

# VIPER POWERSPORTS INC

## FORM 10-Q/A (Amended Quarterly Report)

Filed 11/22/10 for the Period Ending 03/31/10

|           |  |
|-----------|--|
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| Telephone | 952-938-2481   |
| CIK       | 0001337213   |
| Symbol    | VPWI   |
| SIC Code  | 3751 - Motorcycles, Bicycles, and Parts              |
| Industry  | Recreational Products                                |
| Sector    | Consumer Cyclical                                    |

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

FORM 10-Q/A

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

Commission File No. 000-51632

**VIPER POWERSPORTS INC.**

(Exact name of small business issuer as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**41-1200215**

(IRS Employer Identification No.)

**10895 Excelsior Blvd, Ste. 203, Hopkins, Minnesota**

(Address of principal executive offices)

**55343**

(Zip Code)

**(952) 938-2481**

(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). The registrant has not been phased into the Interactive Data reporting system. Yes  No

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares of common stock outstanding was 14,739,160 as of November 22, 2010.

Transitional Small Business Disclosure Format (check one): Yes  No

|                                      |   |    |
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**PART 1: FINANCIAL INFORMATION**

**Item 1: Financial Statements**

**Viper Powersports Inc.**  
**(A Development Stage Company)**  
**Consolidated Balance Sheets**  
 Restated

| <u>Assets</u>   | <u>March 31, 2010</u><br>(Unaudited) | <u>December 31, 2009</u><br>Audited |
|---|--------------------------------------|-------------------------------------|
| <b>Current Assets:</b>  |                                      |                                     |
| Cash  | \$ 232,718                           | \$ 100,162                          |
| Accounts receivable   | 288,223                              | 212,675                             |
| Inventory and supplies  | 463,752                              | 540,969                             |
| Prepaid expenses and other  | 240,058                              | 61,570                              |
| <b>Total Current Assets:</b>  | <b>1,224,751</b>                     | <b>915,376</b>                      |
| <b>Fixed Assets:</b>  |                                      |                                     |
| Office & computer equipment   | 119,835                              | 119,835                             |
| Manufacturing and development equipment   | 273,759                              | 273,759                             |
| Vehicles  | 101,799                              | 101,799                             |
| Leasehold improvements  | 90,446                               | 90,446                              |
| Accumulated depreciation  | (476,557)                            | (471,152)                           |
| <b>Total Fixed Assets:</b>  | <b>109,282</b>                       | <b>114,687</b>                      |
| <b>Other Assets:</b>  |                                      |                                     |
| Rental deposit and other  | 4,010                                | 4,010                               |
| <b>Total Other Assets:</b>  | <b>4,010</b>                         | <b>4,010</b>                        |
| <b>Total Assets:</b>  | <b>\$ 1,338,043</b>                  | <b>\$ 1,034,073</b>                 |
| <b><u>Liabilities and Stockholders' Deficit</u></b>   |                                      |                                     |
| <b>Current Liabilities:</b>   |                                      |                                     |
| Accounts payable  | \$ 242,796                           | \$ 358,167                          |
| Accrued liabilities   | 118,514                              | 125,612                             |
| Notes payable – related party   | 434,353                              | 439,353                             |
| Notes payable   | 125,000                              | 150,000                             |
| Short-term notes payable, less discount of \$170,542 and \$0, respectively  | 679,458                              | -                                   |
| Current portion of capital lease  | 2,987                                | 4,052                               |
| <b>Total Current Liabilities:</b>   | <b>1,603,108</b>                     | <b>1,077,184</b>                    |
| <b>Long-Term Liabilities:</b>   |                                      |                                     |
| Note Payable  | 29,921                               | 29,921                              |
| <b>Total Long-Term Liabilities</b>  | <b>29,921</b>                        | <b>29,921</b>                       |
| <b>Total Liabilities:</b>   | <b>1,633,029</b>                     | <b>1,107,105</b>                    |
| <b>Stockholders' Deficit:</b>   |                                      |                                     |
| Preferred stock, \$.001 par value; authorized 20,000,000 shares;<br>0 issued and outstanding                                    | -                                    | -                                   |
| Common stock, \$.001 par value; authorized 25,000,000 shares;<br>13,714,162 and 13,408,962 issued and outstanding, respectively | 13,714                               | 13,409                              |
| Additional paid in capital  | 33,053,059                           | 32,185,691                          |
| Accumulated deficit during the development stage  | (33,361,759)                         | (32,272,132)                        |
| <b>Total Stockholders' Deficit:</b>   | <b>(294,986)</b>                     | <b>(73,032)</b>                     |
| <b>Total Liabilities and Stockholders' Deficit:</b>   | <b>\$ 1,338,043</b>                  | <b>\$ 1,034,073</b>                 |

See accompanying notes to the financial statements

**Viper Powersports Inc.**  
**(A Development Stage Company)**  
**Consolidated Statements of Operations**  
**(Unaudited)**

|                                       | <u>Three Months Ended</u>          |                       | <u>Cumulative from<br/>Inception<br/>November 18,<br/>2002<br/>through<br/>March 31, 2010</u> |
|---------------------------------------|------------------------------------|-----------------------|---|
|                                       | <u>Restated<br/>March 31, 2010</u> | <u>March 31, 2009</u> |   |
| Revenue                               | \$ 128,979                         | \$ -                  | \$ 1,183,073  |
| Cost of Revenue                       | 126,455                            | -                     | 1,138,012   |
| Gross profit:                         | <u>2,524</u>                       | <u>-</u>              | <u>45,061</u>   |
| <b>Operating Expense:</b>             |                                    |                       |   |
| Research and development cost         | 316,949                            | 23,276                | 5,589,641   |
| Selling, general and administrative   | 463,848                            | 312,793               | 19,210,061  |
| Loss on impairment of assets          | -                                  | -                     | 7,371,689   |
| Total Operating Expense:              | <u>780,797</u>                     | <u>336,069</u>        | <u>32,171,391</u>   |
| Loss from operations:                 | <u>(778,273)</u>                   | <u>(336,069)</u>      | <u>(32,126,330)</u>   |
| <b>Other (expenses) income:</b>       |                                    |                       |   |
| Interest expense                      | (21,313)                           | (7,656)               | (1,271,444)   |
| Loss on sale of assets                | -                                  | -                     | (18,994)  |
| Accretion of debt discount            | (78,109)                           | -                     | (78,109)  |
| Beneficial conversion feature on loan | (212,000)                          | -                     | (212,000)   |
| Other income (expense)                | 68                                 | 1,905                 | 345,118   |
| Total other (expense) income:         | <u>(311,354)</u>                   | <u>(5,751)</u>        | <u>(1,235,429)</u>  |
| Net Loss:                             | <u>\$ (1,089,627)</u>              | <u>\$ (341,820)</u>   | <u>\$ (33,361,759)</u>  |
| <b>Net Loss Per Common Share:</b>     |                                    |                       |   |
| Basic and diluted                     | <u>\$ (0.08)</u>                   | <u>\$ (0.04)</u>      |   |
| <b>Weighted Average Shares</b>        |                                    |                       |   |
| Common Stock Outstanding              | <u>13,583,797</u>                  | <u>7,837,690</u>      |   |

See accompanying notes to the financial statements.

**Viper Powersports Inc.**  
**(A Development Stage Company)**  
**Statement of Cash Flows**  
**(Unaudited)**

|  | <u>Three Months Ended</u>          |                       | <u>Cumulative from<br/>Inception<br/>November 18,<br/>2002<br/>through<br/>March 31, 2010</u> |
|--|------------------------------------|-----------------------|---|
|  | <u>Restated<br/>March 31, 2010</u> | <u>March 31, 2009</u> |   |
| <b>Cash Flows Used in Operating Activities:</b>                              |                                    |                       |   |
| Net loss   | \$ (1,089,627)                     | \$ (341,820)          | \$ (33,361,759)   |
| Expenses not requiring an outlay of cash:                                    |                                    |                       |   |
| Depreciation   | 5,405                              | 22,149                | 546,169   |
| Common Stock & warrants issued for compensation & services                   | 90,500                             | 133,575               | 8,,623,436  |
| Beneficial conversion feature on convertible loan                            | 212,000                            | -                     | 212,000   |
| Accretion of debt discount   | 78,109                             | -                     | 78,109  |
| Impairment loss  | -                                  | -                     | 7,371,689   |
| Changes to operating assets and liabilities:                                 |                                    |                       |   |
| Decrease (increase) in accounts receivable                                   | (75,548)                           | -                     | (289,490)   |
| Decrease (increase) in inventory and supplies                                | 77,217                             | (78,834)              | (458,247)   |
| Decrease (increase) in prepaids and other                                    | (53,385)                           | (18,501)              | (166,648)   |
| Increase (decrease) in accounts payable                                      | (115,371)                          | 56,370                | 367,802   |
| Increase (decrease) in accrued interest                                      | 8,195                              | -                     | 8,195   |
| Increase (decrease) in accrued liabilities                                   | (15,294)                           | 38,006                | 146,048   |
| Cash flows used in operating activities                                      | (877,799)                          | (189,055)             | (16,922,696)  |
| <b>Cash flows Used in Investing Activities:</b>                              |                                    |                       |   |
| Proceeds from sale of fixed assets   | -                                  | -                     | 18,994  |
| Funding from Thor Performance for engine development                         | -                                  | -                     | 150,000   |
| Purchase of intellectual property  | -                                  | -                     | (35,251)  |
| Purchase of fixed assets   | -                                  | -                     | (823,925)   |
| Cash flows used in investing activities                                      | -                                  | -                     | (690,182)   |
| <b>Cash Flows from Financing Activities:</b>                                 |                                    |                       |   |
| Net proceeds from sale of stock  | 94,937                             | 165,627               | 10,714,685  |
| Net proceeds from warrants issued with stock                                 | 96,483                             | -                     | 96,483  |
| Proceeds from notes payable  | 850,000                            | -                     | 1,452,169   |
| Payments on notes payable  | (25,000)                           | (37,500)              | (214,705)   |
| Payments on stockholder loans and capital leases                             | (6,065)                            | (1,058)               | (644,082)   |
| Proceeds from Loans from Stockholders  | -                                  | 64,839                | 6,441,046   |
| Cash flows from financing activities   | 1,010,355                          | 191,908               | 17,845,596  |
| Net Increase (decrease) in cash  | 132,556                            | 2,853                 | 232,718   |
| Cash at beginning of period  | 100,162                            | 368                   | -   |
| Cash at end of period  | <u>\$ 232,718</u>                  | <u>\$ 3,221</u>       | <u>\$ 232,718</u>   |
| <b>Supplemental Non-Cash Financing Activities and Cash Flow Information:</b> |                                    |                       |   |
| Capital Stock issued for Debt and Expenses                                   | \$ -                               | \$ -                  | \$ 8,382,009  |
| Common Stock issued for Engine Development Technology                        | \$ -                               | \$ -                  | \$ 7,341,437  |
| Stock Warrants issued with Convertible Debt                                  | \$ 137,000                         | \$ -                  | \$ 269,201  |
| Stock Warrants issued with Short-term loans                                  | \$ 111,650                         | \$ -                  | \$ 111,650  |
| Stock Warrants as prepaid finders fee  | \$ 125,103                         | \$ -                  | \$ 125,103  |
| Equipment Acquired via capital lease   | \$ -                               | \$ -                  | \$ 304,740  |
| Interest paid  | \$ 21,312                          | \$ 7,656              | \$ 806,300  |

See accompanying notes to the financial statements



**Viper Powersports Inc.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**A. Basis of Presentation**

The consolidated balance sheet as of March 31, 2010, the consolidated statements of operations for the three month periods ended March 31, 2010 and 2009 and the consolidated statements of cash flows for the three month periods ended March 31, 2010 and 2009 have been prepared by Viper Powersports Inc. , (the ‘Company’) without audit. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position, as of March 31, 2010 and results of operations and cash flows for the three month periods ended March 31, 2010 and 2009 presented herein have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These financial statements should be read in conjunction with the Company’s financial statements and notes thereto included in the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2009.

**B. Going Concern**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has no current revenues and has a negative working capital position of \$378,357 as of March 31, 2010. Current cash and cash available are not sufficient to fund operations beyond a short period of time. These conditions create uncertainty as to the Company’s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**C. Loan transactions**

The Company entered into five 90-day loan agreements during the quarter. These loans are not convertible and carry a 12.0% interest rate. Each agreement also required the company to issue warrants to purchase the applicable number of shares of common stock at \$.50 per share. The Company performed a Black-Scholls valuation for each transaction. The call value was used to value the warrants issued. Once the warrants were valued, the relative fair value method was used to allocate the proceeds between the warrants and the loans. The warrant values would be credited to the APIC-Warrant account. The difference in the face value of the loans and the proceeds assigned to the loans becomes a discount on the loans. These discounts are then accreted over the life of the loans.

| <b>Date</b> | <b>Term</b> | <b>Proceeds</b> | <b>Warrants</b> | <b>Exercise Price</b> | <b>Interest</b> | <b>Call Value</b> | <b>Warrant Value</b> | <b>Proceeds Allocation</b> | <b>3/31/2010 Accretion</b> |
|-------------|-------------|-----------------|-----------------|-----------------------|-----------------|-------------------|----------------------|----------------------------|----------------------------|
| 1/21/2010   | 90 days     | \$ 100,000      | 50,000          | \$ 0.50               | 12.00%          | \$ 1.11           | \$ 55,500            | \$ 35,600                  | \$ 27,293                  |
| 1/27/2010   | 90 days     | \$ 25,000       | 12,500          | \$ 0.50               | 12.00%          | \$ 0.95           | \$ 11,875            | \$ 8,050                   | \$ 5,635                   |
| 1/28/2010   | 90 days     | \$ 25,000       | 12,500          | \$ 0.50               | 12.00%          | \$ 0.94           | \$ 11,750            | \$ 8,000                   | \$ 5,511                   |
| 2/4/2010    | 90 days     | \$ 100,000      | 50,000          | \$ 0.50               | 12.00%          | \$ 0.86           | \$ 43,000            | \$ 30,000                  | \$ 18,333                  |
| 2/4/2010    | 90 days     | \$ 100,000      | 50,000          | \$ 0.50               | 12.00%          | \$ 0.86           | \$ 43,000            | \$ 30,000                  | \$ 18,333                  |
|             |             | \$ 350,000      |                 |                       |                 |                   |                      | \$ 111,650                 |                            |

The Company also entered into a 365-day loan agreement during the quarter. This loan is convertible and carries a 12.0% interest rate. The agreement also requires the company to issue warrants to purchase the applicable number of shares of common stock at \$1.00 per share. The Company performed a Black-Scholls valuation for this transaction. The call value was used to value the warrants issued. Once the warrants were valued, the relative fair value method was used to allocate the proceeds between the warrants and the loan. The warrant values will be credited to the APIC-Warrant account. The difference in the face value of the loans and the proceeds assigned to the loans becomes a discount on the loans. These discounts are then accreted over the life of the loans. With the convertibility of this loan, a beneficial conversion feature is created. The effective conversion price is subtracted from the stock market price to determine the beneficial conversion feature per share. This is then multiplied by the number of warrants issued. This BCF value is then expensed immediately, since the loan can be immediately converted.

| Date      | Term     | Proceeds   | Warrants | Exercise Price | Interest | Call Value | Warrant Value | Proceeds Allocation | 3/31/2010 Accretion | Beneficial Conv. Feature Value |
|-----------|----------|------------|----------|----------------|----------|------------|---------------|---------------------|---------------------|--------------------------------|
| 3/23/2010 | 365 days | \$ 500,000 | 250,000  | \$ 1.00        | 12.00%   | \$ .76     | \$ 190,000    | \$ 137,000          | \$ 3,003            | \$ 212,000                     |
|           |          | \$ 500,000 |          |                |          |            |               | \$ 137,000          |                     | \$ 212,000                     |

#### D. Common Stock Transactions

During the three months ended March 31, 2010, the Company issued 225,200 shares of common stock for \$225,200 in cash. The Company performed Black-Scholls valuation for each transaction. The call value was the cost per share per this model. The warrant allocation is the amount of the proceeds applied to the warrants. The difference between the warrant allocation and the proceeds was allocated to the shares of common stock issued.

| Date      | Shares         | Proceeds          | Warrants       | Exercise Price | Call Value | Warrant Allocation |
|-----------|----------------|-------------------|----------------|----------------|------------|--------------------|
| 1/12/2010 | 100,000        | \$ 100,000        | 50,000         | \$ 0.50        | \$ 1.22    | \$ 60,977          |
| 1/14/2010 | 200            | \$ 200            | 100            | \$ 0.50        | \$ 1.09    | \$ 109             |
| 2/23/2010 | 100,000        | \$ 100,000        | 50,000         | \$ 0.50        | \$ 0.84    | \$ 41,939          |
| 2/23/2010 | 25,000         | \$ 25,000         | 12,500         | \$ 0.50        | \$ 0.84    | \$ 10,485          |
|           | <u>225,200</u> | <u>\$ 225,200</u> | <u>112,600</u> |                |            | <u>\$ 113,510</u>  |

Also during the three months ended March 31, 2010, the Company issued 80,000 shares of common stock for services. The stock price was traced to the market closing price on each applicable date. These prices were used to value the stock issued for services.

| Date      | Shares   | Market Price   | Value            |
|-----------|----------|----------------|------------------|
| 2/5/2010  | Services | 10,000 \$ 1.20 | \$ 12,000        |
| 2/5/2010  | Services | 20,000 \$ 1.20 | \$ 24,000        |
| 2/23/2010 | Services | 50,000 \$ 1.09 | \$ 54,500        |
|           |          | <u>80,000</u>  | <u>\$ 90,500</u> |

#### E. Restatement

Subsequent to issuance, the management of Viper Powersports Inc. concluded that the original accounting and allocation for the warrants issued during the current period was incorrect. Management has subsequently determined the correct accounting procedures and has amended the March 31, 2010 financial statements. The company used the Black-Scholl's pricing model to value the warrants, and the assumptions for these valuations have been discussed in Note D – Common Stock Transactions and Note C – Loan Transactions. The warrants issued have been accounted for as permanent equity pursuant to the guidance in ASC Topic 815-40-25-20. Accordingly, the accompanying balance sheet, statement of operations, and statement of cash flows for the period described in the preceding sentence have been retroactively adjusted as summarized below:

| <b>Effect of Corrections</b>                   | <b>As Previously Reported</b> | <b>As Restated</b> | <b>Adjustment</b> | <b>Reference</b> |
|--|-------------------------------|--------------------|-------------------|------------------|
| <b>At March 31, 2010</b>                       |                               |                    |                   |                  |
| <b>ASSETS</b>                                  |                               |                    |                   |                  |
| - Cash   | \$ 232,493                    | \$ 232,718         | \$ 225            | (1)              |
| - Total Current Assets                         | \$ 1,224,526                  | \$ 1,224,751       | \$ 225            | (1)              |
| - Total Assets                                 | \$ 1,337,818                  | \$ 1,338,043       | \$ 225            | (1)              |
| <b>LIABILITIES</b>                             |                               |                    |                   |                  |
| - Accounts Payable                             | \$ 242,571                    | \$ 242,796         | \$ 225            | (1)              |
| - Accrued Liabilities                          | \$ 102,124                    | \$ 118,514         | \$ 16,390         | (2)              |
| - Notes payable - related party                | \$ 232,267                    | \$ 434,353         | \$ 202,086        | (3)              |
| - Notes payable                                | \$ 424,512                    | \$ 125,000         | \$ (299,512)      | (3)              |
| - Short-term notes payable                     | \$ 687,654                    | \$ 679,458         | \$ (8,196)        | (3)              |
| - Total Current Liabilities                    | \$ 1,692,115                  | \$ 1,603,108       | \$ (89,007)       | (5)              |
| - Total Liabilities                            | \$ 1,722,036                  | \$ 1,633,029       | \$ (89,007)       | (5)              |
| <b>STOCKHOLDERS' DEFICIT</b>                   |                               |                    |                   |                  |
| - Additional paid in capital                   | \$ 32,961,735                 | \$ 33,053,059      | \$ 91,324         | (2)(4)           |
| - Accumulated deficit                          | \$ (33,359,667)               | \$ (33,361,759)    | \$ (2,092)        | (4)              |
| - Total Stockholders' Deficit                  | \$ (384,218)                  | \$ (294,986)       | \$ 89,232         | (2)(4)           |
| - Total Liabilities and Stockholders' Deficit  | \$ 1,337,818                  | \$ 1,338,043       | \$ 225            | (1)              |
| <b>STATEMENT OF OPERATIONS</b>                 |                               |                    |                   |                  |
| - Selling, general and administrative          | \$ 371,082                    | \$ 463,849         | \$ 92,767         | (4)              |
| - Total Operating Expense                      | \$ 688,031                    | \$ 780,797         | \$ 92,766         | (4)              |
| - Loss from Operations                         | \$ 685,507                    | \$ 778,273         | \$ 92,766         | (4)              |
| - Interest expense                             | \$ (111,987)                  | \$ (21,313)        | \$ 90,674         | (4)              |
| - Total other (expense) income                 | \$ (402,028)                  | \$ (311,354)       | \$ 90,674         | (4)              |
| - Net Loss                                     | \$ (1,087,535)                | \$ (1,089,627)     | \$ (2,092)        | (4)              |
| <b>STATEMENT OF CASHFLOWS</b>                  |                               |                    |                   |                  |
| - Net loss                                     | \$ (1,087,535)                | \$ (1,089,627)     | \$ (2,092)        | (4)              |
| - Decrease (increase) in prepaids and other    | \$ (81,063)                   | \$ (53,385)        | \$ 27,678         | (3)              |
| - Increase (decrease) in accounts payable      | \$ (115,596)                  | \$ (115,371)       | \$ 225            | (1)              |
| - Increase (decrease) in accrued liabilities   | \$ (23,488)                   | \$ (15,294)        | \$ 8,194          | (2)              |
| - Cash flows used in operating activities      | \$ (911,804)                  | \$ (877,799)       | \$ 34,005         | (5)              |
| - Net proceeds from sale of stock              | \$ 225,200                    | \$ 94,937          | \$ (130,263)      | (4)              |
| - Net proceeds from warrants issued with stock | \$ -                          | \$ 96,483          | \$ 96,483         | (4)              |
| - Proceeds from loans from stockholders        | \$ 350,000                    | \$ -               | \$ (350,000)      | (3)              |
| - Cash flows from financing activities         | \$ 1,044,135                  | \$ 1,010,355       | \$ (33,780)       | (3)(4)           |
| - Net Increase (decrease) in cash              | \$ 132,331                    | \$ 132,556         | \$ 225            | (1)              |
| - Cash at end of period                        | \$ 232,493                    | \$ 232,718         | \$ 225            | (1)              |

#### REFERENCE

- (1) Correction of cash and accounts payable
- (2) Reclass of accrued interest payable
- (3) Reclass from notes payable and short-term notes
- (4) Changes in warrant accounting
- (5) Account correction of A/P & reclassification of accrued interest, N/P

#### F. Subsequent Events

The company has evaluated subsequent events from March 31, 2010 through the date the financial statements were amended and issued and determined that there is the following events to disclose.

Loans:

The Company entered into two 90-day loan agreements from March 31, 2010 until the date of this filing. These loans are not convertible and carry a 12.0% interest rate. Each agreement also required the company to issue warrants to purchase the applicable number of shares of common stock at \$.50 per share. The client performed a Black-Scholls valuation for each transaction. The call value was used to value the warrants issued. Once the warrants were valued, the relative fair value method was used to allocate the proceeds between the warrants and the loans. The warrant values would be credited to the APIC-Warrant account. The difference in the face value of the loans and the proceeds assigned to the loans becomes a discount on the loans. These discounts are then accreted over the life of the loans.

| Date      | Term    | Proceeds   | Warrants | Exercise Price | Interest | Call Value | Warrant Value | Proceeds Allocation | 6/30/2010 Accretion |
|-----------|---------|------------|----------|----------------|----------|------------|---------------|---------------------|---------------------|
| 6/16/2010 | 90 Days | \$ 100,000 | 50,000   | \$ 1.00        | 12.00%   | \$ 0.22    | \$ 11,000     | \$ 9,900            | \$ 1,650            |
| 6/16/2010 | 90 Days | \$ 100,000 | 50,000   | \$ 1.00        | 12.00%   | \$ 0.22    | \$ 11,000     | \$ 9,900            | \$ 1,650            |
|           |         | \$ 200,000 |          |                |          |            |               | \$ 19,800           | \$ 3,300            |

The Company entered into a 90-day loan agreement during the quarter. This loan is convertible and carries a 12.0% interest rate. The agreement also requires the company to issue warrants to purchase the applicable number of shares of common stock at \$1.00 per share. The client performed a Black-Scholes valuation for this transaction. The call value was used to value the warrants issued. Once the warrants were valued, the relative fair value method was used to allocate the proceeds between the warrants and the loan. The warrant values will be credited to the APIC-Warrant account. The difference in the face value of the loans and the proceeds assigned to the loans becomes a discount on the loans. These discounts are then accreted over the life of the loans. With the convertibility of this loan, a beneficial conversion feature is created. The effective conversion price is subtracted from the stock market price to determine the beneficial conversion feature per share. This is then multiplied by the number of warrants issued. This BCF value is then expensed immediately, since the loan can be immediately converted.

| Date     | Term    | Proceeds   | Warrants | Exercise Price | Interest | Call Value | Warrant Value | Proceeds Allocation | Beneficial Conv. Feature Value |
|----------|---------|------------|----------|----------------|----------|------------|---------------|---------------------|--------------------------------|
| 7/2/2010 | 90 days | \$ 200,000 | 100,000  | \$ 1.00        | 12.00%   | \$ 0.34    | \$ 34,000     | \$ 28,800           | \$ 56,000                      |
|          |         | \$ 200,000 | 100,000  |                |          |            |               | \$ 28,800           | \$ - 56,000                    |

Common Stock Transactions:

During the period from March 31, 2010 through the filing date, the Company issued 850,000 shares of common stock for \$850,000 in cash. The Company performed Black-Scholls valuation for each transaction. The call value was the cost per share per this model. The warrant allocation is the amount of the proceeds applied to the warrants. The difference between the warrant allocation and the proceeds was allocated to the shares of common stock issued.

| Date       | Shares  | Proceeds   | Warrants | Exercise Price | Call Value | Warrant Allocation |
|------------|---------|------------|----------|----------------|------------|--------------------|
| 5/5/2010   | 50,000  | \$ 50,000  | 50,000   | \$ 1.00        | 0.4        | \$ 20,000          |
| 7/1/2010   | 30,000  | \$ 30,000  | 15,000   | \$ 1.00        | \$ 0.20    | \$ 3,000           |
| 7/9/2010   | 250,000 | \$ 250,000 | 125,000  | \$ 1.00        | \$ 0.39    | \$ 48,750          |
| 7/20/2010  | 100,000 | \$ 100,000 | 50,000   | \$ 1.00        | \$ 0.44    | \$ 22,000          |
| 8/25/2010  | 25,000  | \$ 25,000  | 12,500   | \$ 1.00        | \$ 0.42    | \$ 5,250           |
| 9/2/2010   | 50,000  | \$ 50,000  | 25,000   | \$ 1.00        | \$ 0.36    | \$ 9,000           |
| 9/23/2010  | 25,000  | \$ 25,000  | 12,500   | \$ 1.00        | \$ 0.40    | \$ 5,000           |
| 9/29/2010  | 100,000 | \$ 100,000 | 50,000   | \$ 1.00        | \$ 0.37    | \$ 18,500          |
| 10/1/2010  | 25,000  | \$ 25,000  | 12,500   | \$ 1.00        | \$ 0.40    | \$ 5,000           |
| 10/1/2010  | 25,000  | \$ 25,000  | 12,500   | \$ 1.00        | \$ 0.40    | \$ 5,000           |
| 10/13/2010 | 30,000  | \$ 30,000  | 15,000   | \$ 1.00        | \$ 0.44    | \$ 6,600           |
| 10/13/2010 | 40,000  | \$ 40,000  | 20,000   | \$ 1.00        | \$ 0.44    | \$ 8,800           |
| 10/18/2010 | 100,000 | \$ 100,000 | 100,000  | \$ 1.00        | \$ 0.42    | \$ 42,000          |
|            | 850,000 | \$ 850,000 | 500,000  |                |            | \$ 198,900         |

Relocation Announcement:

Viper Motorcycle Company has announced in a press release dated August 10, 2010 that it has plans to begin manufacturing motorcycles in Auburn, Alabama. The company will move its operations from Hopkins, Minnesota to Auburn, Alabama as soon as possible with full production beginning in 2011. A brand new facility in Auburn Technology Park West will become the new headquarters and production facility for Viper Motorcycle Company.



## **Item 2: Management's Discussion and Analysis**

*The following discussion should be read and considered along with our consolidated financial statements and related notes included in this 10-Q. These financial statements were prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ substantially from those anticipated in these forward-looking statements as a result of various factors including those set forth in the "Risk Factors" section of our Form 10-K filing for December 31, 2008.*

### **Business Development Overview**

Viper Powersports Inc., formerly ECCO Capital Corporation ("ECCO"), was incorporated in Nevada in 1980 under a former name. ECCO ceased all active operation 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, this 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 statement as the accounting acquirer. Since Viper Powersports Inc. had no assets or liabilities at the time of this acquisition, its book value has been stated as zero on the recapitalized balance sheet. The stock exchange for this reverse acquisition was affected on a one-for-one basis, resulting in the stockholders of Viper Motorcycle Company exchanging all of their outstanding capital stock for an equal and 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. was incorporated by us in March 2005 as a wholly-owned Minnesota corporation. We organized and incorporated Viper Performance Inc. for the purpose of receiving and holding the engine development technology and related assets which we acquired from Thor Performance Inc.

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 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. Our proprietary V-Twin engines were designed and developed by Melling Consultancy Design (MCD), a leading professional engine design and development firm based in England.

After undergoing an extensive engine emissions testing program for an entire year conducted by a leading independent test laboratory in 2009, our proprietary V-Twin engines recently satisfactorily passed and complied with all noise and pollution emissions requirements of both the federal Environmental Protection Agency (EPA) and the more stringent emissions requirements of the California Air Resources Board (CARB). Satisfying these standards constitutes a touchstone achievement for the Company that we believe places us in a commanding competitive position in the upscale custom motorcycle market.

We commenced commercial marketing, very limited production and commercial shipment of Viper motorcycles in 2009, and we currently hold material orders from our Viper dealer base of fifteen first class motorcycle dealers. Our current firm orders from Viper dealers exceed our remaining available production capacity for 2010.

### **Strategic Engine Development Joint Venture**

In January 2010 the Company's subsidiary, Viper Motorcycle Company, entered into a three-year Motorcycle Engine Manufacture and Supply Agreement with Ilmor Engineering Inc. (the "Ilmor/Viper Contract"). Ilmor Engineering Inc. ("Ilmor") has been engaged for over 20 years in the design, development and manufacture of high-performance engines, and Ilmor's extensive precision engineering and manufacturing facilities are located in suburban Detroit, Michigan. The Company is very pleased to have completed this strategic and valuable Ilmor/Viper Contract, since Ilmor is widely recognized as one of the most successful race-engine design and manufacturers.

Under a previous written contract entered into by Ilmor and Viper in May 2009, Ilmor began assembling all V-Twin engines used by Viper, and since then Ilmor has conducted all of the Company's engine product assembly. The initial May 2009 contract also contained a product development segment whereby Ilmor evaluated our V-Twin engine to determine whether the parties should engage in a future joint venture to develop and produce an upgraded model of the Viper engine. Ilmor's evaluation of our V-Twin engine through the initial contract was favorable, and accordingly resulted in the current Ilmor/Viper Contract, which provides for the exclusive manufacture and supply by Ilmor of a Viper engine designed by Ilmor.

Under the Ilmor/Viper Contract, Ilmor has assumed all design, development, testing, quality control and manufacturing with respect to an upgraded Ilmor-designed Viper V-Twin engine. Ilmor has completed design and development operations and is now producing prototype models of this engine based on specifications jointly developed by Ilmor and Viper. Under a payment schedule extending through November 2012, the Company will pay Ilmor a total of \$745,000 for the design, development and testing of this V-Twin engine and the Company is current on all payments to Ilmor under this contract.

The Company has approved and is well satisfied with the most recent prototype of the Ilmor-designed Viper engine, and accordingly has ordered an initial commercial shipment of these engines to be delivered in April-May 2010. Ilmor agrees to manufacture and supply all V-Twin requirements of Viper and in turn Viper must purchase all its engines exclusively from Ilmor. Ilmor will bear the cost and expense of all tooling, parts and components to manufacture and supply Viper engines until finished engines are invoiced and shipped to the Company. So long as Viper satisfies certain minimum annual engine purchase requirements, Ilmor shall not develop, manufacture or sell a similar V-Twin engine for itself or any third party.

These Ilmor-designed Viper engines will be labeled with an Ilmor brand, for which the Company has been granted a non-exclusive paid-up license to use the Ilmor Mark in connection with sale and distribution of Viper engines. All intellectual property rights related to any Ilmor Marks, however, continue to be owned exclusively by Ilmor. Engine pricing to be paid to Ilmor by Viper will be determined annually based on the actual Bill of Materials for components, labor and assembly costs incurred by Ilmor, plus a reasonable mark-up percentage.

## **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:

*Continue commercializing the Diamondback & Mamba* – Our primary focus during 2010 will be to complete implementing and improving 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 model to offer the Mamba commercially as soon as possible in 2010.

*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 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* – In 2010, 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 2011 we anticipate obtaining substantial revenues from Viper engine sales in this active aftermarket. We also will outsource production of ancillary Viper items from third-party suppliers including various motorcycle parts and accessories, apparel, and other Viper branded merchandise. For example, we have 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.

## **Operational Overview**

During 2007 the company commenced limited commercial marketing and production of its motorcycles. Incident thereto, in November 2007 the Company retained a licensed emissions certification laboratory to test its motorcycles and engines and certify its test results for compliance with the emission standards promulgated by the Environmental Protection Agency (EPA) and the California Air Resources Board (CARB). This independent test process was successfully completed in July 2008, and the Company received its official certification from the Environmental Protection Agency on December 4, 2008.

In October 2008, we relocated all of our operations and administration functions from Big Lake, MN to Hopkins, MN, a suburb of Minneapolis. We lease our current Hopkins facility under a written 3 year lease at a monthly rental of \$7,600 not including utilities. The facility occupies 9,000 square feet in a modern one-story light industrial building. We believe our Hopkins facility is adequate to support all our administrative, development, production assembly and warehousing needs for the foreseeable future.

## Results of Operations

### *Revenues*

Since our 2002 inception, we have generated total revenues of \$1,183,073 some of which occurred in 2004 before we discontinued offering a motorcycle with a non-proprietary engine. We anticipate that our future revenues for the next 12 months will be primarily from sale of Viper cruisers, although we expect to begin obtaining sales of our proprietary engines in the aftermarket by the fourth quarter of 2010. We anticipate receiving additional revenues from our planned line of custom parts and accessories for the motorcycle aftermarket as well as our Viper branded apparel and other merchandise.

We believe our future revenue stream will be most significantly affected by customer demand for Viper cruisers, performance of our proprietary V-Twin engines, our ability to timely manufacture our motorcycle products in response to dealer and customer orders, recruitment and retention of dealers who actively promote and sell our products, and dealer acceptance of our floor plan financing facility.

### *Operating Expenses*

From our inception in November 2002 through March 31, 2010, we have incurred total operating expenses of \$32,171,391 including \$5,589,640 of research and development expenses and \$19,210,061 of selling, general and administrative expenses.

Research and development expenses consist primarily of salaries and other compensation for development personnel, contract engineering costs for outsourced design or development, supplies and equipment related to design and prototype development activities, and costs of regulatory compliance or certifications.

Selling, general and administrative expenses consist primarily of salaries and other compensation for our management, marketing and administrative personnel, facility rent and maintenance, advertising and promotional costs including trade shows and motorcycle rallies, sales brochures and other marketing materials, dealer recruitment and support costs, development of accounting systems, consulting and professional fees, financing costs, public relations efforts and administrative overhead costs.

### ***Comparison of Quarter Ended March 31, 2010 to Quarter Ended March 31, 2009.***

#### *Revenues and Gross Profit*

There was \$128,979 of motorcycle and parts revenue for the 1st quarter of 2010 as compared to no revenue for the 1st quarter of 2009.

#### *Research and Development Expenses*

Research and development increased by \$293,673 to \$316,949 for the 1st quarter of 2010 from \$23,276 for the 1st quarter of 2009. This increase was due primarily to development expense associated with our agreement with Ilmor Engineering in regards to our engine.

#### *Selling, general and administrative expenses*

Selling, general and administrative expenses increased to \$463,848 for the 1st quarter of 2010 from \$312,793 for the 1st quarter of 2009. Our selling and general administrative expenses were very consistent from quarter to quarter, with the exception of the finder's fees on the loans that has been expensed during this quarter.

### *Loss from operations*

Operational loss for the 1st quarter of 2010 was \$778,273 compared to \$336,069 for the 1st quarter of 2009. This increased loss in the 1st quarter of 2010 was due primarily to increased research and development in regard to the engines and warrant and beneficial conversion expenses related to the loans entered into this quarter.

### *Interest expense*

Interest expense for the 1st quarter of 2010 was \$21,313 compared to \$7,656 for the 1st quarter of 2009. This slight increase during the 1st quarter of 2010 was due to securing loans for operations and inventory.

No income tax benefit was recorded regarding our net loss for the 1st quarters of 2010 and 2009; since we could not determine that it was more likely than not that any tax benefit would be realized in the future.

Since we are beginning commercial operations, our operations are subject to all of the risks inherent in the development of a new business enterprise, including the ultimate risk that we may never commence full-scale operations or that we may never become profitable. We do not expect to make material shipments of our motorcycles to dealers until spring of 2010. Our historic spending levels are not indicative of future spending levels since we are entering a period requiring increased spending for commercial operations including significant inventory purchases, increased marketing and dealer network costs, and additional general operating expenses. Accordingly, our losses could increase until we succeed in generating substantial product sales, which may never happen.

We currently employ 7 persons including our management, development, marketing and administrative personnel. We expect to hire 2-5 assembly and administrative personnel during 2010 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.

### **Liquidity and Capital Resources**

Since our inception, we have financed our development, capital expenditures, and working capital needs through sale of our common stock to investors in private placements and substantial loans from our principal shareholders. We raised a total of approximately \$11 million through the sale of our common stock in private placements, and in excess of \$6.6 million through loans from our principal shareholders.

As of March 31, 2010, we had cash resources of \$232,718, total liabilities of \$1,633,029, and a negative working capital position of \$378,357.

## **Future Liquidity**

Based on our current cash position, we have concerns about our ability to fund our ongoing operations. We anticipate obtaining additional needed financing through the proceeds from additional private placement of equity securities.

If we are unable to complete the proposed private placements or to obtain substantial additional funding through another source, we most likely would need to curtail significantly, or 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 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 statement ended December 31, 2009 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.

## **Cash Flow Information**

Net cash consumed by operating activities was \$877,799 during the three months ended March 31, 2010 compared to consuming cash in the amount of \$189,055 for the three months ended March 31, 2009. There was no cash used or generated from investing activities for the 1<sup>st</sup> quarters of 2010 or 2009. Cash generated from financing activities for the three months ended March 31, 2010 was \$1,010,355 compared to \$191,908 for the three months ended March 31, 2009.

## **Business Seasonality**

Sales of motorcycles in the United States are affected materially by a pattern of seasonality experienced in the industry which results in lower sales during winter months in colder regions of the country. Accordingly, we anticipate that our sales will be greater during spring, summer and early fall months than during late fall and winter periods. We also expect our revenues and operating results could vary materially from quarter to quarter due to industry seasonality.

## Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued *The FASB Accounting Standards Codification* (“ASC”) which became effective for interim and annual reporting periods ending after September 15, 2009. The Codification is the source of authoritative U.S. GAAP recognized by the FASB. The adoption of this Codification did not have any material impact on the Company’s financial position, results of operations or cash flows.

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 March 31, 2010, we have experienced cumulative losses of approximately \$33 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 currently provide limited floor plan financing to our dealers for their purchase of Viper products which is self financed by the company. 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 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 and other 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 power sport 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 layoff 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.

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 25,000,000 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.

#### **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.

## **Forward-Looking Statements**

*This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. 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, including those risk factors in our Form 10-K for the period ended December 31, 2009.*

### **Item 3. Controls and Procedures**

#### Evaluation of disclosure controls and procedures

The Company's Chief Executive and Chief Financial Officer, John R. Silseth and Jerome L. Posey, have reviewed the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this review, these two officers believe that the Company's disclosure controls and procedures are effective in ensuring that information that is required to be disclosed by the Company in reports that it files under the Securities Exchange Act of 1934 is recorded, processed and summarized and reported within the time periods specified in the rules of the Securities and Exchange Commission.

#### Changes in internal controls

There were no changes in the Company's internal controls over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 6. Exhibits

See Index of Exhibits.

**SIGNATURE**

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

**VIPER POWERSPORTS INC.**

By: /s/ Jerome L. Posey

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Jerome L. Posey  
Principal Financial Officer

November 22, 2010  
Hopkins, Minnesota

**VIPER POWERSPORTS INC.  
INDEX TO EXHIBITS**

**Form 10-Q for  
Quarter Ended March 31, 2010**

**Commission File No. 000-51632**

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 31.1                      | Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                 |
| 31.2                      | Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                 |
| 32.1                      | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

**CERTIFICATION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, John R. Silseth certify that:

1. I have reviewed this report on Form 10-Q of Viper Powersports Inc.
2. Based on my knowledge, this 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 report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's board of directors acting as an audit committee:
  - (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 registrant's internal control over financial reporting.

Date: November 22, 2010

/s/ John R. Silseth

John R. Silseth

Principal Executive Officer

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**CERTIFICATION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Jerome L. Posey, certify that:

1. I have reviewed this report on Form 10-Q of Viper Powersports Inc.
2. Based on my knowledge, this 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 report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's board of directors acting as an audit committee:
  - (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 registrant's internal control over financial reporting.

Date: November 22, 2010

/s/ Jerome L. Posey  
Jerome L. Posey  
Principal Financial Officer

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**CERTIFICATIONS  
OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Viper Powersports Inc, a Nevada corporation for the Quarter ended March 31, 2010, the undersigned certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that

- (1) the Quarterly Report on Form 10-Q of Viper Powersports Inc for the Quarter ended June 30, 2009 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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 fairly presents in all material respects, the financial condition and results of operations of Viper Powersports Inc

Date: November 22, 2010

/s/ John R. Silseth  
John R. Silseth, Principal Executive Officer of  
Viper Powersports Inc.

Date: November 22, 2010

/s/ Jerome L. Posey  
Jerome L. Posey, Principal Financial Officer of  
Viper Powersports Inc.

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