

SPEDEMISSIONS INC

Form 10-K

March 30, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended: December 31, 2008.**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 000-49688**

**Speedemissions, Inc.**

(Exact name of registrant as specified in its charter)

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**Florida**  
(State or other jurisdiction of  
incorporation or organization)

**33-0961488**  
(I.R.S. Employer

Identification No.)

**1015 Tyrone Road, Suite 220**

**Tyrone, Georgia 30290**

(Address of principal executive offices)

**Registrant's telephone number (770) 306-7667**

**Securities registered pursuant to Section 12(b) of the Act: NONE**

**Securities registered pursuant to Section 12(g) of the Act:**

**Title of Each Class**  
**Common stock, par value \$0.001**

**Name of Each Exchange on Which Registered**  
**Over the Counter: Bulletin Board**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the stock on such date was \$619,453.

As of March 17, 2009, 5,162,108 shares of common stock of the registrant were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with our 2009 Annual Meeting of Stockholders are incorporated by reference in Part III herein.



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Speedemissions, Inc.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that look to future events and consist of, among other things, statements about our anticipated future income including the amount and mix of revenue among type of product, category of customer, geographic region and distribution method and our anticipated future expenses and tax rates. Forward-looking statements include our business strategies and objectives and include statements about the expected benefits of our strategic alliances and acquisitions, our plans for the integration of acquired businesses, our continued investment in complementary businesses, products and technologies, our expectations regarding product acceptance, product and pricing competition, continuation of our stock repurchase program, cash requirements and the amounts and uses of cash and working capital that we expect to generate, as well as statements involving trends in the security risk management market and statements including such words as may, believe, plan, expect, anticipate, could, estimate, predict, goals, continue, similar expressions or the negative of these terms or other comparable terminology. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to business and economic risks, uncertainties and assumptions that are difficult to predict, including those identified below in Item 1A, *Risk Factors* as well as in Item 1, *Business* and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in this Annual Report on Form 10-K. Therefore, our actual results may differ materially and adversely from those expressed in any forward-looking statements. We cannot assume responsibility for the accuracy and completeness of forward-looking statements, and we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

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#### **Part I**

##### **Item 1. Business**

###### **Overview**

Speedemissions, Inc. is one of the largest test-only emissions testing and safety inspection companies in the United States. In 2008, we performed over 357,000 emissions tests and safety inspections. We perform vehicle emissions testing and safety inspections in certain cities in which vehicle emissions testing is mandated by the Environmental Protection Agency (EPA). As of February 28, 2009, we operated 39 vehicle emissions testing and safety inspection stations under the trade names of *Speedemissions* (Atlanta, Georgia and St. Louis, Missouri); *Mr. Sticker* (Houston, Texas); and *Just Emissions* (Salt Lake City, Utah). We also operate four mobile testing units in the Atlanta, Georgia area which service automotive dealerships and local government agencies.

We use computerized emissions testing and safety inspections equipment that test vehicles for compliance with vehicle emissions and safety standards. Our revenues are generated from the test or inspection fee charged to the registered owner of the vehicle. We do not provide automotive repair services. We are a single segment company in emissions testing and safety inspection. None of our 123 employees are represented by a union.

We were incorporated as SKTF Enterprises, Inc. in Florida in March 2001. In June 2003, we acquired Speedemissions, Inc., a Georgia corporation in the business of vehicle emissions testing since May 2000. In connection with the acquisition, we changed our name to Speedemissions, Inc. in September 2003.

###### **Our Typical Testing Center**

Our testing centers generally are located in freestanding buildings in areas with high vehicle traffic counts, good visibility and easy access to major roadways. The typical testing center is located inside of a structure similar to a typical lube or tire change garage with doors at both ends so vehicles can drive-through the facility. We also have structures that resemble a bank drive-through facility. We are creating brand awareness in our current testing stations through standard building style and façade, consistent color schemes, signs, and employee uniforms, and we advertise in select local markets. Computerized testing systems are located in each building to test vehicle emissions and safety, if applicable in that state. We purchase or lease these computerized testing systems from state approved equipment vendors.

Most of our emissions testing stations are open for business during weekdays between the hours of 8:00 am and 6:00 pm, and from 8:30 am to 5:00 pm on Saturdays. We operate some stations on Sundays in Texas. The average emissions test in Georgia takes approximately 8 to 12 minutes to complete. In Texas, Missouri and Utah, because of the safety inspection, the completion time is slightly longer. In addition, we do a limited amount of oil changes in four of our fifteen Texas locations.

There are two types of primary emissions tests that are performed, the Accelerated Simulated Model (ASM) and the On-Board Diagnostic (OBD). In selected markets a vehicle safety inspection is required to be performed. These tests apply to vehicles generally manufactured from 1983 through 2004, depending on the state. The ASM test is done on vehicles 1995 and older, while the OBD test is conducted on vehicles 1996 and newer. We generally operate two or three testing lanes at each testing center depending upon the size of the building. We typically lease the land and the building from the property owners, however we have constructed several buildings on land leases in the past.

In our Atlanta, Georgia locations, under the guidelines of the Georgia Clean Air Force program the mobile vehicle emission testing units are only permitted to conduct the OBD test on 1996 and newer vehicles. In the Atlanta, Georgia area, we currently have four mobile units and they serve the automobile fleets of the federal, state, and local governments. Also, all used cars, prior to being re-sold, must have a vehicle emission test, and thus we serve selected new and used car dealers throughout the greater Atlanta market with these mobile units.

###### **Expansion of Business**

Since our incorporation, we have grown as a result of comparable store sales growth, new store openings and strategic acquisitions. We have acquired some of our well-known, well-established competitors in the Atlanta, Georgia, Houston, Texas and Salt Lake City, Utah trade areas since our incorporation. We last acquired a competitor in 2005. Our acquisitions in 2005 included Mr. Sticker, Inc. in Houston which began testing in 1985 and Just Inc. (Just Emissions) in Salt Lake City which began testing in 1993.

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In November 2007, we began expanding our operations into Dallas, Texas and St. Louis, Missouri. Our original plans for expansion into these markets encompassed opening a total of twelve stations in Dallas located within Sears Auto Centers and three stand-alone stations in St. Louis by June 30, 2008. All three St. Louis stores were open as of December 31, 2008 and we have plans to open one additional store in St. Louis during 2009. During 2008, we closed eight of the twelve stores located in Dallas within Sears Auto Centers due to low test volumes. On January 5, 2009, the Company closed the 4 remaining vehicle emissions testing and safety inspection stations located within Sears Auto Centers in the Dallas-Ft. Worth, Texas trade area. Each of the twelve stores had been operating less than 13 months. Based on the Company's analysis of 2008 test volumes at each of the stores closed, we believed we could not generate enough test volume over time to produce a reasonable expectation of positive cash flow.

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We continually reassess our store rollout plans based on numerous factors including the overall environment of the emissions testing industry, our access to working capital and external financing, general economic conditions and the availability of suitable locations. This growth may be curtailed if we do not have adequate working capital, access to financing, as a cost containment initiative, or if we are unable to obtain the standard emission and safety station licensing approval from the respective state regulatory agencies for each location.

**Industry Background Government and Regulatory Overview**

The United States Environmental Protection Agency ( EPA ) reported in 2003 that approximately 123 million people live in 333 counties across the United States that do not meet national air quality standards. The 2007 Motor Vehicle I/M Report, an annual report published by Sierra Research, states that 32 states and the District of Columbia currently have vehicle emissions testing programs. Each state as well as the District of Columbia has its own regulatory structure for emissions testing with which we must comply if we conduct business in that state.

Public awareness of air pollution and its hazardous effects on human health and the environment has increased in recent years. Increased awareness of air pollution and its hazardous effects on human health and the environment has led governmental authorities to pass more stringent pollution control measures. One especially effective measure that many governmental authorities have adopted is vehicle emissions testing. Vehicle emissions produce approximately up to 50% of the hazardous air pollutants and up to 90% of the carbon monoxide air pollution in metropolitan areas. The EPA estimates that enhanced emissions testing on motor vehicles is approximately 10 times more cost-effective in reducing air pollution than increasing controls on stationary pollution sources such as factories and utilities. Consequently, the EPA has made emissions testing an integral part of its overall effort to reduce air pollution by ensuring that vehicles meet emissions standards.

Vehicle emissions control requirements have become progressively more stringent since the passage of the Clean Air Act in 1970. In 1990, Congress amended the Clean Air Act. The revisions required areas that did not meet national ambient air quality standards (NAAQS) to implement either basic or enhanced vehicle I/M emissions testing programs, depending upon the severity of the area's air quality problem. The act also required that metro areas with populations of more than 100,000 implement enhanced I/M emissions testing regardless of their air quality designation.

On November 5, 1992, the EPA issued its original rule establishing minimum performance and administrative requirements for states developing air quality implementation plans. The EPA said areas that needed enhanced emissions testing would have to use their new I/M 240 test procedure. However, the EPA decided to grant state governmental authorities the discretion to determine how best to establish and operate a network of emissions testing facilities, including the flexibility to choose either a centralized or a decentralized program.

In general, these vehicle emissions tests are performed either in a centralized program or in a decentralized program. In a centralized program, a select number of emissions testing operators are licensed by the state or are operated by certain states to perform vehicle emissions testing. These operators are authorized to perform emissions tests, but generally they are prohibited from repairing vehicles that fail to pass an emissions test.

On the other hand, in a decentralized program, a wider range of persons may perform emissions tests, including those engaged primarily in other businesses, such as automotive repair shops, oil change stores and others. For many of these operators, performing emissions tests is not their primary business.

Nineteen states have implemented decentralized programs, ten states and the District of Columbia have implemented centralized programs. There are three states that have implemented a hybrid program, whereby the state operates its own testing stations and also allows independently operated stations.

On July 31, 1998, the EPA issued a final study that concluded that more stringent air quality standards for motor vehicle emissions are needed, and that such standards should be implemented as it becomes technologically feasible and cost-effective to do so. We believe that the setting of such standards will be the most important EPA regulatory initiative affecting motor vehicles since the passage of the 1990 Amendments. We believe that the EPA study is likely to result in more stringent standards that will have the effect of increasing the number of areas that must implement emissions testing programs and thereby potentially increasing the market for our service. On February 28, 2006, the EPA proposed new standards that would establish stringent new controls on gasoline passenger vehicles to further reduce emissions of mobile source air toxins.

Since 1977, when federal legislation first required states to comply with emissions standards through the use of testing programs, California has been a leader in testing procedures and technical standards. California has approximately 23 million vehicles subject to emissions testing, more than two times that of any other state. California's testing program is overseen by the California





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Bureau of Automotive Repair (CARB). CARB has revised its emissions testing standards three times: in 1984, 1990 and, most recently, in 1997. With each of these revisions, the Bureau has required the use of new, more sophisticated and more accurate emissions testing and analysis equipment, which must be certified by CARB. California's testing standards have become the benchmark for emissions testing in the United States.

All states with decentralized programs and many states with centralized programs require emissions testing and analysis equipment used in their programs to be either BAR-84, BAR-90, or BAR-97 certified, with all newly implemented enhanced programs requiring BAR-97 certification.

As emissions testing equipment has become more technologically advanced, government regulators have required that testing facilities use this more advanced equipment. The most significant technological advance that has occurred in the emissions testing industry over the past decade is the development of enhanced testing systems. Prior to 1990, the EPA required government agencies to test vehicles only for emissions of carbon monoxide and hydrocarbons, which form smog. During this basic test, a technician inserts a probe in the vehicle's tailpipe while the vehicle is idling and emissions analyzers then measure pollution levels in the exhaust. These basic tests worked well for pre-1981, non-computerized vehicles containing carburetors because typical emission control problems involved incorrect air/fuel mixtures and such problems increase pollution levels in the exhaust even when the vehicle is idling.

However, today's vehicles have different emissions problems. For tests on modern vehicles to be effective, the equipment must measure nitrogen oxide emissions that also cause smog and must test the vehicle under simulated driving conditions. The EPA now requires these enhanced tests in the major metropolitan areas of 32 states and the District of Columbia. A technician conducts these Accelerated Simulated Mode (ASM) tests on a dynamometer, a treadmill-type device that simulates actual driving conditions, including periods of acceleration, deceleration and cruising, or the On Board Diagnostic (OBD) by plugging into the vehicle's computerized operation system.

*Emissions Testing in the State of Georgia*

In 1996, the Environmental Protection Division of the State of Georgia initiated Georgia's Clean Air Force program that required emissions testing of certain vehicles in a 13 county area surrounding metro Atlanta, Georgia. These rules are set forth in Sections 391-3-20-.01 through .22 of the Rules of the Georgia Department of Natural Resources, Environmental Protection Division.

Georgia's program is a decentralized program. All operators performing emissions testing in Georgia must have their technicians attend and complete certain state certified training, and report to the state on their emissions testing activities every month. Testing stations may be licensed to test all vehicles, which are known as ALL VEHICLES WELCOME stations, or only vehicles not more than ten years old, known as 1996 OR NEWER VEHICLES ONLY stations. All the stations we currently operate in Georgia, are ALL VEHICLES WELCOME stations.

Georgia's Clean Air Force Program initially required a basic test of exhaust gases every two years. In 1997, the program was changed to include enhanced testing, which combines the simple exhaust test with a simulated road test using a dynamometer. Prior to January 1, 2000, Georgia required that vehicles in the 13 covered counties undergo an emissions test once every two years. In December 1999, the Georgia legislature revised the program to require testing on an annual basis, with an annual exemption for the three most recent model years.

The market for emissions testing in Georgia is highly fragmented and generally consists of services provided by independent auto repair service providers, service stations, oil and tire repair stores, and independent test-only facilities. According to the State of Georgia, there were approximately 800 licensed test sites, and approximately 2,473,000 tests were performed in Georgia under the Georgia Clean Air Force Program during the calendar year 2007.

Under Georgia law, the price that a testing station may charge per test may not be less than \$10 nor more than \$25. A fee of \$4.02 must be paid by the station operator to the state. The balance of the current charge, or \$20.98 assuming the maximum price of \$25 is charged, is retained by the station operator. If a vehicle fails an emissions test, it may be retested at no additional charge within 30 days of the initial test if performed at the same facility.

If a vehicle fails to pass an emissions test, the owner of the vehicle must have repair work performed to correct the deficiency, up to a total cost of \$710 under current law. If a vehicle fails a re-inspection despite the maximum expenditure required by law, the owner must apply for a repair waiver from the state.

Georgia law mandates compliance with its vehicle emissions testing program. For vehicles subject to the state's emissions law, a successful test, or a waiver from the state, is required to obtain a vehicle registration in Georgia.

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### *Emissions Testing and Safety Inspections in the State of Texas*

The Texas Vehicle Emissions Testing Program, also known as AirCheck Texas, was implemented in May 2002 in affected areas of Texas to improve air quality. As of January 2009, 17 counties are subject to enhanced vehicle emissions testing in Texas including the greater metropolitan areas of Dallas Ft. Worth, Houston, Galveston, Austin and El Paso. The rules are set forth in § 114.50 of the Texas Administrative Code.

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The testing program is integrated with the annual safety inspection program, both of which are operated by the Texas Department of Public Safety in conjunction with the Texas Commission on Environmental Quality. Vehicles two to twenty-four years old are subject to vehicle emissions testing in Texas. The emissions tests conducted are the same as in Georgia, and Utah with 1996 and newer models subject to the OBD test and 1995 and older models subject to the ASM test. The fees in greater Houston are set at a maximum of \$39.75 for the emissions test and safety inspection, with \$27.25 allocated for an ASM or an OSD emissions test and \$12.25 allocated for the safety inspection. The operator is charged \$8.25 for the ASM sticker, \$14.25 for the OBD sticker. Vehicles are required to be tested on an annual basis, with an annual exemption for the two most recent model years. According to the American Automobile Motor Vehicle Association, there are approximately 4.6 million eligible vehicles in the state.

If a vehicle fails the emissions test, the operator must provide a free retest at the same facility within 15 days. An individual vehicle waiver is available to any vehicle that has undergone at least \$600 of emissions-related repairs and is still unable to pass an emissions test.

Texas law mandates compliance with its vehicle emissions and safety inspection program. For a vehicle to obtain a sticker for yearly registration the owner must have a successful emissions and safety inspection, or a waiver.

*Emissions Testing and Safety Inspections in the State of Utah*

The state of Utah allows a hybrid of the centralized and decentralized programs where the state operates a select number of emissions testing and safety inspection centers while authorizing those businesses such as an automotive repair shop, automobile dealers and others to conduct emissions testing and safety inspections. The Department of Health for each county manages emission testing and the Utah Highway Patrol manages safety inspection program. The emissions tests conducted are the same as in Georgia and Texas. We charge \$38.00 for the emissions test in Salt Lake County and \$25 in Weber County where the maximum fee is \$25. Depending on the location of the testing center, a fee of \$1.80 is remitted to Salt Lake County and \$3.00 to Weber County. We charge \$17 for the safety inspections in both counties and a fee of \$2.00 is remitted to the Utah Highway Patrol per safety inspection.

All vehicles registered in Davis, Salt Lake, Utah and Weber counties with model years less than six years old are required to have an emission test once every two years. Vehicles with model years six years old and older (to 1967) must have an emission test every year. Emission testing is not required for vehicles with model years 1967 or older. Vehicles with model years less than eight years old are required to have a safety inspection once every two years. Vehicles with model years eight years old and older must pass safety inspections every year. If a vehicle fails, the operator must provide a free re-test at the same facility within 15 days.

Utah law mandates compliance with its vehicle emissions and safety inspection program. For a vehicle to obtain a sticker for yearly registration the owner must have a successful emissions and/or safety inspection.

*Emissions Testing and Safety Inspections in the State of Missouri*

The state of Missouri's Gateway Vehicle Inspection Program switched from a centralized program to a decentralized program on October 1, 2007. The program is administered by the Department of Natural Resources and the Missouri State Highway Patrol.

Missouri law requires all motor vehicles pass a vehicle safety inspection at an authorized inspection station every other year unless specifically exempted from a safety inspection. New motor vehicles are exempt from the safety inspection during the model year of the vehicle and first annual renewal the following year. A safety inspection is required regardless of the model year if the vehicle is sold.

In addition to the safety inspection, vehicles registered in St. Louis City, St. Louis County, St. Charles County, Franklin County and Jefferson County are required to have an emissions inspection every other year prior to registering the vehicle. New motor vehicles and the first retail sale of titled motor vehicles, with less than 6,000 miles during the model year of the vehicle and the following year are exempt from the emissions inspection. Vehicles with a model year of 1995 and older are exempt from the ASM emissions inspections in Missouri. An emissions inspection is required regardless of the model year if the vehicle is sold.

We charge \$36.00 for the emissions (\$24.00) and safety inspection (\$12.00). Fees of \$2.50 and \$1.50 are remitted to the state of Missouri for each emissions and safety inspection, respectively.



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#### **Operating Strategy**

Our operating strategy focuses on (a) increasing the number of sites we operate in a given market, (b) increasing the volume of business at each site, (c) creating brand awareness for our services, and (d) creating repeat customer sales, all of which are designed to enhance our revenue and cash flow. To achieve these goals, we:

Seek to secure and maintain multiple stations at well-traveled intersections and other locations that are easily reachable by our customers;

Coordinate operations, training and a local outreach program in each market to enhance revenue and maximize cost efficiencies within each market;

Implement regional management and marketing initiatives in each of our markets;

Seek to acquire existing testing sites where significant volume potential exists;

Tailor each facility, utilize limited local advertising and the services we offer to appeal to the broadest range of consumers; and

Seek to expand the use of our mobile vehicle testing units by bidding on federal, state, and local governments for their fleet vehicles, as well as corporate accounts and automotive dealerships.

We currently purchase our raw materials, such as filters, hoses, etc., from several suppliers, and because these raw materials are readily available from a variety of suppliers, we do not rely upon any one supplier for a material portion of our materials. Certificates of emission and safety inspection are purchased from each state's department or agency responsible for overseeing the emissions testing and safety inspections programs in that state.

#### **Intellectual Property**

We have registered the trade names Speedemissions, Mr. Sticker and Just Emissions in the United States. We have filed a Federal Service Mark Registration for the name and logo of Speedemissions, Inc., and for the tag line The Fastest Way to Keep Your Air Clean.

#### **Competition**

The emissions testing and safety inspection industry is full of small owner-operators. Auto repair shops, tire stores, oil change stores, muffler shops, service stations, and other emissions testing stations may offer this service. There are no national competitors at this time. We expect competition from local operators at all of our locations. We expect such competition whenever and wherever we open or acquire a station. Our market share is too small to measure. Our revenue from emissions testing is affected primarily by the number of emissions and safety tests our stations perform, and the price charged per test. Other emissions testing operators may have greater financial resources than us, which may allow them to obtain more expensive and advantageous locations for testing stations, to provide services in addition to emissions testing, to charge lower prices than we do, and to advertise and promote their businesses more effectively than we do. For example, some of our competitors in Atlanta charge only \$20.00 to test a vehicle rather than the \$25.00 maximum allowed under Georgia law. As a result, we have had to reduce our fees to \$20.00 in some of our Atlanta stations. We intend to compete by creating brand awareness through advertising, a standard building style and facade, a consistent color scheme and uniform and improving the customer experience. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain, or will increase, their current testing volumes and revenues.

#### **Research and Development**

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We have not spent any material amount of time or money on research and development, and do not anticipate doing so in the future.

### **Compliance with Environmental Laws**

There are no environmental laws applicable to the vehicle emissions and safety inspection business.

### **Employees**

We currently have 123 employees. Of these 123 employees, seven are employed in full time administrative positions at our headquarters, including our Chief Executive Officer, Richard A. Parlontieri, while 116 are employed on-site at our testing locations. 109 of our employees are full-time, while 14 are employed on a part-time basis.

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**Available Information**

Our internet address is [www.speedemissions.com](http://www.speedemissions.com). We make available free of charge through links on our internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

**Recent Corporate Developments**

Since December 31, 2008, we have closed 4 vehicle emissions testing and safety inspection stations located within Sears Auto Centers in the Dallas-Ft. Worth, Texas trade area. The Company had previously announced the closing of 8 similar stores on July 18, 2008. Each of the twelve stores had been operating less than 13 months. Based on the Company's analysis of 2008 test volumes at each of the 4 stores closed, the Company believes they could not generate enough test volume over time to produce a reasonable expectation of positive cash flow.

The Company repositioned all of the equipment used at these 4 locations to existing Company stores in other markets. The results of operations for the 12 closed stores were recorded as discontinued operations and had revenues of \$242,025 and \$7,402 and an operating loss of \$360,975 and \$59,722 during the years ended December 31, 2008 and 2007, respectively.

**Item 1A. Risk Factors**

*Current economic conditions, including recent disruptions in the financial markets, may adversely affect our industry, business and results of operations, our ability to obtain financing on reasonable and acceptable terms to expand our operations and the market price of our common stock.*

The United States economy is currently undergoing a significant slowdown, which some observers view as a recession, and the future economic environment may continue to be less favorable than that of recent years. This slowdown has and could further lead to reduced consumer and commercial spending in the foreseeable future. The emissions testing and safety inspection industry may experience significant downturns in connection with, or in anticipation of, declines in general economic conditions and its impact on the automotive industry as a whole. Declines in consumer and commercial spending may drive us and our competitors to reduce pricing, which would have a negative impact on our gross profit. A continued softening in the economy may adversely and materially affect our industry, business and results of operations and we can not accurately predict how severe and prolonged any downturn might be. Moreover, reduced revenues as a result of a softening of the economy may also reduce our working capital and interfere with our long term business strategy. These macroeconomic developments could negatively affect our business, operating results, or financial condition in a number of ways. For example, current or potential customers, such as automotive dealerships may delay or decrease spending with us or may not pay us or may delay paying us for previously provided services. In addition, if consumer spending continues to decrease, this may result in fewer sales of used automobiles that are subject to emissions and safety testing.

The United States stock and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective and outstanding debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings materially less attractive, and in certain cases have resulted in the unavailability of certain types of financing. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional short-term and long-term financing on reasonable terms or at all, which would negatively impact our liquidity, financial condition and ability to expand our operations. A prolonged downturn in the stock or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business operations accordingly. These disruptions in the financial markets also may adversely affect our credit rating and the market value of our common stock.

While we believe we have adequate sources of liquidity to meet our anticipated requirements for working capital, debt servicing and capital expenditures for the foreseeable future, if our operating results worsen significantly and our cash flow or capital resources prove inadequate, or if interest rates increase significantly, we could face liquidity problems that could materially and adversely affect our results of operations and financial condition.



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***We have a limited operating history and limited historical financial information upon which you may evaluate our performance.***

Our limited operating history and losses to date make it difficult to evaluate our business. We have incurred net losses of \$495,776 and \$264,232 for the years ended December 31, 2008 and 2007, respectively. As of December 31, 2008, we had cash on hand of \$512,492, working capital deficit of \$161,771, an accumulated deficit of \$12,525,668 and total shareholders' equity of \$3,231,930. You should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, have not generated net earnings on an annual basis. Various factors, such as economic conditions, regulatory and legislative considerations, and competition, may also impede our ability to expand our market presence. We may not successfully address these risks and uncertainties or successfully implement our operating and acquisition strategies. If we fail to do so, it could materially harm our business and impair the value of our common stock. Even if we accomplish these objectives, we may not generate positive cash flows or profits we anticipate in the future.

***We have a large amount of outstanding common stock held by a single shareholder, and a large amount of common stock that could be acquired by a second shareholder upon conversion of preferred stock and exercise of warrants, which if sold could have a negative impact on our stock price.***

Our largest shareholder, GCA Strategic Investment Fund Limited, and its affiliates, own 3,379,361 shares of our common stock as of December 31, 2008. Upon exercise of all outstanding warrants at exercise prices between \$0.30 and \$0.90 per share and conversion of their Series A Convertible Preferred Stock, GCA Strategic Investment Fund Limited and its affiliates could own up to 10,056,859 shares of our common stock. Barron Partners LP ( Barron ) could acquire up to 31,481,930 shares of our common stock upon the exercise of outstanding warrants at exercise prices between \$0.30 and \$0.90 per share and the conversion of their Series B Convertible Preferred Stock. If either of these shareholders sold a large number of shares of our common stock into the public market it could have a negative impact on our stock price.

***There is an extremely limited market for our stock.***

There is an extremely limited trading market for our common stock. Although our common stock is quoted on the OTC Bulletin Board, there are very few trades of our shares. Currently, there are no consistent market makers in our common stock. Making a market in securities involves maintaining bid and ask quotations and being able to effect transactions in reasonable quantities at those quoted prices, subject to various securities laws and other regulatory requirements. The development and maintenance of a public trading market depends, however, upon the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. Market makers on the OTC Bulletin Board are not required to maintain a continuous two-sided market, are required to honor firm quotations for only a limited number of shares, and are free to withdraw firm quotations at any time. Even with a market maker, factors such as our losses from operations for each of the past three years, the large number of shares reserved for issuance upon exercise of existing warrants or options or the conversion of outstanding shares of preferred stock, and the small size of our company mean that there can be no assurance of an active and liquid market for our common stock developing in the foreseeable future. Even if a market develops, we cannot assure you that a market will continue, or that shareholders will be able to resell their shares at any price. You should carefully consider the limited liquidity of your investment in our common stock.

***Our near term growth is expected to be financed through limited cash flows from operations.***

Our growth in 2009 is expected to be limited to one or two new stores and it will be financed through limited cash flows from operations. We cannot be certain that we will be successful in generating sufficient cash flows from operations to significantly expand our operations. Our growth and expansion may be curtailed if we are unable to generate sufficient cash flows to fund the growth and expansion.

***We may have to pay a substantial amount of liquidated damages to a single shareholder if we fail to maintain certain requirements.***

If we fail to maintain a majority of independent directors on our board and a majority of independent directors on both our Audit Committee and Compensation Committee, then we must pay to Barron an amount equal to 24% of the purchase price of \$6,615,000 for the Series B Convertible Preferred Stock and common stock warrants per annum, payable monthly. For every month the majority of our board or any of our committees is not independent, we must pay Barron liquidated damages in the amount of \$132,300. Currently we have a majority of independent directors on our board.

If we fail to maintain the effectiveness of a resale registration statement for the shares held by Barron, without Barron's consent, then we must pay to Barron in the form of shares of Series B Convertible Preferred Stock an amount equal to 24% of the purchase price of \$6,615,000 paid by Barron for the Series B Convertible Preferred Stock and common stock warrants per annum for each day the resale registration is not effective.

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For example, if we fail to maintain the effectiveness of the resale registration statement for a period of 30 days, we must issue to Barron approximately 49,315 shares of Series B Convertible Preferred Stock which would convert to approximately 372,822 shares of our common stock.

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***We are obligated to redeem a series of our preferred stock upon a change of control.***

If a person or group of persons other than GCA Strategic Investment Fund Ltd. acquires beneficial ownership of 33 1/3% or more of the outstanding shares of common stock without the prior written consent of GCA Strategic Investment Fund Ltd., we could be required to redeem the Series A Convertible Preferred Stock at the greater of (i) the original issue price of \$1,000 per share or (ii) the number of shares of common stock into which the redeemed shares may be converted multiplied by the market price of the common stock at the time of the change in control. Based on the 5,133 shares of Series A Convertible Preferred Stock currently outstanding, if this redemption were triggered we would be required to pay the holders of these shares an aggregate of at least \$5,133,000. This restriction will likely deter any proposed acquisition of our stock and may make it more difficult for us to attract new investors, as any mandatory redemption of the preferred shares will materially adversely affect our ability to remain in business and significantly impair the value of your common stock.

***A change of control could occur if one shareholder exercises all of its common stock purchase warrants.***

Barron may acquire 18,760,000 shares of common stock upon conversion of 2,481,482 shares of Series B Convertible Preferred Stock. However, Barron is restricted from converting any portion of the Series B Convertible Preferred Stock which would cause Barron to beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to such conversion unless such restriction is waived or amended by Barron and the holders of a majority of the outstanding common stock who are not affiliates. In addition, Barron may acquire 12,587,431 shares of common stock upon the exercise of warrants at exercise prices between \$0.30 and \$0.90 per share. However, Barron is restricted from exercising any portion of the common stock warrants (except as described below) which would cause Barron to beneficially own in excess of 4.99% of the outstanding shares of common stock unless such restriction is waived or amended by Barron and the holders of a majority of the outstanding common stock who are not affiliates. Barron's Common Stock Purchase Warrant AA-5 gives Barron the ability to revoke this ownership restriction upon 61 days prior notice from Barron to Speedemissions. If the restrictions relating to the warrants are waived, amended or revoked, as the case may be, Barron could control approximately 77% of outstanding shares of common stock based on number of outstanding shares as of February 28, 2009.

***We depend upon government laws and regulations that may be changed in ways that may impede our business.***

Our business depends upon government legislation and regulations mandating air pollution controls. At this point, Georgia, Missouri, Texas and Utah laws are especially important to us because all of our existing emissions testing services are conducted in those states. Changes in federal or state laws that govern or apply to our operations could have a materially adverse effect on our business. Federal vehicle emissions testing law may evolve due to technological advances in the automobile industry creating cleaner, more efficient automobiles which could affect current testing policy and procedures in our markets. For example, Georgia law could be changed so as to require that vehicles in the state be tested every other year, as opposed to every year. Such a change would reduce the number of vehicles that need to be tested in any given year and such a reduction would have a material adverse effect on our revenues in Georgia. Other changes that would adversely affect us would be a reduction in the price we can charge customers for our testing service, an increase in the fees we must pay to the state in order to operate emissions testing stations in its jurisdiction, and the adoption of a system whereby the state, as opposed to private operators, performs vehicle emissions testing. We cannot be assured that changes in federal or state law would not have a materially adverse effect on the vehicle emissions testing industry generally or, specifically, on our business.

***We may be unable to effectively manage our growth and operations.***

The management of our expansion will require, among other things, continued development of our financial and management controls and management information systems, stringent control of costs, increased marketing activities, the ability to attract and retain qualified management personnel, and the training of new personnel. We intend to hire additional personnel as needed in order to effectively manage our expected growth and expansion. Failure to successfully manage our expected growth and development and difficulties in managing additional emissions testing and safety inspection stations could have a material adverse effect on our business and the value of our common stock.

***Our strategy of acquiring and opening more testing stations may not produce positive financial results for us.***

Our strategy of acquiring and opening more emissions testing stations in the greater Atlanta, Houston, Salt Lake City, and St. Louis areas is subject to a variety of risks, including the:

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Inability to find suitable acquisition candidates;

Failure or unanticipated delays in completing acquisitions due to difficulties in obtaining regulatory approvals or consents;

Difficulty in integrating the operations, systems and management of our acquired stations and absorbing the increased demands on our administrative, operational and financial resources;

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Failure to attract customers to new or acquired testing facilities;

Loss of key employees;

Reduction in the number of suitable acquisition targets resulting from potential industry consolidation;

Inability to negotiate definitive purchase agreements on satisfactory terms and conditions;

Increases in the prices of sites and testing equipment due to increased competition for acquisition opportunities or other factors; and

Inability to exit lease contracts or sell any non-performing stations or to sell used equipment.

Our failure to successfully address these risks could have a material adverse effect on our business and impair the value of our common stock.

***Because the emissions testing and safety inspection industry is highly competitive, we may lose customers and revenues to our competitors.***

Our testing stations face competition from other emissions testing and safety inspection operators that are located near our sites. The markets we operate in are highly fragmented and our competitors generally consist of independent auto repair service providers, service stations, oil and tire repair stores and independent test-only facilities that may only operate a single station. We estimate our total number of competitors to be several thousand across all the markets in which we operate. For example, the 2007 list of licensed testing sites provided by the State of Georgia contains approximately 800 licensed test sites. We expect such competition whenever and wherever we open or acquire a station. Our revenue from emissions testing and safety inspections is affected primarily by the number of vehicles our stations service, and the price charged per test. Other emissions testing operators may have greater financial resources than us, which may allow them to obtain more expensive and advantageous locations for testing stations, to provide services in addition to emissions testing, to charge lower prices than we do, and to advertise and promote their businesses more effectively than we do. For example, some of our competitors in Atlanta charge only \$20.00 to test a vehicle rather than the \$25.00 maximum allowed under Georgia law. As a result, we have had to reduce our fees to \$20.00 in some of our Atlanta stations. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain, or will increase, their current testing volumes and revenues. A decrease in testing volume as the result of competition or other factors could materially impair our profitability and our cash flows, thereby adversely affecting our business and the value of our common stock.

***The loss of Richard A. Parlontieri, our President and Chief Executive Officer, and the inability to hire or retain other key personnel, would adversely affect our ability to manage and control our business.***

Our business now depends primarily upon the efforts of Mr. Richard A. Parlontieri, who currently serves as our President and Chief Executive Officer. We believe that the loss of Mr. Parlontieri's services would have a materially adverse effect on us. In this regard, we note that we have entered into a rolling three-year employment agreement with Mr. Parlontieri. We maintain key-man life insurance on Mr. Parlontieri.

As our business grows and expands, we will need the services of other persons to fill key positions in our company. We may not be able to attract, or retain, competent, qualified and experienced individuals to direct and manage our business due to our limited resources. The absence of skilled persons within our company will have a materially adverse effect on us and the value of our common stock.

***Our largest shareholder controls our company, allowing it to direct the company in ways that may be contrary to the wishes of other shareholders.***

Our largest shareholder, GCA Strategic Investment Fund Limited, and its affiliate, owned approximately 67% of our outstanding common shares and control approximately 82% of our outstanding voting securities as of February 28, 2009. They have the ability to control the direction of our company, which may be contrary to the wishes of other shareholders or new investors.

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*There are a large number of outstanding warrants, options and preferred stock which if exercised or converted will result in substantial dilution of the common stock.*

As of February 28, 2009, there were 5,162,108 shares of common stock outstanding. If all warrants and options outstanding as of February 28, 2009 are exercised and all preferred stock are converted to common stock, there will be 49,426,452 shares of common stock outstanding. As a result, a shareholder's proportionate interest in us will be substantially diluted.

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*Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectation, which could result in substantial losses for investors.*

Our operating results may fluctuate as a result of a number of factors, many outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly, year-to-date, and annual expenses as a percentage of our revenues may differ significantly from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these events could cause our stock price to fall. Each of the risk factors listed in Item 1A and the following factors may affect our operating results:

Quarterly variations in operating results;

Any significant sale of stock or exercise of warrants by any of our existing shareholders;

Announcements by us or our competitors of new products, significant contracts, acquisitions or strategic relationships;

Publicity about our company, management, products or our competitors;

Additions or departures of key personnel;

Regulatory changes affecting the price we are allowed to charge or the fee required to be remitted to the state;

Reduced commercial or consumer spending due to the current economic slowdown in the United States;

Any future sales of our common stock or other securities; and

Stock market price and volume fluctuations of publicly traded companies.

These and other external factors have caused and may continue to cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock.

*Because we are subject to the penny stock rules, the level of trading activity in our stock may be reduced.*

Our common stock is quoted on the OTC Bulletin Board. Broker-dealer practices in connection with transactions in penny stocks are regulated by certain penny stock rules adopted by the Securities and Exchange Commission. Penny stocks, like shares of our common stock, generally are equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on Nasdaq. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, broker-dealers who sell these securities to persons other than established customers and accredited investors

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must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security subject to the penny stock rules, and investors in our common stock may find it difficult to sell their shares.

***Recent restatements of the Company's 2007, 2006 and 2005 financial statements may present a risk of future restatements and non-compliance with certain aspects of the Sarbanes-Oxley Act.***

The Company filed Form 10-KSB/A and Form 10-QSB/A to amend and restate consolidated financial statements and amend disclosures including in the notes accompanying the consolidated financial statements in the periods ended December 31, 2006, March 31, 2007, June 30, 2007 and September 30, 2007. The restatements reclassified our presentation of (gain)/loss from disposal of non-strategic assets to include the (gain)/loss as a component of operating loss and our presentation of Series A convertible preferred stock. The restatement had no effect on our annual or quarterly net loss, cash flows or liquidity. We can not provide assurance that the Company may not be required to restate past or future financial statements and such restatements could be required in the future as a result of an undetected material error.

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

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future.

### ***Seasonality***

Our business is affected by seasonality in Missouri and Utah, which historically has resulted in lower sales volume during the winter months of inclement weather in our first and fourth quarters. Prior quarterly results are not indicative of first or fourth quarter results.



**Table of Contents****Index to Financial Statements*****Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price***

We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal control over financial reporting for our fiscal year ended December 31, 2008 and a report by our independent registered public accounting firm that attests to the effectiveness of our internal control over financial reporting beginning with our fiscal year ending December 31, 2009. Testing and maintaining internal control can divert our management's attention from other matters that are important to our business. We expect to incur increased expense and to devote additional management resources to Section 404 compliance. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 or our independent registered public accounting firm may not be able or willing to issue an unqualified report on the effectiveness of our internal control over financial reporting. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or their effect on our operations since there is presently no precedent available by which to measure compliance adequacy. If either we are unable to conclude that we have effective internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified report, then investors could lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties****Corporate Office**

We rent our general corporate offices located at 1015 Tyrone Road, Suite 220, Tyrone, Georgia, which consists of 4,166 square feet of office space and a training classroom with a term that expires on April 30, 2011. The lease automatically renews for additional 2-year renewal periods unless either party gives ninety-day notice of non-renewal.

**Testing Facilities**

We lease the land and buildings we use in our emissions testing and safety inspection stations in Atlanta, St. Louis, Houston, and Salt Lake City. All of our facilities are believed to be in adequate condition for their intended purposes and adequately covered by insurance. The following table shows the store locations for our 43 stores as of December 31, 2008:

<b>Location</b>	<b>Number of Stores</b>
Georgia	13
Missouri	3
Texas	19
Utah	8
Total	43

**Item 3. Legal Proceedings**

We are not currently a party to or otherwise involved in any legal proceedings that would have a material adverse affect on our business.

In the ordinary course of business, we may be from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon our financial condition and/or results of operations.

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

No matters were submitted for a vote of our shareholders during the fourth quarter of 2008.

**Table of Contents****Index to Financial Statements****Part II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

Our common stock is currently quoted on the OTC Bulletin Board under the symbol `SPMI`. Prior to January 20, 2006, our common stock was traded on the OTC Bulletin Board under the symbol `SPEM`. Although our common stock is quoted on the OTC Bulletin Board, there has been limited trading, at widely varying prices, and trading to date has not created an active market for our common stock. Thus, the prices at which trades occurred may not be representative of the actual value of our common stock. On a number of days during this period, there were no trades at all in our common stock.

The following tables set forth, for the periods indicated, the high and low bids of our common stock. The following quotations reflect inter-dealer prices, without retail markup, mark-down or commission, and may not represent actual transactions.

	High	Low
<b>Fiscal year ended December 31, 2007:</b>		
First Quarter	\$ 0.39	\$ 0.25
Second Quarter	\$ 0.35	\$ 0.18
Third Quarter	\$ 0.50	\$ 0.17
Fourth Quarter	\$ 0.26	\$ 0.20
<b>Fiscal year ended December 31, 2008:</b>		
First Quarter	\$ 0.25	\$ 0.07
Second Quarter	\$ 0.13	\$ 0.07
Third Quarter	\$ 0.12	\$ 0.05
Fourth Quarter	\$ 0.07	\$ 0.05
<b>Fiscal year ended December 31, 2009:</b>		
First Quarter (Through February 28)	\$ 0.07	\$ 0.02

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to a few exceptions which we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

**Holdings**

As of December 31, 2008 and February 28, 2009, there were 5,162,108 shares of our common stock issued and outstanding, held by approximately 100 shareholders of record. As of December 31, 2008 and February 28, 2009, there were 5,133 shares of Series A Convertible Preferred Stock issued and outstanding and held of record by two shareholders. As of December 31, 2008 and February 28, 2009, there were 2,481,481 shares of our Series B Convertible Preferred Stock issued and outstanding held of record by one shareholder.

**Dividends**

We have never declared or paid a cash dividend on our common stock and we do not expect to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain our earnings, if any, for use in our business. Any dividends declared on our common stock in the future will be at the discretion of our Board of Directors.

We previously were obligated to pay cumulative dividends at an annual rate of 7% on the outstanding Series A Convertible Preferred Stock. At our option, we could have paid these dividends in cash or in additional shares of our common stock. On October 14, 2005, the holders of Series A Convertible Preferred Stock consented to the termination of dividend accruals on the Series A Convertible Preferred Stock. Pursuant to the GCA Exchange Agreement, GCA exchanged the \$302,847 in cumulative dividends due and owing under 2,500 shares of Series A Convertible

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Preferred Stock through October 14, 2005 for additional shares of Series A Convertible Preferred Stock and common stock purchase warrants.

We do not pay dividends on our Series B Convertible Preferred Stock.

**Table of Contents****Index to Financial Statements****Securities Authorized for Issuance Under Equity Compensation Plans**

We have adopted four stock option plans. On May 15, 2001, our directors and shareholders approved the SKTF, Inc. 2001 Stock Option Plan, effective June 1, 2001. At our annual shareholders meeting on August 27, 2003, our shareholders approved an amendment to the plan, changing its name to the Speedemissions, Inc. 2001 Stock Option Plan, and increasing the number of shares of our common stock available for issuance under the plan from 60,000 shares to 100,000 shares. As of February 28, 2009, we have issued and outstanding options to acquire 79,525 shares of our common stock under the plan at prices ranging from \$2.00 to \$5.15 per share, and we have issued 5,000 shares of common stock under the plan.

At our 2005 annual meeting, the shareholders approved the 2005 Omnibus Stock Grant and Option Plan (the 2005 Plan), effective September 1, 2005. The 2005 Plan authorized us to issue options for up to 250,000 shares of our common stock. For purposes of the 2005 Plan, each year of the plan commences on September 1. On September 1 of each new plan year, the number of shares available for issuance in the 2005 Plan was automatically adjusted to an amount equal to 10% of outstanding shares of common stock on August 31 of the immediately preceding plan year. On August 26, 2008, we amended and restated the 2005 Plan (2005 Restated Plan) to terminate this annual automatic adjustment provision. As a result of the previous automatic adjustments, there are 303,498 options available for issuance under the 2005 Restated Plan. As of February 28, 2009, under the 2005 Restated Plan we have issued 271,000 options at an exercise prices ranging from \$0.50 to \$1.00 per share.

At our 2006 annual meeting, the shareholders approved and adopted the 2006 Stock Grant and Option Plan (the 2006 Plan), effective September 18, 2006. We may issue options for up to 2,000,000 shares of our common stock under the 2006 Plan. As of February 28, 2009, under the 2006 Plan we have 1,905,533 options issued and outstanding at exercise prices ranging from \$0.50 to \$0.58 per share.

At our 2008 annual meeting, the shareholders approved and adopted the 2008 Stock Grant and Option Plan (the 2008 Plan), effective May 19, 2008. We may issue options for up to 5,000,000 shares of our common stock under the 2008 Plan. As of February 28, 2009, under the 2008 Plan, we have 3,538,500 issued and outstanding options at exercise prices ranging from \$0.125 to \$0.07 per share.

As of December 31, 2008, the aggregate information with respect to our equity compensation plans is as follows:

Plan Category	Number of Securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<b>Equity compensation</b>			
<b>plans approved by</b>			
<b>security holders</b>	5,781,558	\$0.34	1,616,938
<b>Equity compensation</b>			
<b>plans not approved by</b>			
<b>security holders</b>	N/A	N/A	N/A
<b>Total</b>	5,781,558	\$0.34	1,616,938

**Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities**

All sales of unregistered securities for the past two years have been previously reported on either Form 10-KSB, Form 10-QSB, Form 10-Q, Form 10-K or Form 8-K filed with the Securities and Exchange Commission.

**Item 6. Selected Financial Data**

As a smaller reporting company, we are not required to provide the information required by this Item pursuant to 301(c) of Regulation S-K.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Disclaimer Regarding Forward Looking Statements**

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and

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introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Annual Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

**Overview**

As of December 31, 2008 we operated 43 vehicle emissions testing and safety inspection stations and four mobile units in four separate markets, greater Atlanta, Georgia; St. Louis, Missouri; Dallas, Texas; Houston, Texas and greater Salt Lake City, Utah. On January 5, 2009, we exited the Dallas market and closed four stores in the area.

We perform vehicle emissions testing and safety inspections in certain cities in which vehicle emissions testing is mandated by the Environmental Protection Agency (EPA). We use computerized emissions testing and safety inspections equipment that test vehicles for compliance with vehicle emissions and safety standards as determined by each state. Our revenues are generated from the test or inspection fee charged to the registered owner of the vehicle. We do not provide automotive repair services.

We charge a fee for each test, whether the vehicle passes or not, and a portion of that fee is remitted to the state governing agency.

**Results of Operations****Year ended December 31, 2008 compared to the year ended December 31, 2007**

Our revenue, cost of emission certificates (our cost of goods sold), store operating expenses, general and administrative expenses, (gain)/loss from disposal of non-strategic assets and operating loss for the year ended December 31, 2008 as compared to the comparable period ended December 31, 2007 were as follows:

	<b>Year Ended December 31,</b>		<b>Percentage</b>
	<b>2008</b>	<b>2007</b>	<b>Change</b>
Revenue	\$ 9,779,942	\$ 9,654,843	1.3%
Cost of emission certificates	2,097,940	2,312,270	(9.3)%
Store operating expenses	6,061,774	5,697,517	6.4%
General and administrative expenses	1,768,519	1,832,008	(3.5)%
(Gain)/loss from disposal of non-strategic assets	(48,668)	11,735	514.7%
Operating loss	\$ (99,623)	\$ (198,687)	(49.9)%

*Revenue.* For the year ended December 31, 2008, revenue increased \$125,099 or 1.3% to \$9,779,942 compared to \$9,654,843 in the prior year. The increase in revenue was primarily due to additional revenue of \$588,535 generated from new stores. We experienced a decrease in revenue from same store sales of (3.4%) or \$316,142 and a decrease of \$147,294 resulting from the closure of two stores closed in 2007 and 2008.

*Cost of emission certificates.* Cost of emission certificates decreased \$214,330 or (9.3%) to \$2,097,940 in the year ended December 31, 2008 and was 21.5% of revenues, compared to \$2,312,270 and 23.9% of revenues, during 2007. The decrease in the cost of emission certificates was primarily due to a \$307,494 decrease in same store certificates and a \$62,613 decrease in certificate costs from the closure of two stores. The decrease in same store certificate costs mainly resulted from a decrease in the per certificate cost of our Georgia certificates, which decreased from \$6.95 to \$4.02 on October 1, 2007. The decrease in the cost of emission certificates was offset by additional certificates purchased for our

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new stores in the amount of \$156,044.

*Store operating expenses.* Our store operating expenses increased \$364,257 or 6.4% to \$6,061,774 in the year ended December 31, 2008 and was 62.0% of revenues, compared to \$5,697,517 or 59.0% of revenues during 2007. The increase in store operating expenses was primarily due to new store operating expenses of \$620,207. The increase in store operating expenses was partially offset by a (2.5%), or \$134,010 reduction in same store operating expenses and a decrease of \$64,777 from the closure of two stores.



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*General and administrative expenses.* For the year ended December 31, 2008, our general and administrative expenses decreased \$63,489 or (3.5%) to \$1,768,519 from \$1,832,008 in 2007. The decrease in general and administrative expenses was primarily due to an decrease in professional fees, consulting and investor relations expenditures of \$56,787, and a decrease in advertising expenses of \$11,600.

*(Gain)/loss from disposal of non-strategic assets.* For the year ended December 31, 2008, we recognized a gain of \$48,668 from the disposal of non-strategic assets. We incurred a loss of \$11,735 from the disposal of non-strategic assets in the year ended December 31, 2007.

*Interest income, interest expense and loss from continuing operations and basic and diluted loss per share from continuing operations.* Our interest income, interest expense, loss from continuing operations and basic and diluted loss per share from continuing operations for the year ended December 31, 2008 as compared to the year ended December 31, 2007 were as follows:

	Year Ended December 31,		Percentage
	2008	2007	Change
Interest income	\$ 1,495	\$ 5,994	(75.1)%
Interest expense	(36,673)	(11,817)	210.3%
Loss from continuing operations	(134,801)	(204,510)	(34.1)%

Basic and diluted loss per share from continuing operations	\$ (0.03)	\$ (0.06)	(50.0)%
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*Loss from discontinued operations and loss per share from discontinued operations.* On December 31, 2008, we decided to close our last 4 vehicle emissions testing and safety inspection stations located within Sears Auto Centers in the Dallas-Ft. Worth, Texas trade area. These stores were closed on January 5, 2009. We had previously announced the closing of 8 similar stores in the Dallas-Ft. Worth, Texas trade area on July 18, 2008. Discontinued operations for the years ended December 31, 2008 and 2007 consists of the operating results for these 12 stores. Revenue in the year ended December 31, 2008 and 2007 from these stores was \$242,025 and \$7,402, respectively. Loss from discontinued operations was \$360,975 and \$59,722 in the years ended December 31, 2008 and 2007, respectively. Basic and diluted loss per share from discontinued operations was \$0.07 and \$0.02 in the years ended December 31, 2008 and 2007, respectively.

*Net loss and basic and diluted net loss per share.* Our net loss increased \$231,544 or 87.6% from \$264,232 in the year ended December 31, 2007 to \$495,776 in 2008. Our basic and diluted net loss per share was \$0.10 and \$0.07 in the year ended December 31, 2008 and 2007, respectively. The increase in the net loss and net loss per share was mainly attributable to the loss from discontinued operations of \$360,975 and \$59,722 in the years ended December 31, 2008 and 2007, respectively.

**Liquidity and Capital Resources****Introduction**

We currently anticipate that our existing cash and cash flow from operations will be sufficient to support our operating and investing needs for at least the next twelve months. Our cash flow from operations will benefit from the closure of the twelve stores located in Sears Auto Centers in the Dallas-Ft. Worth area. However, this depends on our ability to manage our working capital requirements and the ability of our stores to achieve or maintain positive operating cash flow. Net cash used in operating activities in 2008 was \$289,293 as compared to net cash provided by operating activities of \$561,966 in 2007. As we continue to implement our growth strategy, we anticipate an increase in our operating cash flow, but with the increased costs of expanding our operations, we may not achieve positive operating cash flow on a consistent basis.

Our cash, current assets, total assets, current liabilities, total liabilities, Series A convertible preferred stock and total stockholders' equity as of December 31, 2008 as compared to December 31, 2007 were as follows:

	As of December 31, 2008	As of December 31, 2007	Change
Cash	\$ 512,492	\$ 804,662	\$ (292,170)
Total current assets	650,183	1,030,713	(380,530)

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Total assets	9,066,429	9,719,301	(652,872)
Total current liabilities	811,954	1,078,048	(266,094)
Total liabilities	1,255,153	1,566,099	(310,946)
Series A convertible preferred stock	4,579,346	4,579,346	
Total stockholders' equity	3,231,930	3,573,856	(341,926)

For the year ended December 31, 2008 our net cash used in operating activities was \$289,293, as compared to net cash provided by operating activities of \$561,966 for the year ended December 31, 2007. Negative operating cash flows during 2008 were primarily

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created by a net loss of \$495,776. The net loss was mainly due to the loss from discontinued operations of \$360,975 and new store operating losses of \$356,653 incurred in the year ended December 31, 2008. Decreases in accounts payable and accrued liabilities of \$282,206, other liabilities of \$9,106 and a gain from disposal of non-strategic assets of \$48,668 also contributed to the negative operating cash flows during 2008, offset by an increase in other current assets of \$52,888, an increase in other assets of \$2,850, share based compensation expenses of \$153,850 and depreciation and amortization of \$336,875.

Positive operating cash flows during 2007 were primarily created by a net loss of \$264,232, of which \$59,722 was attributable to discontinued operations, an increase in other assets of \$43,861, offset by an increase in accounts payable and accrued liabilities of \$460,753, share based compensation expenses of \$135,738 and depreciation and amortization of \$263,603.

Inflation has not had an abnormal or unanticipated effect on our operations. Our cost of emissions certificates does not fluctuate from year to year as the fee we pay to the state or local government agency remains constant over the state's contract period with the administrator, which is usually five to seven years.

**Sources and Uses of Cash**

Net cash provided by (used in) investing activities was \$48,181 and (\$268,190), respectively, for the years ended December 31, 2008 and 2007. Investing activities during 2008 involved primarily \$102,407 received from Gwinnett County for the condemnation of our Lawrenceville, Georgia store for a road widening project in 2007, proceeds of \$149,372 received from the disposal of equipment and capital expenditures related to the building of new stores and purchase of equipment for the stores in the amount of \$203,598.

Investing activities during 2007 involved primarily \$221,094 received from the sale of equipment and our Lawrenceville, Georgia store to Gwinnett County for a road widening project and capital expenditures related to the building of new stores and purchase of equipment for the stores in the amount of \$479,284.

Net cash provided by (used in) financing activities was (\$51,058) and \$190,655, respectively, for the years ended December 31, 2008 and 2007. Net cash used in financing activities during 2008 was for payments on debt in the amount of \$14,206 and payments on capitalized leases of \$36,852. Net cash provided by financing activities during 2007 resulted primarily from \$319,072 in proceeds from a private placement of the Company's common stock, offset by payments on debt in the amount of \$111,747 and payments on capitalized leases of \$16,670.

**Outlook**

We expect to realize earnings improvement in 2009 as we have closed the twelve stores located in Sears Auto Centers in the Dallas-Ft. Worth area which lost \$360,975 and \$59,722 during the years ended December 31, 2008 and 2007, respectively. Additional earnings improvement is expected from a reduction in general and administrative expenses during 2009. However, these expected earnings improvements may be offset by losses from any new stores opened in 2009, a decline in existing store earnings or any unexpected general and administrative expenses that may arise during 2009.

**Critical Accounting Policies**

The discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. In consultation with its Board of Directors, the Company has identified accounting policies related to valuation of its common stock and for assessing whether any value should be assigned to a warrant that it believes are key to an understanding of its financial statements. Additionally, the Company has identified accounting policies related to the valuation of goodwill, created as the result of business acquisitions, as a key to an understanding of its financial statements. These are important accounting policies that require management's most difficult, subjective judgments.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, we are not required to provide the information required by this Item, pursuant to 305(e) of Regulation S-K.

**Item 8. Financial Statements**

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**Speedemissions, Inc. and Subsidiaries**

**Consolidated Financial Statements**

**December 31, 2008 and 2007**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors

Speedemissions, Inc.

We have audited the accompanying consolidated balance sheet of Speedemissions, Inc. and subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 their internal control over financial reporting. Our audit 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 also 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 audit provides 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 Speedemissions, Inc. and subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Habib, Arogeti & Wynne, LLP  
Atlanta, Georgia  
March 27, 2009

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Report of Independent Registered Public Accounting Firm

To the Board of Directors

Speedemissions, Inc.

We have audited the accompanying consolidated balance sheet of Speedemissions, Inc. and subsidiaries (the Company) as of December 31, 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 their internal control over financial reporting. Our audit 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 also 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 audit provides 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 Speedemissions, Inc. and subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Tauber & Balsler, P. C.  
Atlanta, Georgia  
March 28, 2008

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as of December 31,

	2008	2007
<b>Assets</b>		
Current assets:		
Cash	\$ 512,492	\$ 804,662
Other current assets	137,691	226,051
<b>Total current assets</b>	<b>650,183</b>	<b>1,030,713</b>
Property and equipment, net	1,214,737	1,484,229
Goodwill	7,100,572	7,100,572
Other assets	100,937	103,787
<b>Total assets</b>	<b>\$ 9,066,429</b>	<b>\$ 9,719,301</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 498,554	\$ 495,503
Accrued liabilities	237,127	522,385
Current portion - capitalized lease obligations	41,962	32,325
Current portion - equipment financing obligations	16,362	14,207
Current portion - deferred rent	17,949	13,628
<b>Total current liabilities</b>	<b>811,954</b>	<b>1,078,048</b>
Capitalized lease obligations, net of current portion	140,897	155,961
Equipment financing obligations, net of current portion	64,431	80,792
Deferred rent	230,521	243,948
Other long term liabilities	7,350	7,350
<b>Total liabilities</b>	<b>1,255,153</b>	<b>1,566,099</b>
<b>Commitments and contingencies</b>		
Series A convertible redeemable preferred stock, \$.001 par value, 5,000,000 shares authorized, 5,133 shares issued and outstanding; liquidation preference: \$5,133,000	4,579,346	4,579,346
<b>Shareholders equity:</b>		
Series B convertible preferred stock, \$.001 par value, 3,000,000 shares authorized, 2,481,482 shares issued and outstanding; liquidation preference: \$6,372,446	2,481	2,481
Common stock, \$.001 par value, 250,000,000 shares authorized, 5,162,108 shares issued and outstanding	5,162	5,162
Additional paid-in capital	15,749,955	15,596,105
Accumulated deficit	(12,525,668)	(12,029,892)
<b>Total shareholders equity</b>	<b>3,231,930</b>	<b>3,573,856</b>



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Total liabilities and shareholders' equity	\$ 9,066,429	\$ 9,719,301
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*See accompanying notes to consolidated financial statements.*

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**Table of Contents****Index to Financial Statements****Speedemissions, Inc. and Subsidiaries****Consolidated Statements of Operations for the Years Ended December 31,**

	<b>2008</b>	<b>2007</b>
Revenue	\$ 9,779,942	\$ 9,654,843
Costs of operations:		
Cost of emission certificates	2,097,940	2,312,270
Store operating expenses	6,061,774	5,697,517
General and administrative expenses	1,768,519	1,832,008
(Gain) loss from disposal of non-strategic assets	(48,668)	11,735
Operating loss	(99,623)	(198,687)
Interest income (expense)		
Interest income	1,495	5,994
Interest expense	(36,673)	(11,817)
Interest, net	(35,178)	(5,823)
Loss from continuing operations	(134,801)	(204,510)
Loss from discontinued operations, no tax effect	(360,975)	(59,722)
Net loss	\$ (495,776)	(264,232)
Basic and diluted net loss per common share from continuing operations	\$ (0.03)	\$ (0.06)
Basic and diluted net loss per common share from discontinued operations	(0.07)	(0.02)
Basic and diluted net loss per common share	\$ (0.10)	\$ (0.07)
Weighted average common shares outstanding, basic and diluted	5,162,108	3,583,774

*See accompanying notes to consolidated financial statements.*

**Table of Contents****Index to Financial Statements****Speedemissions, Inc. and Subsidiaries****Consolidated Statements of Shareholders' Equity****For the Years Ended December 31, 2008 and 2007**

	Preferred Stock - Series B		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In-Capital	Deficit	
Balance at December 31, 2006	2,481,482	\$ 2,481	2,963,528	\$ 2,964	\$ 15,043,493	\$ (11,765,660)	\$ 3,283,278
Compensation due to stock option grants					135,738		135,738
Common stock issued for private placement			2,127,150	2,127	316,945		319,072
Common stock issued for business acquisition			71,430	71	99,929		100,000
Net loss						(264,232)	(264,232)
Balance at December 31, 2007	2,481,482	2,481	5,162,108	5,162			