper Powersports Inc. Viper Performance Inc. was incorporated in Minnesota in March 2005 for the purpose of receiving and holding engine development technology and assets acquired by Viper Powersports Inc. effective March 31, 2005.

As used herein, the terms “we”, “us”, “our”, and “the Company” refer to Viper Powersports Inc. and its two wholly-owned subsidiaries, unless the context indicates otherwise.

Since our inception in late 2002, we have been in the business of designing, developing and commencing commercial marketing and production of premium custom V-Twin motorcycles popularly known as “cruisers.” Our motorcycles will be distributed and sold under our Viper brand through a nationwide network of independent motorcycle dealers. Marketing of our motorcycles is targeted toward the upscale market niche of motorcycle enthusiasts who prefer luxury products and are willing to pay a higher price for enhanced performance, innovative styling and a distinctive brand. We believe there is a consistently strong demand for upscale or luxury motorcycle products like our American-styled classic Viper cruisers and our premium V-Twin engines. For example, the prestigious upscale Robb Report magazine publishes a Robb Report Motorcycling magazine bi-monthly, which is targeted exclusively to luxury motorcycle products.

We have completed the development and extensive testing of our proprietary V-Twin engines including actual performance testing of the engines on our various motorcycle models, and we have been very satisfied with their performance while powering our cruisers during all kinds of street and highway running conditions.

We commenced commercial marketing, production and delivery of our motorcycles in late 2007, and we currently hold orders for approximately 36 units.

Purchase of Engine Development Technology

Our proprietary engine development technology was purchased effective March 31, 2005. These strategic assets were acquired from Thor Performance Inc., ("Thor") a Minnesota corporation in exchange for 2,996,575 shares of common stock of Viper Powersports Inc. Motorcycle technology acquired by us in this strategic asset purchase included designs and prototypes for three V-Twin engines and other motorcycle engines, related motorcycle component development, and a commitment to complete engine development still in progress which was completed by June 2005. Our proprietary engine development technology was designed and developed by Melling Consultancy Design (MCD), a leading engine design and development firm based in England.

Recent Restructuring

During the first half of 2006, the Company expended extensive time, efforts and capital in attempting to effect a substantial public offering of its securities, including underwriter due diligence matters, preparation of and submission to the SEC of a registration statement for the public offering, and other related activities. After devoting substantial time and resources toward placing this offering in the summer of 2006, it was abandoned because of deteriorating stock market conditions at the time.

We anticipated commencing commercial production and sales of Viper motorcycles during the second half of 2006, but then were unable to due to lack of working capital after the proposed public offering of our securities was unsuccessful. We then engaged in a six-month major restructuring of our Company in order to continue our business, which we successfully completed in 2007.

Our recently completed capital restructuring of the Company primarily included the following transactions:

i) Secured Debt Conversion - In late 2006 we satisfied \$513,356 of principal and accrued interest owed to a Noteholder, which Note was secured by all assets of the Company. This Note was satisfied and the related security interest released through conversion into our common stock on the basis of \$.75 per share.

ii) Unsecured Debt Conversions - In December 2006, we satisfied a total of \$2,237,836 of outstanding debt (including accrued interest) owed to various Noteholders through conversion into our common stock on the basis of \$1.25 per share.

iii) Preferred Stock Conversions - In December 2006 we also converted all of our outstanding 8% Preferred Stock (stated value of \$2.50 per share) and related accrued dividends into common stock of the Company on the basis of \$1.25 per share, which included outstanding preferred shares of an aggregate stated value of \$1,957,500 plus accrued dividends of \$261,286.

iv) Credit Facility - In January 2007 we obtained a credit facility from a banking institution in the amount of \$250,000, which was established for the purpose of purchasing inventory parts and components for commercial production of Viper motorcycles. This credit facility was guaranteed by a director of the Company.

v) Private Placement - From December 2006 through March 2007 we raised a total of \$961,250 through a private placement of our common stock to accredited investors at a purchase price of \$.75 per share. Proceeds of this private offering have been and are being used for working capital and general corporate purposes.

Corporate Data

The address of the Company is 19950 177th St., Suite F, Big Lake, MN 55309; its phone number is (763) 263-5700; and its website address is www.viperpowersports.com.

BUSINESS OF COMPANY

We develop and produce proprietary motorcycle products targeted toward consumers who purchase upscale luxury products. Current revenues are being generated from the sale of our Diablo and Diamondback cruisers. Additional anticipated sources of revenues include our Mamba model, chopper model, touring model, aftermarket sales of our proprietary V-Twin engines, and sales of ancillary Viper motorcycle products including aftermarket custom parts and accessories and Viper branded apparel and other merchandise.

Our revenue stream will be primarily affected by customer demand for our Viper motorcycles, our ability to timely provide Viper products in response to dealer orders, recruitment and retention of effective Viper dealers who actively promote and sell our products, and our dealers' acceptance of our floor plan financing facility.

Our Market

Motorcycles are generally characterized in their industry by weight, primarily based on engine displacement size. Our cruisers fall within the heavyweight motorcycle category which includes models with engine displacements of at least 65 lcc (cubic centimeters). There are generally four types of heavyweight motorcycles:

- standard, which emphasize simplicity and low cost;
- performance, which emphasize handling and speed;
- touring, which emphasize rider comfort and long distance travel; and
- cruisers, which are designed to facilitate customization by owners.

According to publicly available information contained in annual reports of our competitors, we believe that annual sales of heavyweight motorcycles in the U.S. have increased from under 100,000 in 1992 to over 500,000 in 2006. Furthermore, we believe that U.S. sales of heavyweight motorcycles have increased materially each and every year of this 1992-2006 period. We also believe that premium motorcycles have become popular and well-accepted luxury recreational motorsports products.

Our current Viper motorcycles are offered and compete in the upscale segment of the heavyweight custom V-Twin cruiser market dominated by Harley-Davidson. We believe that potential customers in this upscale market seek motorcycle models having a product and lifestyle appeal associated with the classic American V-Twin cruiser tradition. Our targeted customer base has expanded for many years due to the growing popularity of motorcycling along with the aging of the population bulge from the post-World War II baby boom years. Many males of the baby boom generation now are in their peak income earning years, making them good prospects for luxury goods. We believe that premium motorcycles have become well-accepted and popular luxury recreational motorsports products. In its recent annual report, Harley-Davidson stated that the typical consumer of their heavyweight motorcycles is a married man in his mid-forties having an income exceeding \$80,000.

Our Motorcycles

Viper Diablo

The Viper Diablo is our first developed cruiser, which we believe has been designed and developed with many styling and performance features and components distinguishing it from cruisers of our competitors. Our development efforts have focused substantially on providing enough signature styling and component features for the Diablo to compare favorably to other premium cruisers.

Premium components and distinctive features of the Diablo include:

- a powerful, billet-cut proprietary V-Twin engine;
- our unique right-side drivetrain providing maximum rider balance;
- premium HID headlights and LED display functions;
- a 6-speed transmission;
- adjustable rear end air suspension system and front-end Marzocchi forks;
- a proprietary handlebar vibration dampening system; and
- wide high-quality Metzeler tires and premium billet wheels.

The outward appearance of the Diablo includes distinctive styling features such as:

- substantial use of billet-cut components including the V-Twin engine, primary drive, controls and wheels;
- a low, streamlined look;
- oil storage in the frame, enabling a sleeker and more naked appearance due to absence of an under-seat oil tank;
- a unique swingarm design; and
- rear light and LED turn signals built into the fender.

Basic specifications of the Diablo cruiser are as follows:

Wheelbase length and rake:	68 inches, 34°
Weight:	570 pounds
Seat height:	21-25 inches, adjustable
Engine type:	45° V-Twin, air-cooled
Engine displacement:	152 cubic inches with later choices of 115 or 128 cubic inches
Fuel distribution:	Mikuni carburetion
Frame:	1 1/2" tubular steel
Transmission/drivetrain:	6-speed, Viper right-side drive
Final drive:	Belt
Rear-end suspension:	Adjustable air-ride
Front-end suspension:	Marzocchi inverted cartridge forks
Tires:	Metzeler – 130mm front and 240mm rear
Brakes:	4-piston caliper both front and rear
Power rating ranges:	105-150 bhp and 110-170 ft.lbs. torque depending upon the displacement engine model

Viper Diamondback

The Viper Diamondback is a distinct model from our Diablo cruiser primarily due to its different styling features. It is longer and lower than the Diablo, providing it with a clearly distinguishable look compared to the Diablo. Most of the unique features and premium components used in the Diablo are also included in our Diamondback model. Suggested retail prices of our Diamondback line are expected to be approximately 10% more than Diablo cruisers with the same size V-Twin engine.

Viper Mamba

We have completed development of the Viper “Mamba,” a sleek and low-slung pro-street model with unique and aggressive styling features. We believe the Mamba will appeal to motorcyclists desiring an aggressive and unique look. We anticipate commencing commercial production and marketing of our Mamba model in the second half of 2008.

Viper Touring Bike

Utilizing our Diablo model as its platform, we recently also have almost completed development of a touring model of our Viper motorcycle line. This “bagger” model includes features emphasizing rider comfort for long distance travel and specialized permanent baggage or storage equipment for clothing and other travel provisions. We anticipate introducing our Viper touring model commercially by early 2009.

Viper Proprietary Engines

We have completed development and commercial production of our innovative proprietary engine technology. All viper motorcycles feature this proprietary 152 cubic inch V-Twin engine. We believe that having our own proprietary engines will distinguish us clearly and favorably from other upscale custom V-Twin competitors. Our proprietary V-Twin engines feature an all-billet aluminum construction including cases, heads, cylinders, rocker boxes and covers, and oil pump components.

Sales and Marketing

We will sell our motorcycles directly to our authorized Viper dealers. Our dealer network includes well-established, independent full-service dealers offering more than one motorcycle brand. We currently have 7 Viper dealers located primarily in Southern and Midwestern states, all of which are experienced in selling and servicing premium heavyweight V-Twin motorcycles. We will continue to recruit additional qualified Viper dealers to attain our goal of having a nationwide distribution network. Our near-term marketing focus will emphasize dealer recruitment in regions of the country where we lack dealer representation.

Our dealers must maintain full-service departments capable of providing quality V-Twin engine and drivetrain maintenance and repair. They also must be able to perform custom upgrade work on cruisers. Viper dealers enter into a written dealer agreement with us granting them a designated, non-exclusive location to sell Viper motorcycle products. Dealers have the exclusive right to use and display our Viper brand in their respective locations in connection with the sale of our products. They must be responsible for warranty services and general repair and maintenance services, maintain adequate working capital, and conduct material efforts toward promoting and selling Viper products. Dealer agreements are for a one-year term, and expire automatically unless renewed by us and consented to by the dealer.

We will conduct substantial ongoing marketing activities to support our dealer network and promote Viper products and brands to our customer base and to the general public. Our marketing and promotional efforts will include advertising in selected trade publications and motorcycle magazines, production and publication of sales

brochures, technical product documentation, and providing service and operational manuals for dealers and their customers. We also will participate in direct mail promotions to prospective customers, attend leading motorcycle trade shows and conventions including the annual Cincinnati V-Twin Expo for cruiser motorcycle dealers, and appear at popular motorcycle rallies such as Sturgis or other leading rallies. We also intend to institute material public relations efforts directed toward obtaining publication of articles on our company and its products in industry magazines and in newspapers and other publications available to the general public.

Dealer Floor Plan Financing

We have a written agreement with GE Commercial Distribution Finance Corporation (CDF) to provide floor plan financing to Viper dealers. Under this facility, we submit an invoice to CDF describing motorcycles we ship to a dealer if the dealer requests CDF floor plan financing. Provided CDF accepts the transaction, CDF will pay us 96.7% to 100% of the amount invoiced within 15 days of CDF's receipt of the invoice. We expect that most of our Viper dealers will purchase products from us financed by this CDF floor plan facility. Each Viper dealer must qualify independently with CDF to access this financing, and CDF is only obligated to finance products it has approved on a transactional basis. We expect virtually all of our dealers will qualify for CDF floor planning.

CDF's obligation to finance dealer purchases of Viper products is also subject to:

- our delivery of products to the dealer within 30 days of CDF's acceptance;
- receipt of a transaction number from CDF; and
- receipt by CDF of the invoice from us within 10 days of product delivery to the Viper dealer.

If for any reason CDF deems it necessary to repossess Viper products from a Viper dealer, we must repurchase them from CDF at the greater of the dealer unpaid balance or our original invoice price, regardless of the condition of the merchandise, and we also must pay any repossession expenses incurred by CDF. Our CDF floor plan financing facility may be terminated anytime by CDF or by us upon 30 days written notice to CDF.

Design and Development

We are committed to a substantial ongoing design and development program to:

- introduce new Viper motorcycle models on an annual basis;
- improve and enhance existing Viper models; and
- develop and produce or outsource production of ancillary Viper components and accessories for sale in the large custom cruiser aftermarket.

We believe our established design and development systems, our professional and motivated personnel, and other development equipment and capabilities will enable us to timely design and develop new Viper products as needed to satisfy the changing needs and tastes of the custom cruiser market. Our design and development operations are conducted primarily through our in-house development and engineering department located in our Big Lake, MN facility.

Manufacturing and Suppliers

Our manufacturing operations consist of in-house production of certain components and parts, assembly and polishing components, and conducting quality control of in-process and finished motorcycles. Motorcycle body, engine and electrical components and parts are outsourced for production to our specifications to various experienced manufacturers of motorcycle components, including engine components, fenders, gas tanks and

electrical harnesses and wiring. Other key components are purchased off-the-shelf from various independent manufacturers and distributors mostly located in the United States, including brake and suspension systems, handlebars, transmissions and clutches, drive belts, ignition starters, seats, tires and wheels, panel indicators, lights and batteries. Components manufactured by us in-house include motorcycle frames. Painting of our motorcycles is outsourced to two local painting companies skilled in custom motorcycle painting.

We have designed our quality control procedures and standards to include inspection of incoming components and adherence to specific work-in-process standards during motorcycle assembly. Periodic quality control inspections will be conducted at various stages of our assembly operations. Finished motorcycles will be subjected to performance testing under running conditions and to final quality inspection, including starting and operating each motorcycle by a dedicated test foreman.

We do not have, nor do we intend to enter into, any written agreements to obtain motorcycle components or parts. Other than our in-house production, we acquire our components and parts through individual purchase orders submitted to our vendors and manufacturers with lead times as needed to satisfy our ongoing production. Although we have identified, and in some cases contacted, alternative suitable sources for obtaining components not produced in-house, the loss of one or more of our major suppliers or manufacturers could cause material delays in our production operations and result in material harm to our business and financial condition.

Warranty Policy

We will provide a standard limited warranty for Viper products primarily covering parts and labor to repair or replace defective motorcycle components. Our warranty will cover unlimited mileage during an effective one-year term. Under our Viper dealer agreements, our dealers will conduct repairs on Viper products under warranty, for which we will reimburse dealers. Warranty repairs and replacements will be provided at no cost to the consumer.

Competition

The heavyweight motorcycle market is highly competitive, and most of our competitors have substantially greater financial, personnel, development, marketing and other resources than us, which puts us at a competitive disadvantage. Our major competitors have substantially larger sales volumes than we expect to ever realize and in most cases have greater business diversification. Our main competitor is Harley-Davidson, which for years has dominated the custom cruiser segment of the motorcycle marketplace. Other major competitors include Polaris with its Victory motorcycle brand, BMW, Honda, Suzuki, Yamaha, Kawasaki, Moto Guzzi, Ducati and Triumph. Direct competition in the upscale cruiser market includes Big Dog, American IronHorse, Bourget's Bike Works and others. We also compete with many small companies and sole proprietors who produce custom cruisers on a one-off basis using unbranded components. Due to the steady growth of cruiser-style motorcycles in recent years, we expect to encounter additional new competitors from time to time.

We believe that the principal competitive factors in our industry are styling, performance, quality, product pricing, durability, consumer preferences, marketing and distribution, brand awareness and the availability of support services. We cannot assure anyone that we will be able to compete successfully against current or future competitors or that the competitive pressures faced by us will not materially harm our operations, business and financial condition.

Intellectual Property

We hold a registered trademark for our Viper logo, and we have registered for trademark protection for the use of the term Viper in connection with motorcycles and motorcycle products. There is no assurance that we will receive trademark protection from the U.S. Patent and Trademark Office. If we cannot obtain an official registration of the Viper trademark, however, we believe we hold the right to continue using the Viper name and brand as it is now used by us for motorcycle products. We are aware of other users of the marks Viper and Diablo for various products, and there is no assurance one or more of these other users will not succeed in challenging our use.

We regard our development technology and proprietary know-how and assets as being very valuable to us, but we have no patent protection to date. We have filed certain patents relating to our V-Twin engines and certain other Viper motorcycle components with the U.S. Patent and Trademark Office. There is no assurance we will obtain any significant patent protection, however, and we intend to rely primarily upon a combination of trade secrets and confidentiality agreements to protect our intellectual property.

There is no assurance that any measures taken by us to protect our intellectual property will be sufficient or that such property will provide us with any competitive advantage. Competitors may be able to copy valuable features of our products or to obtain information we regard as a trade secret. We are currently not aware of any claims of patent infringement against us regarding our products.

Government Regulation

Motorcycles sold in the United States, European Union countries, Canada and other countries are subject to established environmental emissions regulations and safety standards. Viper motorcycles must be certified by the Environmental Protection Agency (EPA) for compliance with applicable emissions and noise standards and by the California Air Resources Board (CARB) with respect to California's more stringent emissions regulations. Motorcycles sold in California also are subject to certain tailpipe and evaporative emission requirements unique to California.

Motorcycles sold in the United States are also subject to the National Traffic and Motor Vehicle Safety Act and its rules promulgated and enforced by the National Highway Traffic Safety Administration (NHTSA). This safety act prohibits sale of any new motorcycle failing to conform to NHTSA safety standards, and also provides for remedying safety defects through product recalls. We are also required to recall motorcycles voluntarily if we determine a safety defect exists regarding Viper motorcycles. If the NHTSA or we determine a defect exists requiring a recall, the costs to us of such an event could be very substantial.

We are in the process of submitting our Viper cruisers and their V-Twin engines to the applicable governmental agencies to satisfy their certification requirements and standards. For this purpose, we have retained a leading certified motorcycle testing lab. We expect to incur material ongoing costs to comply with motorcycle safety and emissions requirements. As new laws and regulations are adopted, we will assess their effects on current and future Viper motorcycle products.

Employees

We currently employ 12 persons including our management, development, marketing and administrative personnel, all of whom are employed fulltime. We expect to hire 4-6 assembly and administrative personnel during 2008 to support our anticipated commercial production and sales of Viper cruisers. Other than these additional anticipated personnel, we do not anticipate needing any additional personnel during the next twelve months. None of our employees belongs to a labor union, and we consider our relationship with our employees to be good.

Item 2. Description of Property

The Company currently does not own any real estate. All development, production, marketing and administrative operations of the Company are conducted from its Big Lake, MN leased facilities.

Big Lake Facility

In February 2006 we entered into a written five-year lease to lease 36,000 square feet in a building in an industrial park in Big Lake, Minnesota about 30 miles northwest of Minneapolis. We have conducted all production, marketing and administrative operations and functions from this facility since moving there in 2006. Incident to our 2007 restructuring, we have reduced to 15,417 square feet the amount of space we lease at this Big Lake facility

through an amendment of the initial lease entered into with the Lessor. Our monthly payments for rental, utilities, taxes and other pro rata share of building expenses have been reduced from approximately \$25,000 monthly to \$14,000 monthly. Since we are not manufacturing certain engine and other components in-house as originally intended when we first occupied the Big Lake facility, we believe the reduced spaces are adequate to conduct all our business, production assembly and development operations for the foreseeable future.

The Company owns considerable development and production equipment, computer and office equipment, and business vehicles, all of which have cost it approximately \$750,467 since its inception in November 2002.

Item 3. Legal Proceedings

The Company is not a party to any material or administrative lawsuit, action or other legal proceeding, and the Company is not aware of any such threatened legal proceeding. Moreover, none of the property of the Company is subject to any pending or threatened legal proceeding. No director, officer, affiliate or shareholder of the Company is a party to any pending or threatened legal proceeding adverse to the Company, nor do any of these persons hold any material interest adverse to the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders of the registrant during the fourth quarter of the past fiscal year ended December 31, 2007.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Market Information

The Company's common stock is traded in the over-the-counter (OTC) market and since March 12, 2007 has been quoted on the OTC Bulletin Board under the symbol "VPWS." Prior thereto, it was quoted on the Pink Sheets quotation system under the same symbol. The range of high and low bid prices of the Company's common stock, as reported by Pink Sheets and Bulletin Board quotation systems, are as follows. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions.

Period	High Price(Bid)	Low Price (Bid)
April – June, 2006	\$ 5.00	\$ 2.50
July – September, 2006	\$ 4.60	\$ 1.25
October – December, 2006	\$ 1.75	\$.75
January – March 2007	\$ 2.49	\$.70
April – June, 2007	\$ 2.20	\$ 1.28
July – September, 2007	\$ 2.20	\$.91
October – December, 2007	\$ 1.35	\$.65
January – March 30, 2008	\$ 1.14	\$.59

The closing sales price of our common stock on March 30, 2008 was \$.90 per share.

Shareholders

As of March 30, 2008, there were 500 shareholders of record holding common stock of the Company.

Dividends

The Company has never declared or paid any cash dividends on its common stock, and does not anticipate paying any cash dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The Company has no established equity compensation plans for the issuance of common stock as payment for employees, consultants or other parties. The Company has utilized its common stock for equity compensation from time to time on a transactional basis. In the future, the Company most likely will establish some type of an equity compensation plan to provide incentive to current or future employees and others material to the Company's business.

There were no issuer repurchases by the registrant during the fiscal year ended December 31, 2007.

Equity Securities Sold by the Registrant

Following are all equity security transactions during the fiscal quarter ended December 31, 2007 involving sales not registered under the Securities Act:

In October 2007 the Company sold a total of 838,333 common shares of the Company in a private placement to four accredited investors at \$.75/share, for a total consideration of \$628,750.

In December 2007 the company sold a total of 83,332 units valued at \$1.50/unit to two accredited investors for a total consideration of \$125,000. Each unit consist of two shares of common stock and one callable warrant to purchase one share of the companys common stock.

Based on the manner of issuance of all the foregoing equity security transactions, they were private placements and not in the nature of a public offering, and the Company believes they were exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. All of the persons receiving securities of the Company in the foregoing transactions received legended certificates for such securities which clearly stated the securities could not be resold, transferred or otherwise disposed of unless registered under applicable securities laws or exempt from registration under a satisfactory securities exemption.

Item 6. Management's Discussion and Analysis and Plan of Operation.

Forward-Looking Statements

This Annual Report on Form 10-KSB contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. Forward-looking statements sometimes include the words "may," "will," "estimate," "intend," "continue," "expect," "anticipate" or other similar words. Statements expressing expectations regarding our future and projections we make relating to products, sales, revenues and earnings are typical of such statements.

All forward-looking statements are subject to the risks and uncertainties inherent in attempting to predict the future. Our actual results may differ materially from those projected, stated or implied in our forward-looking statements as a result of many factors, including, but not limited to, our overall industry environment, customer and dealer acceptance of our products, effectiveness of our dealer network, failure to develop or commercialize new products, delay in the introduction of products, regulatory certification matters, production and/or quality control problems, warranty and/or product liability matters, competitive pressures, inability to raise sufficient working capital, general economic conditions and our financial condition.

Our forward-looking statements speak only as of the date they are made by us. We undertake no obligation to update or revise any such statements to reflect new circumstances or unanticipated events as they occur, and you are urged to review and consider all disclosures we make in this and other reports that discuss risk factors germane to our business.

The following discussion should be read in conjunction with our audited consolidated financial statements and related notes included in this registration statement. These financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP).

Results of Operations for the Fiscal Year Ended December 31, 2007 Compared to the Fiscal Year Ended December 31, 2006.

Revenues. We reported negative revenue of \$(48,745) in 2006 due to product returns related to certain sales of a product discontinued in 2004, compared to revenue of \$178,717 in 2007 represented by the sale of motorcycles and motorcycle parts.

Gross Profit. Cost of revenues in 2007 was \$72,827, which resulted in a gross profit for 2007 of \$105,890. There is no meaningful comparison to 2006 since commercial operations had not commenced in 2006.

Research and Development. Research and development costs were not materially different in 2007 compared to 2006, being \$983,864 in 2006 and \$944,468 in 2007.

Selling, General and Administrative Expenses. Selling, general and administrative costs decreased \$854,611 to \$1,469,876 in 2007 from \$2,324,487 in 2006, due both to personnel reductions and reduced marketing expenses in 2007.

Loss from Impairment of Assets. Engine technology assets of \$7,371,689 were written off in 2006 as compared to no impairment loss during 2007.

Loss from Operations. Operational losses were \$2,308,454 in 2007 compared to \$10,732,164, for 2006. This decrease in 2007 of \$8,423,710 was due to an engine impairment expense of \$7,371,689 taken in 2006 as well as improved operational efficiencies in 2007 compared to 2006.

Interest Expense. Interest expense decreased by \$543,230 to \$73,415 in 2007 compared to \$616,645 in 2006, which decrease was substantially due primarily to significant conversion of outstanding debt to equity incident to our early 2007 reorganization.

Plan of Operation

Our long-term business strategy or goal is to become a leading developer and supplier of premium V-Twin heavyweight motorcycles, V-Twin engines, and ancillary motorcycle aftermarket products. In implementing this strategy, we intend to execute the following matters for the next twelve months:

Commercialize the Diablo and Diamondback – Our primary focus during 2008 will be to complete establishing permanent production operations for our motorcycle products to be manufactured by us effectively on a commercial scale. We have completed a production assembly line including shelving, railings and individual station equipment necessary for efficient factory production operations. We also have obtained all vendors, suppliers or subcontract third parties needed for obtaining components, parts and raw materials for our motorcycles and having them painted after assembly, and we will continue to identify and obtain alternate sources for material components.

Continue Design and Development – We will complete development and testing of our Mamba, chopper and touring models to offer them commercially as soon as possible.

Expansion of Distribution Network – We will continue to identify and recruit qualified independent motorcycle dealers to become Viper dealers until we achieve our goal of having a nationwide network of Viper dealers. We will only select full-service dealers which we determine possess a successful V-Twin motorcycle sales history, a solid financial condition, a good reputation in the industry, and a definite desire to sell and promote Viper products. We also intend to recruit and retain one or more Canadian motorcycle dealers to sell our products. Moreover, in 2009 we intend to commence initial efforts to enter overseas foreign markets including identifying effective overseas motorcycle distributors and attracting them to our products and Viper brand.

Expansion of Sales and Marketing Activities – We will continue and expand upon our marketing activities which are primarily focused toward supporting our dealer network and building Viper brand awareness. We will participate in leading consumer and dealer trade shows, rallies and other motorcycle events. We also will engage in ongoing advertising and promotional activities to develop and enhance the visibility of our Viper brand image.

Market and Sell Ancillary Viper Products – Later in 2008, we intend to commence marketing and sales of a variety of ancillary products under our Viper brand, particularly in the large custom cruiser aftermarket. We expect our primary aftermarket sales will be our line of powerful Viper V-Twin engines, and by 2009 we anticipate obtaining substantial revenues from Viper engine sales in this active aftermarket. We also intend to develop and offer for sale certain billet parts and components to be manufactured by us in-house. We also will outsource production of ancillary Viper items from third-party suppliers including various motorcycle parts and accessories, collectibles, and other Viper branded merchandise. For example, we have recently obtained a source to provide us with a line of Viper branded apparel. Our ancillary Viper products will be sold through multiple marketing channels including Viper dealers, independent aftermarket catalogs and our website.

Liquidity and Capital Resources

Since our inception, we have financed our development, capital expenditures and working capital needs through the sale and issuance of our capital stock or through loans from our principal shareholders. Financing through issuance of our common or preferred stock has included private placements for cash, common stock issued for employee compensation and consulting services, common stock issued to satisfy accounts payable, and common and preferred stock issued to convert outstanding loans and other liabilities into capital stock of our company. We have raised a total of approximately \$8.3 Million through the sale of our common stock in private placements, and at least \$3.5 Million in loans from our management or principal shareholders.

We have also relied on satisfying substantial employee compensation, consulting fees, product development, marketing and administrative expenses directly through issuance of our common stock. From inception through the end of 2006, we paid a total of approximately \$3.0 Million for such expenses with our common stock.

As of December 31, 2007, we had cash resources of \$2,110, total current liabilities of \$806,291 and a negative working capital position of (\$176,370).

Future Liquidity

Based on our current cash position along with our production inventory financing facility, we believe we will be able to fund our ongoing operations until the summer of 2008. To provide working capital thereafter, we need to obtain substantial additional financing through loans and/or sales of our equity securities. Although we believe such additional financing will be available to us as needed, there is no assurance we will raise any such additional funds on terms acceptable to us, or at all, or that any future financing transactions will not be dilutive to our stockholders.

If we are unable to raise additional funds as needed, we will be required to curtail significantly, or may even cease, our ongoing and planned operations. Our future liquidity and capital requirements will be influenced materially by various factors including the extent and duration of our future operating losses, the level and timing of future sales and expenses, market acceptance of our motorcycle products, regulatory and market developments in our industry, and general economic conditions.

The report of our independent registered accounting firm for our audited financial statements included in this registration states that there is substantial doubt about the ability of our business to continue as a going concern. Accordingly, our ability to continue our business as a going concern is in question.

Critical Accounting Policies

The preparation of our financial statements requires us to make estimates and judgments affecting our reported amounts of assets, liabilities, revenues and expenses, and related disclosures. On an ongoing basis, we will evaluate these estimates and judgments, which are based on historical experience, observance of industry trends, information from dealers and motorcycle enthusiasts, and certain assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Our management believes the following accounting policies affect its more significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition – Our sales since inception have all been to dealers. We recognize revenue for sales to dealers when the following has occurred:

- motorcycle products are delivered, which is upon shipment;
- title to products passes to the dealer, also upon shipment;
- collection is reasonably assured; and
- the sales price is fixed or determinable.

We also account for expenses of shipping costs, rebates and sales incentive costs when our products are shipped, resulting in our revenue recognition being net of such expenses.

We provide a floorplan financing program to our dealers through a written agreement with a leading finance company which requires us to repurchase any products repossessed from our dealers by the finance company, including any costs related to the repossession. Regarding revenue recognition for dealers who take advantage of our dealer floorplan facility, we have established a reserve allowance for the estimated liability related to such repossessions. We will review this repurchase allowance on a quarterly basis, and to the extent current experience differs materially with previous allowance estimates, we will make appropriate adjustments. Our dealer agreement provides the dealer has no right of return unless the return is authorized by us.

Product Warranties – We account for estimated warranty costs at the time of product shipments based on our best estimate using historical data and trends, and we have established a warranty liability reserve account for our estimated warranty costs. We will make subsequent adjustments to our warranty estimates as actual claims become known or the amounts are determinable. Our warranty obligation is affected by various factors such as product failure rates, service costs incurred to correct product failures and defects, and any recalls of our motorcycles. Current estimates of warranty costs could differ materially from what will actually transpire in the future.

Valuation and Control of Inventory – Our inventory is valued at the lower of cost, determined on a first-in, first-out basis (FIFO), or market. We analyze the cost and market value of inventory items on a quarterly basis in order to maintain and update our inventory valuation reserve for obsolete, discontinued or excess inventory. Our inventory reserve will be based on historical experience and current product demand, and will be increased as necessary to reflect any slow moving, discontinued or obsolete inventory. We do not believe our inventories will be subject to rapid obsolescence.

Inventories of motorcycle components and raw materials represent a large percentage of our tangible assets, and we expect this percentage to increase substantially in the future. We have established an enclosed and secure “cage” area in our facility for storage and recording of our component and raw material inventories immediately upon their delivery to us. We also employ an inventory control manager dedicated to and responsible for safeguarding, monitoring and recording our inventory assets. All incoming and outgoing items to and from our cage area are recorded upon their movement in or out of the cage.

Stock-Based Compensation – We expense stock-based compensation issued to our employees, contractors, consultants or others providing goods and services to us. The fair value of our securities issued for goods or services are expensed over the period in which we receive the related goods or services. Equity instruments which have been

issued by us for goods and services have been for common shares or common stock purchase warrants. These securities are fully vested, non-forfeitable, and fully paid or exercisable at the date of grant. Regarding our option and warrant grants, their fair values have been determined by us using the Black-Scholes model of valuation.

For the purpose of determining issuances of our common stock for goods and services and the exercise prices of our options or warrants, we have based the value of our common stock primarily on the offering price used in our most recent private placement to the grant date of such securities. Offering prices with respect to our private placements have been based on various factors including arms' length negotiations with unaffiliated representatives of private investors or independent placement agents and our valuation beliefs based on the development of our company and motorcycle products at the respective times of the private placements.

Impairment – Soon after the end of each fiscal year and each interim quarter, we will conduct a thorough impairment evaluation of our engine development technology and any other material intangible assets. If the results of any such impairment analysis indicates our recorded values for any such assets have declined a material amount, we will adjust our recorded valuations on a discounted cash flow basis to reflect any such decline in value in all our financial statements.

Off-Balance Sheet Arrangements

Other than a guarantee of our floor plan financing by a principal shareholder and another guaranty of our bank credit facility by one of our directors, we have no off-balance sheet arrangements.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (“FASB”) issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment to FASB Statement No. 115”. This statement permits companies to choose to measure many financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement of accounting for financial instruments. This statement applies to all entities, including not for profit. The fair value option established by this statement permits all entities to measure eligible items at fair value at specified election dates. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is currently assessing the impact adoption of SFAS No. 159 will have on its consolidated financial statements.

In December 2006, the FASB issued SFAS No. 157 “Fair Value Measurements,” which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. The statement clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability; that is, the principal or most advantageous market for the asset or liability. It also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and that market participant assumptions include assumptions about risk and effect of a restriction on the sale or use of an asset. The provisions are effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of the statement.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations”, SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements.” These statements aim to improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements.

The provisions of SFAS No. 141 (R) and SFAS No. 160 are effective for our fiscal year beginning January 1, 2009. The Company is currently assessing the impact of these statements.

None of these recently issued pronouncements are expected to have a material impact on the company's financial reporting.

Risk Factors

Our business and any related investment in our common stock or other securities involves many significant risks. Any person evaluating our company and its business should carefully consider the following risks and uncertainties in addition to other information in this registration statement. Our business, operating results and financial condition could be seriously harmed due to one or more of the following risks.

Because of our early stage commercial status and the nature of our business, our securities are highly speculative.

Our securities are speculative and involve a high degree of risk and there is no assurance we will ever generate any material commercial revenues from our operations. Moreover, we do not expect to realize any material profits from our operations in the short term. Any profitability in the future from our business will be dependent upon realizing production and sales of our motorcycle products in material commercial quantities, which there is no assurance will ever happen.

We have a limited operating history primarily involved in product development, and we have only generated limited commercial revenues to date.

From our inception in late 2002 through December 31, 2007, we have experienced cumulative losses of approximately \$28 Million, and we will continue to incur losses until we produce and sell our motorcycle products in sufficient volume to attain profitability, which there is no assurance will ever happen. Our operations are particularly subject to the many risks inherent in the early stages of a business enterprise and the uncertainties arising from the lack of a commercial operating history. There can be no assurance that our business plan will prove successful.

Our business plan will encounter serious delays or even result in failure if we are unable to obtain significant additional financing when needed, since we are required to make significant and continuing expenditures to satisfy our future business plan.

Our ability to become commercially successful will depend largely on our being able to continue raising significant additional financing. If we are unable to obtain additional financing through equity or debt sources as needed, we would not be able to succeed in our commercial operations which eventually would result in a failure of our business.

Our ability to generate future revenues will depend upon a number of factors, some of which are beyond our control.

These factors include the rate of acceptance of our motorcycle products, competitive pressures in our industry, effectiveness of our independent dealer network, adapting to changes in the motorcycle industry, and general economic trends. We cannot forecast accurately what our revenues will be in future periods.

We have very limited experience in commercial production or sales of our products.

Our operations have been limited primarily to designing and developing our products, testing them after development, establishing our initial distribution network of independent dealers, obtaining suppliers for our components, outsourcing future production of certain components, and reorganizing our company. These past activities only provide a limited basis to assess our ability to commercialize our motorcycle products successfully.

We have limited experience in manufacturing motorcycle products.

Our motorcycles must be designed and manufactured to meet high quality standards in a cost-effective manner. Because of our lack of experience in manufacturing operations, we may have difficulty in timely producing or outsourcing motorcycle products in a volume sufficient to cover orders from our dealers. Any material

manufacturing delays could frustrate dealers and their customers and lead to a negative perception of Viper products or our company. If we are unable to manufacture effectively in terms of quality, timing and cost, our ability to generate revenues and profits will be impaired.

We depend upon a limited number of outside suppliers for our key motorcycle parts and components.

Our heavy reliance upon outside vendors and suppliers for our components involves risk factors such as limited control over prices, timely delivery and quality control. We have no written agreements to ensure continued supply of parts and components. Although alternate suppliers are available for our key components, any material changes in our suppliers could cause material delays in production and increase production costs. We are unable to determine whether our suppliers will be able to timely supply us with commercial production needs. There is no assurance that any of our vendors or suppliers will be able to meet our future commercial production demands as to volume, quality or timeliness.

We will be highly dependent upon our Viper distribution network of independent motorcycle dealers.

We depend upon our Viper dealers to sell our products and promote our brand image. If our dealers are unable to sell and promote our products effectively, our business will be harmed seriously. We currently have agreements with only seven dealers. We must continue to recruit and expand our dealer base to satisfy our projected revenues. If we fail to timely obtain new dealers or maintain our relationship with existing dealers effectively, we could be unable to achieve sufficient sales to support our operations.

Our dealers are not required to sell our products on an exclusive basis and also are not required to purchase any minimum quantity of Viper products. The failure of dealers to generate sales of our products effectively would impair our operations seriously and could cause our business to fail.

We also depend upon our dealers to service Viper motorcycles. Any failure of our dealers to provide satisfactory repair services to purchasers of Viper products could lead to a negative perception of the quality and reliability of our products.

Sales of Viper motorcycles are substantially dependent upon our ability to provide and maintain a source of reliable "floor plan" financing to our dealers.

We have a significant agreement with a leading financial institution to provide floor plan financing to our dealers for their purchase of Viper products. Under this floor plan facility, we will receive payment for our motorcycles upon their shipment to our dealers. If we are unable to continue effective floor plan financing for our dealers, they would have to pay cash or obtain other financing to purchase Viper products, which most likely would result in substantially lower sales of our products, and lack of sufficient cash flow to support our business.

We will face significant challenges in obtaining market acceptance of Viper products and establishing our Viper brand.

Our success depends primarily on the acceptance of our products and the Viper brand by motorcycle purchasers and enthusiasts. Virtually all potential customers are not familiar with or have not seen or driven Viper motorcycles. Acceptance of our products by motorcyclists will depend on many factors including price, reliability, styling, performance, uniqueness, service accessibility, and our ability to overcome existing loyalties to competing products.

Our business model of selling Viper motorcycles to upscale purchasers at premium prices may not be successful.

Sales of our premium motorcycle products are targeted toward a limited number of upscale purchasers willing to pay a higher price for Viper products. Suggested retail prices of our motorcycles will be considerably higher than

most premium models of our competitors. If we are unable to attract and obtain sufficient motorcyclists willing to pay the higher prices of our products, our business model would not succeed and our business would likely fail.

We may experience significant returns or warranty claims.

Since we have a minimal history of commercial sales of our products, we have no material data regarding the performance or maintenance requirements of Viper products. Accordingly, we have no basis on which we can currently predict warranty costs. If we experience significant warranty service requirements or product recalls, potential customers may not purchase our products. Any significant warranty service requirements or product recalls would increase our costs substantially and likely reduce the value of our brand.

Our exposure to product liability claims could harm us seriously.

Given the nature of motorcycle products, we expect to encounter product liability claims against us from time to time for personal injury or property damage. If such claims become substantial, our brand and reputation would be harmed seriously. These claims also could require us to pay substantial damage awards.

Although we intend to obtain adequate product liability insurance, we may be unable to obtain coverage at a reasonable cost or in a sufficient amount to cover future losses from product liability claims. Any successful claim against us for uninsured liabilities or in excess of insured liabilities would most likely harm our business seriously.

Our success will be substantially dependent upon our current key employees and our ability to attract, recruit and retain additional key employees.

Our success depends upon the efforts of our current executive officers and other key employees, and the loss of the services of one or more of them could impair our growth materially. If we are unable to retain current key employees, or to hire and retain additional qualified key personnel when needed, our business and operations would be adversely affected substantially. We do not have "key person" insurance covering any of our employees, and we have no written employment agreement with a key employee.

Our success depends substantially on our ability to protect our intellectual property rights, and any failure to protect these rights would be harmful to us.

The future growth and success of our business will depend materially on our ability to protect our trademarks, trade names and any future patent rights, and to preserve our trade secrets. We hold trademark rights for our logo design and we have applied for certain additional trademark protection. There is no assurance, however, that any future or current trademark registrations will result in a registered and protectable trademark. Moreover, there is no assurance that challenges to our brands and marks will not be successful. If one or more challenges against us are successful, we could be forced to discontinue use of our motorcycle brands, which would cause serious harm to our business and brand image.

We have applied for various patents covering unique features of both our motorcycles and our V-Twin engines, but we do not expect to obtain any significant patent protection. We will rely mainly upon trade secrets, proprietary know-how, and continuing technological innovation to compete in our market. There is no assurance that our competitors will not independently develop technologies equal to or similar to ours, or otherwise obtain access to our technology or trade secrets. Our competitors also could obtain patent rights that could prevent, limit or interfere with our ability to manufacture and market our products. Third parties also may assert infringement claims against us, which could cause us to incur costly litigation to protect and defend our intellectual property rights. Moreover, if we are judged to have infringed rights of others, we may have to pay substantial damages and discontinue use of the infringing product or process unless they are re-designed to avoid the infringement. Any claim of infringement against us would involve substantial expenditures and divert the time and effort of our management materially.

We will face intense competition from existing motorcycle manufacturers already well established and having much greater customer loyalty and financial, marketing, manufacturing and personnel resources than us.

In our premium heavyweight motorcycle market, our main competitor is Harley-Davidson Inc. which dominates the market for V-Twin cruiser motorcycles. Other significant competitors include Suzuki, Honda, Yamaha, Kawasaki, Ducati, Triumph, BMW, Moto Guzzi and Polaris with its Victory motorcycle line. We also face

particularly direct competition from a number of V-Twin custom cruiser manufacturers concentrating on the same upscale market niche where we are situated, including Big Dog, American IronHorse, Bourget's Bike Works and others. Additional competition exists from the numerous small companies and individuals throughout the country which build "one-off" custom cruisers from non-branded parts and components available from third parties. We also expect additional competitors to emerge from time to time in the future. There is no assurance that we will be able to compete successfully against current and future competitors.

Introduction of new models of motorcycles by our competitors could materially reduce demand for our products.

Products offered in our industry often change significantly due to product design and performance advances, safety and environmental factors, or changing tastes of motorcyclists. Our future success will depend materially on our ability to anticipate and respond to these changes. If we cannot introduce acceptable new models on a regular basis or if our new models fail to compete effectively with those of our competitors, our ability to generate revenues or achieve profitability would be impaired substantially.

Purchase of recreational motorcycles is discretionary for consumers, and market demand for them is influenced by factors beyond our control.

Viper motorcycles represent luxury consumer products and accordingly market demand for them depends on a number of economic factors affecting discretionary consumer income. These factors are beyond our control and include employment levels, interest rates, taxation rates, consumer confidence levels, and general economic conditions. Adverse changes in one or more of these factors may restrict discretionary consumer spending for our products and thus harm our growth and profitability.

Viper motorcycles also must compete with other powersport and recreational products for the discretionary spending of consumers.

Our business is subject to seasonality which may cause our quarterly operating results to fluctuate materially.

Motorcycle sales generally are seasonal in nature since consumer demand is substantially lower during colder seasons in North America. We may endure periods of reduced revenues and cash flows during off-season periods, requiring us to lay off or terminate employees from time to time. Seasonal fluctuations in our business could cause material volatility in the public market price of our common stock.

When we sell our products in international markets, we will encounter additional factors which could increase our cost of selling our products and impair our ability to achieve profitability from foreign business.

Our marketing strategy includes future sales of Viper products internationally, which will subject our business to additional regulations and other factors varying from country to country. These matters include export requirement regulations, foreign environmental and safety requirements, marketing and distribution factors, and the effect of currency fluctuations. We also will be affected by local economic condition in international markets as well as the difficulties related to managing operations from long distances. There is no assurance we will be able to successfully market and sell Viper products in foreign countries.

We must comply with numerous environmental and safety regulations.

Our business is governed by numerous federal and state regulations governing environmental and safety matters with respect to motorcycle products and their use. These many regulations generally relate to air, water and noise pollution and to motorcycle safety matters. Compliance with these regulations could increase our production costs, delay introduction of our products and substantially impair our ability to generate revenues and achieve profitability.

Use of motorcycles in the United States is subject to rigorous regulation by the Environmental Protection Agency (EPA), and by state pollution control agencies. Any failure by us to comply with applicable environmental requirements of the EPA or relevant state agencies could subject us to administratively or judicially imposed sanctions including civil penalties, criminal prosecution, injunctions, product recalls or suspension of production.

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Motorcycles and their use are also subject to safety standards and rules promulgated by the National Highway Traffic Safety Administration (NHTSA). We could suffer harmful recalls of our motorcycles if they fail to satisfy applicable safety standards administered by the NHTSA.

We do not intend to pay any cash dividends on our common stock.

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future.

The price of our common stock may be volatile and fluctuate significantly in our over-the-counter trading market, and an investor's shares could decline in value.

Our common stock trades in the over-the-counter (OTC) market, and has not experienced a very active trading market. There is no assurance a more active trading market for our common stock will ever develop, or be sustained if it emerges. Unless an active trading market is developed for our common stock, it will be difficult for shareholders to sell our common stock at any particular price or when they wish to make such sales.

The market price of our common stock may fluctuate significantly, making it difficult for any investor to resell our common stock at an attractive price or on reasonable terms. Market prices for securities of early stage companies such as us have historically been highly volatile due to many factors not affecting more established companies. Moreover, any failure by us to meet estimates of financial analysts is likely to cause a decline in the market price of our common stock.

Our current management and principal shareholders control our company, and they may make material decisions with which other shareholders disagree.

Our executive officers and directors and principal shareholders affiliated with them own a substantial majority of our outstanding capital stock. As a result, these persons acting as a group have the ability to control transactions requiring stockholder approval, including the election or removal of directors, significant mergers or other business combinations, changes in control of our company, and any significant acquisitions or dispositions of assets.

Additional shares of our authorized capital stock which are issued in the future will decrease the percentage equity ownership of existing shareholders, could also be dilutive to existing shareholders, and could also have the effect of delaying or preventing a change of control of our company.

Under our Articles of Incorporation, we are authorized to issue up to 100,000,000 shares of common stock and 20,000,000 shares of preferred stock. Our board of directors has the sole authority to issue remaining authorized capital stock without further shareholder approval. To the extent that additional authorized preferred or common shares are issued in the future, they will decrease existing shareholders' percentage equity ownership and, depending upon the prices at which they are issued, could be dilutive to existing shareholders.

Issuance of additional authorized shares of our capital stock also could have the effect of delaying or preventing a change of control of our company without requiring any action by our shareholders, particularly if such shares are used to dilute the stock ownership or voting rights of a person seeking control of our company.

Item 7. Financial Statements.

The information required by this Item 7 is included in this Annual Report as a separate section following the Signature page and commencing on page F-1.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

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Item 8A. Controls and Procedures.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of our disclosure controls and procedures in accordance with Rule 13a-15 under the Securities Exchange Act of 1934. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by Viper Powersports Inc. in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 8B. Other Information.

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

The directors of the Company serve until their successors are elected and shall qualify. Executive officers are elected by the Board of Directors and serve at the discretion of the directors. There are no family relationships among our directors and executive officers.

<u>Name</u>	<u>Age</u>	<u>Position</u>
John R. Silseth II	44	Chief Executive Officer and Co-founder
John Lai	45	President, Co-founder and Director
Robert O. Knutson	71	Director and Secretary
Jerome Posey	59	Chief Financial Officer and Treasurer
Terry L. Nesbitt	58	Director
Robert Van Den Berg	73	Director
Duane Peterson	58	Director

JOHN R. SILSETH II is a co-founder and Chief Executive Officer of the Company. Through his wholly-owned company, Racing Partners Management Inc., Mr. Silseth has provided consulting and financing services to the Company since its 2002 inception, and he also is a principal shareholder of the Company. Through Racing Partners Management Inc., Mr. Silseth also has provided consulting services to various early-stage or start-up businesses during the past ten years.

JOHN LAI has been a director of the Company since its inception in 2002, and he also served as our President since January 2005. Since 1992, Mr. Lai has owned and operated Genesis Capital Group, Inc., a provider of corporate development and venture capital consulting. From 1996 to 1998, he was Chief Financial Officer and a director of Buyitnow.com, Inc., an internet retailer.

ROBERT O. KNUTSON has been a director of the Company since February 2005, and he has been Secretary of the Company since its 2002 inception. Mr. Knutson has practiced law in the Minneapolis metropolitan area as a sole practitioner since 1971, and prior thereto he was an associate attorney with the Minneapolis law firm of Dorsey & Whitney. Mr. Knutson is also a director of Wind Energy America Inc., a publicly held wind power company.

JEROME POSEY has been the Chief Financial Officer of the company since November 2005. From December 2001 until October 2005, Mr. Posey was Vice President/ Finance & Chief Financial Officer of Intravantage Inc., which manufactured a drug delivery device for the dental industry. From 1997 to November 2001, he was the Chief Financial Officer and Shareholder of Robin Lee's, Inc., a retailer of collectibles, home decor and greeting cards.

TERRY L. NESBITT has been a director of the Company since February 2005, and he currently is Executive Vice President of Adley Moto LLC, a manufacturer of ATV's. Until January 2007, Mr. Nesbitt was our Executive Vice President of Sales and Marketing of the Company, since our inception in 2002. During 2001 and most of 2002, Mr. Nesbitt was an independent consultant in the motorcycle industry. Prior to 2001, he served in several key sales management positions over a fifteen-year period with Polaris Industries Inc., including national sales manager for Polaris' line of Victory V-Twin cruiser motorcycles.

ROBERT VAN DEN BERG has been a director of the Company since January 2007. Since 1969 he was the principal owner and Chief Executive Officer of Comstrand Inc. until its recent sale in 2006 when it had attained annual sales of \$50 million. Mr. Van Den Berg also has owned and sold several other successful companies over the past years, and he currently is engaged in certain real estate development activities.

DUANE PETERSON has been a director of the Company since January 2007. He is a founder of Peterson, Beyenhof & Zahler, Ltd. and has been a principal CPA with this accounting firm since 1978. Mr. Peterson has extensive experience in business and financial consulting, complex tax accounting, and tax and financial planning for many corporate and individual clients.

Audit Committee

We do not have a separately designated audit committee, but rather our entire Board of Directors serves as our audit committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Based upon a review of copies of reports furnished to us during our fiscal year ended December 31, 2006, which reports are filed under Section 16(a) of the Securities Exchange Act of 1934, we know of no director, officer, or beneficial owner of more than 10% of our common stock who failed to file on a timely basis any report required by Section 16(a).

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive officer, our principal financial and accounting officer, or persons performing similar functions. We will provide any person without charge who requests, a copy of our Code of Ethics. Any copy requests may be directed to Viper Powersports Inc., 19950 177th St., Suite F, Big Lake, MN 55309, attention John Lai, or by calling (763) 263-5700.

Item 10. Executive Compensation

The following table sets forth the executive compensation of the executive officers of the Company during the two fiscal years ended December 31, 2006 and 2007.

SUMMARY COMPENSATION TABLE

Name and Position	Year	Salary (\$)	Stock Awards (\$)	Shares Underlying Options (#)
John Silseth Chief Executive Officer ¹	2007	\$	102,000 \$	150,000 ²
	2006	\$	102,000	—

John Lai President	2007 \$	63,000	150,000 ¹	—
	2006 \$	84,000		—
Terry Nesbitt, Vice President	2007 \$	0	—	—
	2006 \$	111,260	—	

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- (1) Mr. Silseth receives his compensation through consulting payments made to his wholly-owned corporation. See “Certain Relationships and Related Transactions.”
- (2) These 2007 stock grants to Messrs. Silseth and Lai were each for 150,000 common shares valued at \$.75 per share at the date of the grant, none of which have been executed.

Options/SAR Grants

The Company did not issue any stock options or SAR grants in fiscal 2006. None of the stock options issued by the Company since its inception have been exercised. The following tables contain certain information relating to unexercised options.

Aggregated Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values					
Name	Shares Acquired	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#)		Value of Unexercised In-the-Money Options/SARs at FY-End (\$)
			Exercisable/Unexercisable		Exercisable/Unexercisable
Terry Nesbitt	-0-	-0-	125,000/0		\$ 0/0

Compensation of Directors

The Company compensated its four non-employee directors for their services as a director during 2007 on the basis of \$10,000 per non-employee director.

Employment Contracts and Change-in-Control Arrangements

The Company currently has no written employment contracts with its management or other employees. The Company also does not have any change-in-control arrangements with any person. The Company also does not have any plans, arrangements or understandings to pay any accrued earnings in the future.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stock Matters.

The following table sets forth as of March 30, 2008 certain information regarding beneficial ownership of the common stock of the Company by (a) each person or group known by the Company to be the beneficial owner of more than 5% of the outstanding common stock of the Company, (b) each director and executive officer of the Company, and (c) all directors and executive officers of the Company as a group. Each shareholder named in the below table has sole voting and investment power with respect to shares of common stock shown in the table. Shares underlying any options or warrants included in the table are all currently exercisable. Unless otherwise indicated, the address of each listed shareholder is 19950 177th St., Suite F, Big Lake, MN 55309. This table is based on 19,368,314 common shares outstanding on March 30, 2008.

<u>Shareholder</u>	<u>Shares Owned Beneficially</u>	<u>Percent of Class</u>
Title of Class – Common Stock		
John Lai	921,666	4.8%
Terry L. Nesbitt ⁽¹⁾	425,000	2.2%
Robert O. Knutson	249,353	1.3%
John R. Silseth II	2,028,471	10.5%
Robert Van Den Berg	160,000	.8%
Duane Peterson	5,000	–
David Palmlund III ⁽²⁾ 5323 Swiss Avenue Dallas, TX 75214	4,903,509	25.3%
<hr/>		
All directors and officers as a group (6 persons) ⁽³⁾	3,740,752	19.3%

(1) Includes an aggregate of 335,000 shares underlying warrants and an option.

(2) Includes 125,000 shares underlying options.

Item 12. Certain Relationships and Related Transactions.

Following are any material transactions during the past two years between the Company and any of its directors, executive officers, and principal shareholders:

Private Placements

In connection with certain private placements of our common stock, related parties have participated on the same terms as unrelated parties, including the following:

December 2006 – March 2007 — Related parties purchased a total of 70,000 shares at \$.75 per share including 50,000 shares by John Lai (our President), 20,000 shares by Robert Van Den Berg (one of our directors).

Loans From Related Parties

From December 2003 through August 2004, David Palmlund III, a principal shareholder, loaned the Company a total of \$2 Million, for which he received various notes bearing interest rates from 10% to 35% and having maturity dates from August 2004 to September 2005. All of this Palmlund debt was outstanding as of December 31, 2004. In early 2005, Mr. Palmlund converted all of this debt except \$150,000 (which continued to be held as a Note), including accrued interest, at \$2.50 per share into 740,000 shares of preferred stock of the Company and 64,635 common shares of the Company.

From time to time, related parties other than Mr. Palmlund have made substantial cash advances or loans to the Company for working capital purposes. These related party lenders have included our President (John Lai), our Managing Director (John Silseth), one of our directors (Robert Van Den Berg) and a principal shareholder (Gary Lowenthal). For these loans, they received unsecured notes paying interest at 8% per annum. As of December 31, 2004, \$673,237 of such related party debt was outstanding, including accrued interest. In 2005, all of these outstanding 8% notes and their accrued interest were converted into common shares of the Company at \$2.50 per share.

Certain David Palmlund III Transactions

During a period of approximately one year ending in October 2006, Mr. Palmlund provided us with development production and inventory financing in the aggregate amount of \$1,700,000, for which we issued him secured Notes with monthly interest rates of 2% on average monthly outstanding balances. These Notes were secured by all Viper motorcycle components and finished goods inventory. All of these Notes were fully satisfied through their conversion into our common stock as described in the following paragraph.

Incident to our capital restructuring during late 2006 and early 2007, David Palmlund (a principal shareholder of the Company) converted preferred stock and outstanding Note owed to him into our common stock as follows:

i) He converted 740,000 shares of 8% Preferred Stock with a stated value of \$1,850,000 along with related accrued dividends of \$246,937 into a total of 1,677,550 common shares on the basis of \$1.25 per share.

ii) He converted outstanding Notes and related accrued interest in the total amount of \$2,030,588 into a total of 1,624,471 common shares on the basis of \$1.25 per share.

In January 2004 we obtained a Letter of Credit (LOC) from Compass Bank of Dallas, Texas in the amount of \$200,000 in favor of GE Commercial Distribution Finance Corporation for the purpose of securing our floor plan financing facility. This LOC remains outstanding and is guaranteed by Mr. Palmlund, who is being paid \$3,000 monthly by us so long as this guaranty is outstanding.

Consulting Compensation

During 2006 and 2007 we paid cash compensation to Racing Partners Management Inc., a corporation wholly owned by John R. Silseth II (a founder, principal shareholder and Chief Executive Officer of the Company) for consulting services related to management operations, motorcycle development, procurement of third party suppliers, creation of an assembly manufacturing system and preparing for commercial production. These consulting expenses included \$102,000 in 2006 and \$102,000 in 2007. Such consulting payments were all approved by resolutions of the Board of Directors, and we believe that the terms of our consulting arrangements with Racing Partners were no less favorable than those we would have obtained from an unrelated consulting arrangement negotiated at arm's length.

Options and Warrants

We have issued options from time to time in consideration for financing services or as an incentive to our employees. None of our options or warrants have been exercised. Related parties hold an aggregate of options to purchase 310,000 common shares including 235,000 shares exercisable at \$2.50/share for five years and 75,000 exercisable at \$2.00/share for five years.

We also have issued warrants to David Palmlund III for providing us with financing services, which warrants have granted him the right to purchase a total of 225,000 of our common shares exercisable at \$2.50 per share for a five-year term.

Credit Facility Guaranty

In January 2007, Robert Van Den Berg, a director of the Company, guaranteed a \$250,000 credit facility we obtained from a banking institution, which was established in order to purchase inventory parts and components for upcoming commercial production of Viper motorcycles. In consideration for Mr. Van Den Berg providing this guaranty, we issued him 100,000 shares of our common stock.

Stock Grants

In consideration for past services, in 2007 the company granted a total of 500,000 common shares to related parties, including 200,000 shares to Mr. Silseth, 200,000 to Mr. Lai and 100,000 shares to Mr. Knutson.

Item 13. Exhibits.

See the "Exhibit Index" following the financial statements of this Form 10-KSB for a listing and description of the documents that are incorporated by reference and filed as exhibits to this Annual Report.

Item 14. Principal Accountant Fees and Services.

Pre-Approval of Audit Fees

Our Board of Directors is responsible for pre-approving all audit and permitted non-audited services to be performed for us by our independent registered public accounting firm or any other auditing or accounting firm.

Auditor Fees

The aggregate fees billed by our auditors for professional services rendered in connection with the audited financial statements included in this 10-KSB annual report and review of 10-QSB quarterly reports filed in 2007 were \$33,500.

There were no other fees billed to us by our auditors for tax matters, additional audit-related fees or any non-audit services.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIPER POWERSPORTS INC.
(Registrant)

By: /s/ John Lai
John Lai – President

Date: April 14, 2008

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert O. Knutson
Robert O. Knutson – Director

Date: April 14, 2008

By: /s/ John Lai
John Lai – Director

Date: April 14, 2008

By: /s/ Robert Van Den Berg
Robert Van Den Berg –
Director

Date: April 14, 2008

Viper Powersports, Inc.
(A Development Stage Company)

Consolidated Financial Statements

**For the Years Ended December 31, 2007
and 2006**

Viper Powersports, Inc.
(A Development Stage Company)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors
Viper Powersports, Inc.
Big Lake, Minnesota 55309

We have audited the accompanying consolidated balance sheets of Viper Powersports, Inc. (a development stage company) and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the period from November 18, 2002 (inception) to December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Viper Powersports, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, and the period from November 18, 2002 (inception) to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses and net cash outflows from operations since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Child, Van Wagoner & Bradshaw, PLLC
Child, Van Wagoner & Bradshaw, PLLC
Salt Lake City, Utah
April 15, 2008

Viper Powersports, Inc.
(A Development Stage Company)

Consolidated Balance Sheets

<u>Assets</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Current Assets:		
Cash	\$ 2,110	\$ 110,854
Accounts receivable	—	10,138
Inventory and supplies	605,725	430,794
Prepaid Expenses and other	22,086	15,547
Total Current Assets	629,921	567,333
Fixed Assets:		
Office & computer equipment	118,675	115,809
Manufacturing and development equipment	272,963	476,903
Vehicles	101,799	101,799
Leasehold improvements	75,265	54,835
Accumulated depreciation	(324,370)	(294,995)
Total Fixed Assets	244,332	454,351
Other Assets:		
Rental deposit and other	16,449	16,449
Total Other Assets	16,449	16,449
Total Assets	\$ 890,702	\$ 1,038,133
<u>Liabilities and Stockholders' Equity</u>		
Current Liabilities:		
Accounts payable	325,792	599,567
Accrued liabilities	62,828	52,656
Notes payable – bank	250,000	0
Shareholder note	140,000	100,000
Current portion of capital lease	27,671	85,299
Total Current Liabilities	806,291	837,522
Long-Term Liabilities:		
Capital lease, less current portion	128,923	168,271
Total Long-Term Liabilities	128,923	168,271
Total Liabilities	935,214	1,005,793
Stockholders' Equity		
Preferred stock, \$.001 par value; authorized 20,000,000 shares; 0 and 0 issued and outstanding at December 31, 2007 and December 31, 2006; liquidation preference \$2.50 per share	—	—
Common Stock, \$.001 par value; authorized 100,000,000 shares; 17,786,650 issued and outstanding at December 31, 2007 and 14,549,481 issued and outstanding at December 31, 2006	17,787	14,549
Paid in Capital	27,753,960	25,433,197
Accumulated deficit during the development stage	(27,816,259)	(25,415,406)
Total Stockholders' Equity	(44,512)	32,340
Total Liabilities and Stockholders' Equity	\$ 890,702	\$ 1,038,133

See notes to consolidated financial statements.

Viper Powersports, Inc.
(A Development Stage Company)

Consolidated Statements of Operations

	Year Ended December 31, 2007	Year Ended December 31, 2006	Cumulative from Inception November 18, 2002 through 12/31/2007
Revenue	\$ 178,717	\$ (48,745)	\$772,095
Cost of revenue	72,827	3,379	578,269
Gross profit	105,890	(52,124)	193,826
Operating Expenses:			
Research and development costs	944,468	983,864	4,753,747
Selling, general and administrative	1,469,876	2,324,487	15,159,517
Loss on impairment of assets	0	7,371,689	7,371,689
	2,414,344	10,680,040	27,284,953
Loss from operations	(2,308,454)	(10,732,164)	(27,091,127)
Other (expenses) income:			
Interest expense	(73,415)	(616,645)	(1,013,837)
Loss on sale of assets	(18,994)	-	(18,994)
Other income	10	24,977	307,699
Net Loss \$	(2,400,853)	(11,323,832)	\$(27,816,259)
Net Loss Per Common Share (Basic and diluted)	\$ (0.14)	\$ (1.06)	
Weighted Average Shares Common Stock Outstanding	17,786,650	10,730,231	

See notes to consolidated financial statements.

year ended December 31, 2004									(5,761,208)	(5,761,208)
Balances at December 31, 2004			3,951,183		4,645,198				(9,105,555)	(4,460,357)
Common stock for cash at \$2.50/share			305,212		763,030					763,030
Common stock for payables and debt converted at \$2.50/share			1,125,354		2,813,379					2,813,379
Preferred stock for outstanding debt converted at \$2.50/share	783,000		1,957,500							1,957,500
Value of warrants and options issued for services					497,700					497,700
Common stock for engine development technology (Note 3)			2,996,575		7,491,437					7,491,437
Recapitalization from March 31, 2005 reverse merger (Note 4)		(1,956,717)	613,093		(16,201,753)		18,158,470			
Common stock for cash at \$3.90/share, net of offering costs of \$513,124			1,000,038		1,000		3,386,024			3,387,024
Common stock to Cornell Capital Partners, LP issued for SEDA equity agreeme			134,920		135		749,865			750,000
Net loss for year ended December 31, 2005									(4,986,019)	(4,986,019)
Balances at December 31, 2005	783,000	783	10,126,375		10,126		22,294,359	(14,091,574)		8,213,694
Preferred stock converted to Common Stock @\$1.25/share	(783,000)	(783)	1,566,000		1,566		(783)			
Common Stock for cash @ \$.75 /share			173,333		173		129,827			130,000
Conversion of Notes payable @ \$1.25/share			1,790,269		1,790		2,236,046			2,237,836
Conversion of Notes payable @ \$.75/share			684,475		685		512,671			513,356
Dividends for Preferred converted @\$1.25/share			209,029		209		261,077			261,286
Net loss for the period ended December 31, 2006									(11,323,832)	(11,323,832)
Balances at December 31, 2006			14,549,481		14,549		\$25,433,197	(25,415,406)		32,340
Common Stock for cash @ \$.75 /share			2,131,167		2,131		1,586,870			801,501
Common Stock for services @ \$.75/share			1,106,002		1,107		733,893			735,000
Net loss for the period ended December 31, 2007									(2,400,853)	(2,400,853)
Balances at December 31, 2007			17,786,650		17,787		\$27,753,960	\$(27,816,259)		\$(44,512)

See notes to consolidated financial statements.

Viper Powersports, Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Year Ended December 31, 2007	Year Ended December 31, 2006	Cumulative from Inception (November 18, 2002) to December 31, 2007
Cash Flows Used in Operating Activities:			
Net Loss	\$ (2,400,853)	\$ (11,323,832)	\$ (27,816,259)
Expenses not Requiring an Outlay of Cash:			
Depreciation	99,784	125,948	393,982
Common stock and warrants issued for compensation and expenses	—	3,142,478	7,088,727
Impairment loss	—	7,371,689	7,371,689
Changes to Operating Assets and Liabilities:			
Decrease (Increase) in accounts receivable	10,137	(10,082)	—
Decrease (Increase) in supplies and prepaids	(174,818)	(224,148)	(653,092)
Decrease (Increase) in rental deposits and other	(6,652)	2,642	(59,611)
Increase (decrease) in accounts payable	(148,771)	554,046	450,797
Increase (decrease) in accrued liabilities	10,175	3,229	98,557
Cash Flows Used in Operating Activities	(2,610,998)	(358,030)	(13,125,210)
Cash Flows Used in Investing Activities:			
Loss from sale of fixed assets	18,994	—	18,994
Funding from Thor Performance for engine development	—	—	150,000
Purchase of intellectual property	—	—	(35,251)
Purchase of fixed assets	(99,748)	(220,860)	(806,788)
Cash Flows Used in Investing Activities	(80,754)	(220,860)	(673,045)
Cash Flows from Financing Activities:			
Net proceeds from sale of stock	2,324,000	—	8,281,104
Note Payable	250,000	—	250,000
Stockholder loan and capital lease payments	(30,992)	149,394	(478,978)
Loans from stockholders	40,000	(150,000)	5,748,239
Cash Flows from Financing Activities	2,583,008	(606)	13,800,365
Net Increase (decrease) in Cash	(108,744)	(579,497)	2,110
Cash at Beginning of Period	110,854	690,352	—
Cash at End of Period	\$ 2,110	\$ 110,854	\$ 2,110
Supplemental Non-Cash Financing Activities and Cash Flow Information:			
Common Stock issued for accounts payable (expenses)	\$ —	\$ —	\$ 1,323,698
Common Stock issued for accrued liabilities (expenses)	\$ —	\$ —	\$ 553,521
Preferred Stock issued for Debt	\$ —	\$ —	\$ 1,957,500
Common Stock issued for Debt	\$ —	\$ 2,751,192	\$ 3,852,520
Common Stock issued for software (assets)	\$ —	\$ —	\$ 50,000
Common Stock Issued for Engine Development Technology and engine development obligation of \$ 150,000	\$ —	\$ —	\$ 7,341,437
Equipment Acquired via capital lease	\$ —	\$ 232,144	\$ 304,740
Stock Warrants Issued with Convertible Debt	\$ —	\$ —	\$ 132,201
Interest Paid	\$ 73,415	\$ 327,106	\$ 558,205
Income Taxes Paid	\$ —	\$ —	\$ —

See notes to consolidated financial statements.

Viper Powersports, Inc.
(A Development Stage Company)

Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Viper Powersports Inc. was incorporated in Nevada in 1980 under a different name, and was inactive for years. On March 31, 2005 the Company was recapitalized through a merger with Viper Motorcycle Company, a Minnesota corporation. The former shareholders of Viper Motorcycle Company acquired 93.5% of the capital stock of Viper Powersports Inc. in exchange for all of the capital stock of Viper Motorcycle Company. This transaction was effected as a reverse merger for financial statement and operational purposes, and accordingly Viper Powersports Inc. regards its inception as being the incorporation of Viper Motorcycle Company on November 18, 2002. (See Note 4 - Recapitalization). Upon completion of this reverse merger, Viper Motorcycle Company became a wholly-owned subsidiary of Viper Powersports Inc.

The stock exchange in this reverse merger was effected on a one-for-one basis, resulting in each shareholder of Viper Motorcycle Company receiving the same number and type of capital stock of Viper Powersports Inc. which they held in Viper Motorcycle Company prior to the merger.

Viper Performance Inc., also a wholly-owned subsidiary of Viper Powersports Inc., was incorporated in Minnesota in March 2005 for the purpose of receiving and holding engine development technology and related assets acquired by Viper Powersports Inc. These assets were acquired from Thor Performance Inc., a Minnesota corporation in March 2005 in exchange for 2,996,575 shares of common stock of Viper Powersports Inc. (See Note 3 - Purchase of Engine Development Technology.)

As used herein, the term “the Company” refers to “Viper Powersports Inc.”, and its wholly-owned subsidiaries, unless the context indicates otherwise.

The Company is a development stage company engaged in design and development of premium V-Twin cruiser motorcycles. The Company has sold its capital stock and debt securities in various private placements to fund its development, marketing and other operations. The Company also has issued substantial shares of its common stock to compensate officers and other employees, consultants, and vendors, and to satisfy outstanding debt and other obligations. The Company continues to rely upon loans and sales of its equity securities to fund current operations. The Company’s executive and administrative offices, and its engineering and development operations, are located in a 35,990 square foot facility in Big Lake, Minnesota.

Going Concern – The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying consolidated financial statements, the Company has incurred a net loss of \$27,816,259 since inception, and currently has no sales. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the production of its motorcycles. Management has plans to seek additional capital through private placements of its common stock. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Principles of Consolidation – The consolidated financial statements include the accounts of Viper Powersports Inc. and its wholly-owned subsidiaries, Viper Motorcycle Company and Viper Performance Inc. All intercompany balances and transactions have been eliminated in consolidation.

Debt Conversions – During 2006, Viper Motorcycle Company substantially reorganized its financial position by converting a total of \$2,751,192 of its debt, including interest, into 1,790,269 shares of common stock at \$1.25 per share and 684,475 shares of common stock at \$.75 per share.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss Per Share – Basic and diluted net loss per common share is computed using the net loss applicable to common shareholders and the weighted average number of shares of common stock outstanding. Diluted net loss per common share does not differ from basic net loss per common share since potential shares of common stock from conversion of debt and the exercise of warrants and options are anti-dilutive for all periods presented.

Viper Powersports, Inc.
(A Development Stage Company)

Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Inventories – Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method (FIFO). Demonstration motorcycles are stated at manufacturing cost and reserves are recorded to state the demonstration motorcycles at net realizable value. The Company reviews inventory for obsolescence and excess quantities to determine that items deemed obsolete or excess are appropriately reserved.

Property and Equipment – Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are 3 to 7 years. Leasehold improvements are amortized straight line over the shorter of the lease term or estimated useful life of the asset.

Impairment of Long Lived Assets – The Company reviews long-lived assets for impairment annually or more frequently if the occurrence of events or changes in circumstances indicates that the carrying amount of the assets may not be fully recoverable or the useful lives of the assets are no longer appropriate. Each impairment test is based on a comparison of the carrying amount of an asset to future net undiscounted cash flows. If impairment is indicated, the asset is written down to its estimated fair value on a discounted cash flow basis.

Revenue Recognition – The Company conducts its sales through a network of independent dealers, and the Company recognizes revenue for sales to dealers after the following has taken place:

- Motorcycles are delivered, which is at the time they are shipped;
- Title of the motorcycle passes to the dealer, generally at the time of shipment;
- Collection of the relevant receivable is probable;
- Persuasive evidence of an arrangement exists; and
- The sales price is fixed or determinable.

The exception to the above statement is if the sale(s) to the dealer(s) are financed through dealer financing. At that point the company records revenue for the bike sold and a receivable from GE Commercial Finance.

The Company's dealer agreement provides that the dealer has no right of return unless the Company authorizes the return.

Warranty – The Company provides warranty coverage for its motorcycles with unlimited miles within a one year period from date of purchase, including parts and labor necessary to repair the motorcycle during the warranty period.

A provision for the costs related to warranty expense will be recorded as a charge to cost of goods sold when revenue is recognized. The estimated warranty cost will be based on industry averages and the stage of production life cycle of the Company's motorcycles. The warranty reserve will be evaluated on an ongoing basis to ensure its adequacy. At the same time the company calculates a Fair Market value of the risk associated with the dealer financing liability and records the entry. The liability exposure is based on using an industry average of ten percent (10%) for the motorcycle sales for the reporting period. Up to 2005 the company used a rate of five percent (5%) but now has adjusted to ten percent (10%).

Warranty information is detailed in the following table:

	December 31, 2007	December 31, 2006	December 31, 2005
Beginning balance	\$ 10,000	\$ 15,584	\$ 27,591
Warranties issued	15,401	—	0
Warranty payments	(3,770)	(5,584)	(12,007)
Ending balance	<u>\$ 21,631</u>	<u>\$ 10,000</u>	<u>\$ 15,584</u>

Viper Powersports, Inc.
(A Development Stage Company)

Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Research and Development – Research and development costs are expensed as incurred. Assets that are required for research and development activities, and have alternative future uses, in addition to its current use, are included in equipment and depreciated over their estimated useful lives. Research and development costs consist primarily of salaries and other compensation for development and engineering personnel, contract engineering and development costs for outsourced projects, equipment and material costs for development activities, and expenses for regulatory compliance and certifications.

Income Taxes – Income taxes are accounted for under the asset and liability method. Deferred income taxes, if any, are recognized for the difference between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred income taxes, if any, will be recorded at the tax rates expected to be in effect when amounts are to be included in future taxable income. A valuation allowance is recorded to reduce the deferred tax assets to the amounts believed to be realizable. Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its losses have been fully reserved and no net tax benefit has been recorded in these financial statements.

Fair Value of Financial Instruments – The carrying values of balance sheet financial instruments approximates their fair values as the debt and assets were incurred and acquired recently. These financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, notes payables and indebtedness to related parties. Management is of the opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments.

Stock Options and Stock Based Compensation – The Company has elected to expense options granted to its employees under the provisions of SFAS 123R (Accounting for Stock-Based Compensation) with respect to employee stock options. There were no options issued from inception through December 31, 2003.

The fair values of the employee stock options granted during the years ending December 31, 2004 and 2005 were \$29,863 and \$497,700, respectively. The fair values of these option grants were determined using the Black-Scholes model with the following assumptions: a risk-free interest rate of 4.25%, an expected life of five years, 18% volatility, and no expected dividend yield.

The Company also issued common stock for services to employees, certain contractors and financing companies. As such, common stock was granted during the years ending December 31, 2004 and 2005 were \$1,301,783 and \$750,000 respectively.

The Company accounts for equity instruments issued to non-employees for services and goods under SFAS 123; EITF 96-18 (Accounting for Equity Instruments Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods and Services); and EITF 00-18 (Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to other than Employees.) Generally, the equity instruments issued for services or goods are for common shares or common stock purchase warrants. These shares or warrants are fully vested, non-forfeitable and fully paid or exercisable at the date of grant and require no future performance commitment by the recipient. The Company expenses the fair market value of these securities over the period in which the Company receives the related services.

Dealer Floor Plan Financing – In May 2003, the Company entered into a floor plan financing agreement with GE Commercial Distribution Finance Corporation (CDF) to establish a financing facility for the Company's independent dealers. Under this agreement, the Company submits an invoice to CDF describing the merchandise it ships to a dealer when the dealer requests floor plan financing from CDF. If CDF accepts the obligation to finance the merchandise, CDF pays the Company 97.6% to 100% of the amount invoiced. The Company must provide to CDF certain covenants when invoices are submitted for floor plan financing, relating to the bona fide nature of the order, title and salability of the merchandise being financed.

Dealers of the Company also must each qualify independently with CDF to obtain financing through this facility, and CDF must accept each financing transaction prior to CDF being obligated to finance the merchandise. CDF's obligation is also subject to certain conditions including delivery of the merchandise by the Company to the dealer within 30 days of CDF's acceptance, receipt by CDF of the invoice within 10 days shipment to the dealer, and no revocation of CDF's acceptance prior to shipment of the merchandise.

Viper Powersports, Inc.
(A Development Stage Company)

Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Dealer Floor Plan Financing (Continued) – If CDF deems it necessary to repossess any merchandise financed by CDF, the Company must repurchase the merchandise from CDF at the greater of the unpaid balance on such merchandise or the Company's original invoice price, regardless of the condition of the merchandise. The Company also must pay any expenses incurred by CDF relating to any repossession. The Company calculates a Fair Market Value of the risk associated by reserving ten percent (10%) based on the industry average for the motorcycle sales for the reporting period.

Either party upon 30 days written notice may terminate the Company's floor plan financing facility with CDF anytime, and CDF may terminate the agreement anytime upon an event of default by the Company.

2. EQUITY FINANCING AGREEMENTS

The Company incurred net losses of \$2,400,853, \$11,323,832 and \$27,816,259, for the years ending December 31, 2007 and 2006 and the period from inception (November 18, 2002) through December 31, 2007, respectively. Viper produced 25 motorcycles in 2004 as a "Development Stage Company" while producing only one bike per dealer (considered a "one-time" R&D production on the new bike).

The Company has completed the following financing transactions to fund the anticipated cash flow shortfall. On August 31, 2005 the Company completed a private placement of 1,000,038 shares at \$3.90 per share resulting in net proceeds to the Company of \$3,387,024.

In December 2006 the Company sold a total of 173,333 common shares of the Company in a private placement to four accredited investors at \$.75 per share, for a total consideration of \$130,000.

In 2007 the Company sold a total of 3,111,164 common shares of the Company in a various private placement to accredited investors at \$.75 per share, for a total cash consideration of \$2,324,000.

3. PURCHASE OF ENGINE DEVELOPMENT TECHNOLOGY

Effective March 31, 2005, Viper Powersports Inc., acquired substantial motorcycle engine technology and related assets from Thor Performance Inc., a Minnesota corporation. These assets were acquired in exchange for 2,996,575 shares of common stock of Viper Powersports Inc. issued to Thor Performance, Inc. The Company valued the engine development technology at \$2.50 per share and capitalized \$7,341,438 for the value of the motorcycle engine development. This motorcycle development was designed and developed over the past 6 to 7 years by Melling Consultancy Design (MCD), an engine development firm based in the United Kingdom, which has previously designed both motorcycle and auto racing engines.

Motorcycle development technology acquired from Thor Performance Inc. includes designs and prototypes for various V-Twins and other motorcycle engines and other components, and a \$150,000 commitment by Thor Performance Inc. to fund the completion of certain development in progress being conducted by MCD, which commitment has been fulfilled. The Company had an independent appraisal of the engine development technology conducted which, under the income methodology approach, valued the engine development technology at \$19,616,400.

In accordance with SFAS 2, *Accounting for Research and Development Costs*, and SFAS 142, *Goodwill and Other Intangible Assets*, the Company's policy is to capitalize costs incurred in connection with the purchase, from outside parties, of new engine development technology. Any internally developed technology would be classified as research and development, and would be immediately expensed. During 2005 the Company capitalized \$ 7,341,438 of motorcycle engine development cost. The Company's policy is to amortize the cost capitalized in connection with developing engine technology on a straight line basis over 10 years. No amortization was taken during 2005 as the company was still in the development stage. The company did not produce any motorcycles during the 2006 year and so it was determined that impairment of the engine development cost should be taken. This amount is \$7,371,689 and has been fully impaired in the fiscal year 2006.

Viper Powersports, Inc.
(A Development Stage Company)

Notes to Consolidated Financial Statements

4. RECAPITALIZATION

On March 31, 2005 Viper Powersports Inc. was merged with Viper Motorcycle Company pursuant to a merger agreement dated March 11, 2005. Upon consummation of this merger, Viper Motorcycle Company became a wholly-owned subsidiary of Viper Powersports Inc. Prior to the merger Viper Powersports Inc. was an inactive publicly-held company.

Immediately after completion of the merger, the former stockholders of Viper Motorcycle Company owned 93.5% of the outstanding shares of capital stock of Viper Powersports Inc. Accordingly, this transaction constituted a reverse merger which is regarded as if Viper Motorcycle Company had acquired Viper Powersports Inc. These financial statements present operations of Viper Motorcycle Company from its inception on November 18, 2002, and do not include any prior operations of Viper Powersports Inc.

For accounting and financial reporting purposes, this reverse merger was treated as a recapitalization of Viper Powersports Inc. Viper Powersports Inc. had no assets or liabilities and no business other than the search for a suitable merger target, and accordingly its book value has been stated at zero on the recapitalized balance sheet.

Pursuant to the one-for-one share exchange basis of this merger, the stockholders of Viper Motorcycle Company exchanged all of their capital stock for a like amount and type of capital stock of Viper Powersports Inc. Common stockholders of Viper Motorcycle Company acquired a total of 8,272,324 shares of common stock of Viper Powersports Inc., including shares issued for engine development technology. Preferred stockholders of Viper Motorcycle Company acquired a total of 783,000 shares of preferred stock of Viper Powersports Inc., which preferred shares were convertible into common shares on a one-for-one basis. All preferred shares were converted, in December 2006, on the basis of \$1.25 per share.

Additionally under this reverse merger, all outstanding options and warrants to purchase common stock of Viper Motorcycle Company were converted into like options and warrants to purchase common stock of Viper Powersports Inc.

5. RELATED PARTY TRANSACTIONS

Since inception, the Company has entered into many transactions with related parties consisting of officers, directors and beneficial owners of more than 10% of its common stock, including the following:

Debt Conversions – Incident to reorganizing the Company during January-March 2005, outstanding debt of the Company in the aggregate amount of \$4,770,879 was converted into capital stock of the Company based on \$2.50 per share. These debt conversions included \$3,476,547, owed to officers, directors and shareholders consisting of \$2,694,418 in outstanding loans and interest thereon, accrued compensation and accounts payable of \$344,629, and \$437,500 to settle and terminate an employment contract with a former officer.

Thor Performance, Inc. – Effective March 31, 2005 the Company acquired substantial motorcycle and engine development technology and related assets from Thor Performance, Inc. in exchange for 2,996,575 shares of common stock of the Company valued at \$2.50 per share. (See Note 3) . Due to this transaction, an officer and three (3) principal shareholders of this Company beneficially acquired 2,401,192 common shares of the total issued for Thor Performance, Inc.

Common Stock Issued for Services – In December 2004, the Company granted a total of 189,700 shares of its common stock, valued at \$2.50 per share, to employees as additional compensation for 2004. These common shares were fully vested and fully paid upon their grant, and included 125,000 shares granted to the President of Viper Motorcycle Company.

Prior to December 2004, the Company had issued other stock grants from time to time for services including officers, directors and shareholders. These transactions included stock grants in November 2002 to March 2003 of 411,250 common shares of \$.40 per share, in May 2003 of 822,500 common shares at \$1.00 per share, in December 2003 of 42,500 common shares at \$2.00 per share, and in May 2004 of 16,000 common shares at \$2.50 per share.

Viper Powersports, Inc.
(A Development Stage Company)

Notes to Consolidated Financial Statements

5. RELATED PARTY TRANSACTIONS (Continued)

The value of common shares issued in all these stock grants for services was determined by the Company's Board of Directors based on concurrent sales of the Company's common stock to unrelated parties as well as the development status of the Company's business at the time of these stock grants.

Private Placements – In connection with various private placements of the Company's common stock since inception, officers, directors and shareholders have purchased its common stock on the same terms under which unrelated parties have participated in these placements. Sales to officers, directors and shareholders in private placements has included a total of 504,750 common shares at \$.40 per share in a placement from November 2002 to March 2003 a total of 70,000 common shares at \$2.00 per share in a June to December 2003 placement, and a total of 40,212 common shares at \$2.50 per share in a February to March 2005 placement .

Indebtedness to Principal Shareholders – From December 2003 to August 2004, David Palmlund III (a principal shareholder) loaned a total of \$2,000,000 to the Company, for which he received various notes bearing interest rates from 10% to 35% and having maturity dates from August 2004 to September 2005. All of this debt was outstanding as of December 31, 2004. In March 2005, except for \$150,000 of a Series A Convertible Secured Note, Mr. Palmlund converted all of his debt, including accrued interest, into 740,000 shares of preferred stock of the Company and 64,635 shares of common stock of the Company, all based on the share price of \$2.50. The unconverted \$150,000 Series A Note bears an interest rate of 18% per annum, and is convertible into common shares of the Company on the basis of \$2.50 per share. The Series A note matures on September 30, 2005. This Series A Note is also secured by tangible and intangible assets of the Company. On November 30, 2006 David Palmlund agreed to convert the \$150,000 plus accrued interest to common stock at \$1.25 per share thereby removing the security agreement.

Indebtedness to Related Parties – Five other related parties, including an officer, two directors, and two principal shareholders have made substantial cash advances or working capital loans to the Company from time to time since its inception. They have received unsecured 8% notes for these advances and loans. As of December 31, 2004 \$673,237 of these 8% notes was outstanding, including accrued interest. In February to March 2005, all outstanding 8% notes of the Company, including accrued interest thereon, were converted into shares of common stock of the Company based the price of \$2.50 per share.

Guarantee of Letter of Credit – In February of 2008 the Letter of Credit was renewed in the amount of \$200,000 with Northern Trust Bank. This Letter of Credit is guaranteed by David Palmlund III (a principal shareholder), who is being paid \$3,000 per month as long as the guarantee is outstanding.

Settlement of Employment Contract – In January 2005 the Company issued a total of 175,000 shares of common stock expensed on a per share price of \$2.50, for the termination of an officer's employment contract.

Inventory Financing – In November 2005 the Company entered into an Inventory Financing Arrangement with one of its principal shareholders, David Palmlund, to provide a total of \$800,000 for securing inventory related to starting production. Through August of 2006 the inventory financing amount was increased to \$1,700,000. Interest of two percent (2%) per month was to be paid on the average outstanding balance during each month. On November 30, 2006 the principal shareholder, David Palmlund, agreed to convert the debt, plus any accrued interest, to common stock at \$1.25 per share.

6. COMMON STOCK WARRANTS AND OPTIONS

The Company has issued warrants to purchase a total of 846,669 shares of its common stock, and also has granted options to purchase a total of 458,000 of its common shares.

Warrants – Outstanding warrants of the Company to purchase 300,000 common shares at the price of \$2.50 per share have five-year terms, expiring from December 2008 to March 2010; outstanding warrants to purchase 150,000 common shares at a price of \$6.00 per share have a five-year term expiring in January 2010; outstanding warrants to purchase 100,004 common shares at a price of \$3.90 per share have a five year term expiring August 2010; outstanding warrants to purchase 156,000

Viper Powersports, Inc.
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Notes to Consolidated Financial Statements

6. COMMON STOCK WARRANTS AND OPTIONS (Continued)

common shares at a price of \$1.00 per share have two to five year terms expiring May 2009 to March 2013 and outstanding warrants to purchase 216,665 common shares at a price of \$.75 per share have three year term expiring September 2010 to December 2010. Related parties hold warrants to purchase 225,000 of these warrant shares, with the other warrants being held by persons who have provided financial or consulting services to the Company. No warrants issued by the Company have been exercised so far.

Stock Options – Outstanding stock options all have five-year terms expiring from January 2009 to November 2010. They consist of options to purchase 383,000 common shares at a price of \$2.50 per share and an option to purchase 75,000 common shares at a price of \$2.00 per share. Related parties hold options to purchase 370,000 common shares, and the balance of options to purchase 88,000 common shares are held by current and former employees and directors of the Company. No stock options granted by the Company have been exercised so far.

VIPER POWERSPORTS, INC.
COMMON STOCK WARRANTS & OPTIONS

	Options		Warrants	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Beg Bal	932,000	932,000	617,504	2,383,639
Issued	—	—	266,665	—
Exercised	—	—	—	—
Cancelled	(474,000)	—	(37,500)	(1,766,135)
End Bal	458,000	932,000	846,669	617,504
Exercisable	458,000	832,000	846,669	617,504

7. LEASING ACTIVITIES

On October 17, 2005, the Company entered into a capital lease with Citizen Automobile Finance for the acquisition of a 2004 delivery van for a term of 60 months and an interest rate of 7.99%. Monthly payments of \$407.36 are required under this lease.

On December 7, 2005, the Company entered into a capital lease agreement with Venture Bank for the acquisition of a 2004 Chevy Truck for the term of 48 months and an interest rate of 8.5%. Monthly payments of \$802.92 are required under this lease.

On June 1, 2006, the Company entered into a capital lease with GE Capital Finance for a compressor for a term of 24 months. Monthly payments of \$1,572.46 are due under this lease.

On February 6, 2006, the Company entered into an operating lease for manufacturing and office space to accommodate the Company's future manufacturing operations. The term of the lease is sixty (60) months beginning March 1, 2006. Future minimum lease payments under this agreement have been included in the schedule of minimum operating lease payments. On March 23, 2007 the Company restructured its lease with the Landlord, Big Lake Partners, by reducing the occupied space down to 15, 715 sq. ft. This will be effective April 1, 2007 and will result in a base lease payments of \$8,512.29 per month for the remaining term of the lease. Approximately \$4,300.00 in other cost such as CAM and Taxes will be paid monthly. A long term note for the lease payments for January, February and March 2007 in the amount of \$75,848.91 was set up. This note is at simple interest of 8.0% and is payable in total on June 30, 2008

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Viper Powersports, Inc.
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Notes to Consolidated Financial Statements

7. LEASING ACTIVITIES (Continued)

Minimum lease payments are as follows:

For the years ending December 31,	Capital Lease	Operating Lease
2008	\$ 21,856	\$ 102,147
2009	14,523	102,147

2010	4,386	102,147
2011	—	17,025
	<u>40,765</u>	<u>\$ 323,466</u>
Total	40,765	\$ 323,466
Amount for interest	<u>3,187</u>	
Net	37,578	
Less: Current portion	<u>27,671</u>	
Long term portion	\$ <u>9,907</u>	

8. PREFERRED STOCK

The Company has authorized 20,000,000 shares of preferred stock with par value of \$.001 per share and of these there are none outstanding.

**PRINCIPAL EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, John Lai, certify that:

1. I have reviewed this annual report on Form 10-KSB of Viper Powersports, Inc. for the year ended December 31, 2007;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this annual report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this annual report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this annual report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

By: /s/ John Lai

John Lai

President, Director

April 14, 2008

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of Datameg Corporation, a Delaware corporation (the "Company"), on Form 10-KSB for the year ending December 31, 2007, as filed with the Securities and Exchange Commission (the "Report"), I, John Lai, President of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ John Lai
John Lai
President
April 14, 2008