SPEEDEMISSIONS INC
Form 10-Q
November 10, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2009

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT**
For the transition period from _____ to _____.

Commission file number: 000-49688

Speedemissions, Inc.

(Exact name of registrant as specified in its charter)

Florida	**33-0961488**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1015 Tyrone Road

Suite 220

Tyrone, GA **30290**
(Address of principal executive offices) **(Zip Code)**

Issuer s telephone number (770) 306-7667

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 x

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

As of November 2, 2009, there were 5,162,108 shares of common stock, par value $0.001, issued and outstanding.

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Speedemissions, Inc.

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CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION

FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This quarterly report on Form 10-Q of Speedemissions, Inc. contains forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the Exchange Act). These statements are based on management s current expectations, estimates and projections about the emissions and safety testing industry. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading Management s Discussion and Analysis of Financial Condition or Plan of Operation. Forward-looking statements also include statements in which words such as expects, anticipates, intends, plans, believes, estimates, con and similar expressions are intended to identify such forward-looking statements.

Forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties, and other factors, some of which are beyond the company s control and are difficult to predict. The Company s future results and shareholder values may differ materially from those expressed or forecasted in these forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Speedemissions undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements
Speedemissions, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30, 2009 (unaudited)	December 31, 2008
Assets		
Current assets:		
Cash	$ 671,604	$ 512,492
Other current assets	144,038	137,691
Total current assets	815,642	650,183
Property and equipment, at cost less accumulated depreciation and amortization	1,038,627	1,214,737
Goodwill	7,100,572	7,100,572
Other assets	101,787	100,937
Total assets	$ 9,056,628	$ 9,066,429
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 227,850	$ 498,554
Accrued liabilities	302,536	237,127
Current portion of capitalized lease obligations	45,896	41,962
Current portion of equipment financing obligations	18,204	16,362
Current portion - deferred rent	17,949	17,949
Total current liabilities	612,435	811,954
Capitalized lease obligations, net of current portion	105,966	140,897
Equipment financing obligations, net of current portion	50,538	64,431
Deferred rent	227,953	230,521
Other long term liabilities	7,350	7,350
Total liabilities	1,004,242	1,255,153
Commitments and contingencies		
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
Shareholders equity:		
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	15,785,466	15,749,955
Accumulated deficit	(12,320,069)	(12,525,668)
Total shareholders equity	3,473,040	3,231,930

Total liabilities and shareholders equity	$ 9,056,628	$ 9,066,429

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Operations

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	**2008**	**2009**	**2008**
Revenue	$ 2,599,350	$ 2,532,993	$ 7,657,600	$ 7,481,467
Costs of operations:				
Cost of emission certificates	560,042	515,882	1,673,285	1,579,729
Store operating expenses	1,595,521	1,541,643	4,743,112	4,551,415
General and administrative expenses	378,880	439,285	1,041,299	1,427,368
Gain on disposal of non-strategic assets	(5,500)	(51,471)	(30,330)	(51,471)
Operating income (loss)	70,407	87,654	230,234	(25,574)
Interest income (expense)				
Interest income	34	226	85	1,346
Interest expense	(9,910)	(9,183)	(24,720)	(28,160)
Interest expense, net	(9,876)	(8,957)	(24,635)	(26,814)
Income (loss) from continuing operations	60,531	78,697	205,599	(52,388)
Loss from discontinued operations		(53,928)		(272,121)
Net income (loss)	$ 60,531	$ 24,769	$ 205,599	$ (324,509)
Basic net income (loss) per share from continuing operations	$ 0.01	$ 0.02	$ 0.04	$ (0.01)
Diluted net income (loss) per share from continuing operations	$ 0.01	$ 0.01	$ 0.02	$ (0.01)
Basic net income (loss) per share from discontinued operations	$	$ (0.01)	$	$ (0.05)
Diluted net income (loss) per share from discontinued operations	$	$ (0.01)	$	$ (0.05)
Basic net income (loss) per share	$ 0.01	$ 0.00	$ 0.04	$ (0.06)
Diluted net income (loss) per share	$ 0.01	$ 0.00	$ 0.02	$ (0.06)
Weighted average common shares outstanding, basic	5,162,108	5,162,108	5,162,108	5,162,108
Weighted average common shares outstanding, diluted	9,439,606	9,439,606	9,439,606	5,162,108

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited)

	Nine Months Ended September 30,	
	2009	**2008**
Operating activities:		
Net income (loss)	$ 205,599	$ (324,509)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	240,546	256,340
Gain on disposal of assets	(30,330)	(51,471)
Share based compensation expenses	35,511	141,422
Changes in operating assets and liabilities:		
Other current assets	(6,347)	31,329
Other assets	(850)	(3,750)
Accounts payable and accrued liabilities	(205,296)	(138,166)
Other liabilities	(2,568)	(7,169)
Net cash provided by (used in) operating activities	236,265	(95,974)
Cash flows from investing activities:		
Proceeds from disposal of assets	30,330	120,407
Purchases of property and equipment	(64,435)	(184,927)
Net cash used in investing activities	(34,105)	(64,520)
Cash flows from financing activities:		
Payments on financing obligations	(12,051)	(10,465)
Payments on capitalized leases	(30,997)	(26,994)
Net cash used in financing activities	(43,048)	(37,459)
Net increase (decrease) in cash	159,112	(197,953)
Cash at beginning of period	512,492	804,662
Cash at end of period	$ 671,604	$ 606,709
Supplemental Information:		
Cash paid during the period for interest	$ 23,288	$ 28,161
Non-cash Investing and Financing activities:		
Non-cash asset additions for financed and capital leases	$	$ 31,425

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc.

Notes to Consolidated Financial Statements

September 30, 2009

(Unaudited)

Note 1: Basis of Presentation

Speedemissions, Inc. (the Company), a Florida corporation, operates vehicle emissions testing and safety inspection centers in four separate markets, greater Atlanta, Georgia; Houston, Texas; St. Louis, Missouri and Salt Lake City, Utah. The Company manages its operations based on these four regions and has one reportable segment. Throughout this report, the terms we, us, our, Speedemissions, and Company refer to Speedemissions, Inc., including its wholly-owned subsidiaries. As of November 2, 2009, we operated 40 vehicle emissions testing and safety inspection centers in these regions and four mobile units in the Atlanta, Georgia area.

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments consisting of normal recurring adjustments necessary for a fair presentation of its financial position and results of operations. Interim results of operations are not necessarily indicative of the results that may be achieved for the full year. The financial statements and related notes do not include all information and footnotes required by U.S. generally accepted accounting principles for annual reports. This quarterly report should be read in conjunction with the consolidated financial statements included in the Company s annual report on Form 10-K for the year ended December 31, 2008.

The Company has evaluated subsequent events through November 10, 2009, the date of filing its Form 10-Q with the Securities and Exchange Commission. We are not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on our Consolidated Financial Statements.

Certain reclassifications of previously reported amounts have been made to conform to the current year presentation. Such reclassifications did not impact net income or shareholders equity as previously reported.

Note 2: Summary of Significant Accounting Policies

Nature of Operations

Speedemissions performs 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. 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.

The Company s 40 emissions testing and safety inspection stations operate under the trade names *Speedemissions* (Georgia and Missouri), *Mr. Sticker* (Texas) and *Just Inc.* (Utah). In the emissions testing and safety inspection industry, such stations are known as decentralized facilities. The Company utilizes basic testing systems that test a motor vehicle s emissions while in neutral and enhanced testing systems that test a vehicle s emissions under simulated driving conditions.

Revenue Recognition

Revenue is recognized as the testing services are performed. The cost of emission certificates is shown separately in the accompanying consolidated statements of income.

Under current Georgia, Missouri, Texas, and Utah laws, if a vehicle fails an emissions test or safety inspection, it may be retested at no additional charge during a specified period after the initial test, as long as the subsequent test is performed at the same facility. The costs of such retests and the number of retests are not material. Accordingly, no allowance for retest is recorded by the Company.

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Recent Accounting Pronouncements

We adopted the provisions of the FASB Statement on Generally Accepted Accounting Principles (GAAP) relating to the Codification on July 1, 2009. This Statement establishes the Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force (EITF) Abstracts; instead the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. The adoption did not have an impact on our consolidated financial position, results of operations or cash flows.

We will adopt the provisions of the FASB Staff Position (FSP) relating to Fair Value Measurements and Disclosures for interim periods beginning after August 28, 2009. This FSP provides additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity. The FSP also provides additional guidance on circumstances that may indicate that a transaction is not orderly and requires additional disclosures. The Company does not expect the adoption of this FSP to have a material effect on its financial position or results of operations.

The FASB Statement on Business Combinations was effective for us for business combinations with the acquisition date on or after January 1, 2009. This Statement requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this Statement will, among other things, impact the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration); exclude transaction costs from acquisition accounting; and change accounting practices for acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets, and tax benefits. The adoption did not have an impact on our consolidated financial position results of operations or cash flows.

Note 3: Discontinued Operations

Discontinued operations include results attributable to 12 emissions testing and safety inspection centers that were located within Sears Auto Centers in the Dallas, Texas area. Eight of these stores were closed in July 2008 and the remaining four were closed on January 5, 2009. Loss from discontinued operations includes the historical loss from these operations.

Loss from discontinued operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	$	$ 53,265	$	$ 197,652
Loss from discontinued operations	$	$ (53,928)	$	$ (272,121)

Note 4: Property and Equipment

Property and equipment at September 30, 2009 and December 31, 2008 consisted of the following:

	September 30, 2009	December 31, 2008
Buildings	$ 485,667	$ 485,667
Emission testing and safety inspection equipment	1,790,587	1,816,579
Furniture, fixtures and office equipment	149,725	128,519
Vehicles	3,664	13,165
Leasehold improvements	290,124	254,820

		2,719,767		2,698,750
Less: accumulated depreciation and amortization		1,681,140		1,484,013
	$	1,038,627	$	1,214,737

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Note 5: Accrued Liabilities

Accrued liabilities at September 30, 2009 and December 31, 2008 consisted of the following:

	September 30, 2009	December 31, 2008
Payroll	$ 98,141	$ 60,669
Professional fees	84,671	83,724
Other	58,287	38,804
Property Taxes	56,167	2,187
Emissions testing equipment	5,270	5,270
Accrued store closing expenses		46,473
	$ 302,536	$ 237,127

Note 6: Equipment Financing Agreements

In December 2007, the Company entered into sixty-month equipment financing agreements with two financing companies in the amounts of $55,124 and $40,458, respectively. The financing agreements are secured by the related equipment and are personally guaranteed by the President of the Company. The balance outstanding under these equipment financing agreements as of September 30, 2009 was $68,742.

Note 7: Net Income (loss) Per Common Share

Basic earnings per share (EPS) represents net income (loss) divided by the weighted average number of common shares outstanding during a reported period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, including stock options, warrants, and contingently issuable shares such as the Company s Series A and Series B preferred stock (commonly and hereinafter referred to as Common Stock Equivalents), were exercised or converted into common stock.

The following table sets forth the computation for basic and diluted net income (loss) per share for the three and nine month periods ended September 30, 2009 and 2008, respectively:

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Income (loss) from continuing operations (A)	$ 60,531	$ 78,697	$ 205,599	$ (52,388)
Loss from discontinued operations (B)		(53,928)		(272,121)
Net income (loss) (C)	$ 60,531	$ 24,769	$ 205,599	$ (324,509)
Weighted average common shares - basic (D)	5,162,108	5,162,108	5,162,108	5,162,108
Effect of dilutive securities:				
Diluted effect of stock options (1, 2, 3)				
Diluted effect of stock warrants (1, 2, 3)				
Diluted effect of unrestricted Preferred Series A Shares (4)	4,277,498	4,277,498	4,277,498	
Diluted effect of unrestricted Preferred Series B Shares (5)				
Weighted average common shares - diluted (E)	9,439,606	9,439,606	9,439,606	5,162,108
Income (loss) per share from continuing operations - basic (A/D)	$ 0.01	$ 0.02	$ 0.04	$ (0.01)
Income (loss) per share from continuing operations - diluted (A/E)	$ 0.01	$ 0.01	$ 0.02	$ (0.01)

Income (loss) per share from discontinued operations - basic (B/D)	$	$ (0.01)	$	$ (0.05)
Loss per share from discontinued operations - diluted (B/E)	$	$ (0.01)	$	$ (0.05)
Net income (loss) per share - basic (C/D)	$ 0.01	$ 0.00	$ 0.04	$ (0.06)
Net income (loss) per share - diluted (C/E)	$ 0.01	$ 0.00	$ 0.02	$ (0.06)

(1) Because their effects are anti-dilutive, Common Stock Equivalents of 21,086,489 issuable under stock option plans and stock warrants whose grant price is greater than the average market price of Common Shares outstanding at the end of the relevant period have been excluded from the computation of weighted average common shares diluted for the three and nine months ended September 30, 2009. These Common Stock Equivalents could be dilutive in future periods.

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(2) Because their effects are anti-dilutive, 21,166,345 shares issuable under stock option plans and stock warrants whose grant price is greater than the average market price of Common Shares outstanding at the end of the relevant period have been excluded from the computation of weighted average common shares diluted for the three months ended September 30, 2008. These Common Stock Equivalents could be dilutive in future periods.

(3) As a result of the Company s net loss in the nine months ended September 30, 2008, aggregate Common Stock Equivalents of 21,166,345 issuable under stock option plans and stock warrants that were potentially dilutive securities are anti-dilutive and have been excluded from the computation of weighted average common shares (diluted) for the nine months ended September 30, 2008. These Common Stock Equivalents could be dilutive in future periods.

(4) As a result of the Company s net loss in the nine months ended September 30, 2008, aggregate Common Stock Equivalents of 4,277,498 issuable under Series A convertible, redeemable preferred stock that were potentially dilutive securities are anti-dilutive and have been excluded from the computation of weighted average common shares diluted for the nine months ended September 30, 2008. These Common Stock Equivalents could be dilutive in future periods. The Company reported net income in the three and nine months ended September 30, 2009 and as a result, the 4,277,498 Common Stock Equivalents were dilutive in the three and nine months ended September 30, 2009.

(5) Series B convertible preferred stock held by Barron Partners, LP (Barron) do not have voting rights and are subject to a maximum ownership percentage by Barron at any time of 4.9% of the Company s outstanding common stock. As a result, Common Share Equivalents of the Series B convertible preferred stock of 18,760,000 are anti-dilutive and have been excluded from the weighted average common shares diluted calculation for the three and nine months ended September 30, 2008 and 2009.

Note 8: Preferred Stock

Preferred Stock

There were 5,133 shares of Series A convertible redeemable preferred stock issued and outstanding as of September 30, 2009 and December 31, 2008. For financial statement purposes, the Series A convertible redeemable preferred stock has been presented outside of stockholders equity on the Company s balance sheets as a result of certain conditions that are outside the control of the Company that could trigger redemption of the securities.

There were 2,481,482 shares of Series B convertible preferred stock issued and outstanding as of September 30, 2009 and December 31, 2008.

Note 9: Share-Based Compensation

The Company estimates the fair value of stock options using the Black-Scholes valuation model, and determines the fair value of restricted stock units based on the number of shares granted and the quoted price of the Company s common stock on the date of grant. Such value is recognized as expense over the requisite service period, net of estimated forfeitures, using the straight-line attribution method. The estimate of awards that will ultimately vest requires significant judgment, and to the extent actual results or updated estimates differ from the Company s current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class and historical employee attrition rates. Actual results, and future changes in estimates, may differ substantially from the Company s current estimates.

Stock-based compensation expense was $11,837 and $37,712 during the three months ended September 30, 2009 and 2008, respectively and $35,511 and $141,422 during the nine months ended September 30, 2009 and 2008, respectively.

Stock Incentive Plans

The Company has granted options to employees and directors to purchase the Company s common stock under various stock incentive plans. Under the plans, employees and non-employee directors are eligible to receive awards of various forms of equity-based incentive compensation, including stock options, restricted stock, restricted stock units and performance awards, among others. The plans are administered by the Compensation Committee of the Board of Directors, which determines the terms of the awards granted. Stock options are generally granted with an exercise price equal to the market value of the Company s common stock on the date of grant, have a term of ten years or less, and generally

vest over three years from the date of grant.

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The following table sets forth the options granted under the Company s Stock Option Plans during the nine month period ended September 30, 2009:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant-date Fair Value
Options outstanding at December 31, 2008	5,781,558	$ 0.69	
Granted	13,000	0.07	$ 0.02
Expired	(15,500)	0.30	
Options outstanding at September 30, 2009	5,779,058	$ 0.35	
Options exercisable at September 30, 2009	4,606,059	$ 0.40	

The aggregate intrinsic value of options outstanding and exercisable at September 30, 2009 was $130. Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of the options.

The fair value for stock options was estimated at the date of grant using the Black-Scholes option pricing model, which requires management to make certain assumptions. Expected volatility was based on the comparable company data. The Company based the risk-free interest rate on U.S. Treasury note rates. The expected term is based on the vesting period and an expected exercise term. The Company does not anticipate paying cash dividends in the foreseeable future and therefore use an expected dividend yield of 0%. The Company used the following assumptions in using the Black-Scholes option pricing model for the January 30, 2009 grant of 13,000 stock options:

Risk free interest rate	1.27%
Expected term of stock awards	2 years
Expected volatility in stock price	45.00%
Expected dividend yield	None

As of September 30, 2009, there was $25,917 of unrecognized stock-based compensation expense related to non-vested stock options. This amount is expected to be recognized over a weighted average period of nine months. There were 1,109,333 and 1,266,666 shares that vested during the nine months ended September 30, 2009 and 2008, respectively.

There were 5,779,058 and 5,781,558 shares issued and outstanding under the Company s SKTF, Inc. 2001 Stock Option Plan, the 2005 Omnibus Stock Grant and Option Plan, Speedemissions Inc. 2006 Stock Grant and Option Plan and 2008 Stock Grant and Option Plan as of September 30, 2009 and December 31, 2008, respectively. There were 13,000 options granted under these plans during the nine month period ended September 30, 2009. There were no options exercised during the nine month periods ended September 30, 2009 and 2008.

Stock Warrants

There were no common stock warrants granted or exercised during the nine month period ended September 30, 2009. The following table represents our warrant activity for the nine month period ended September 30, 2009:

	Number of Warrants	Weighted Average Grant Date Fair Value
Outstanding warrants at December 31, 2008	15,445,287	$ 1.40
Granted		
Exercised		
Forfeited	(137,856)	$ 0.74

Outstanding warrants at September 30, 2009	15,307,431	$	1.41

Note 10: Income Taxes

No provision for income taxes has been reflected for the three and nine month periods ended September 30, 2009 and 2008 as the Company has sufficient net operating loss carry forwards to offset taxable income.

Note 11: Contingencies

The Company may from time to time be involved in various proceedings and litigation arising in the ordinary course of business. While any proceeding or litigation has an element of uncertainty, the Company believes that the outcome of any lawsuit or claim that may be pending or threatened, or all of them combined, will not have a material adverse effect on its consolidated financial position or results of operations.

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ITEM 2 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. Forward-looking statements are statements we make based on our management s expectations, estimates, projections and assumptions and 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 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 Quarterly 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.

The Company assumes no obligation to update any forward-looking statement to reflect events or circumstances arising after the date on which it was made. Since our common stock is considered a penny stock, we are not eligible to rely on the safe harbor for forward looking statements provided in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and any references to these sections are for informational purposes only.

Overview

As of September 30, 2009 we operated 40 vehicle emissions testing stations and four mobile units in four separate markets, Atlanta, Georgia; Houston, Texas; St. Louis, Missouri; and Salt Lake City, Utah.

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. 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.

Results of Operations

Three Months Ended September 30, 2009 and 2008

Our revenue, cost of emission certificates, store operating expenses, general and administrative expenses and operating income (loss) for the three months ended September 30, 2009 as compared to the three months ended September 30, 2008 were as follows:

	Three Months Ended September 30		Percentage
	2009	2008	Change
Revenue	$ 2,599,350	$ 2,532,993	2.6%
Cost of emission certificates	560,042	515,882	8.6%
Store operating expenses	1,595,521	1,541,643	3.5%
General and administrative expenses	378,880	439,285	(13.8%)
Gain from disposal of non-strategic assets	(5,500)	(51,471)	(89.3%)
Operating income	$ 70,407	$ 87,654	(19.7%)

Revenue. Revenue increased $66,357 or 2.6% to $2,599,350 in the three month period ended September 30, 2009 compared to $2,532,993 in the three month period ended September 30, 2008. The increase in revenue over the comparable period was primarily due to an increase in same store sales of $112,848 or 4.6% and $19,949 from a new store, offset by a decrease of $66,440 from a store closed in September 2008. The increase in same store sales is mainly attributable to revenue growth from newer stores that have been open for less than two years in Houston and St. Louis.

Cost of emission certificates. Cost of emission certificates increased $44,160 or 8.6% in the three month period ended September 30, 2009 and was $560,042 or 21.5% of revenues, compared to $515,882 or 20.4% of revenues in the three month period ended September 30, 2008. The increase in the cost of emission certificates was primarily due to a $53,808 increase in same store certificate costs resulting from increased sales, offset by a decrease of $13,719 in the cost of emission certificates from a store closed in September 2008.

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Store operating expenses. Store operating expenses increased $53,878 or 3.5% in the three month period ended September 30, 2009 and was $1,595,521 or 61.4% of revenues, compared to $1,541,643 or 60.9% of revenues in the three month period ended September 30, 2008. The increase was mainly attributable to an increase of $49,102 in same store operating expenses and $31,806 from a new store, offset by a decrease of $27,030 in store operating expenses from a store closed in September 2008.

General and administrative expenses. Our general and administrative expenses decreased $60,405 or 13.8% to $378,880 in the three month period ended September 30, 2009 from $439,285 in the three month period ended September 30, 2008. The decrease in general and administrative expenses was primarily due to decreases in legal and accounting fees, lower personnel costs and a reduction in stock option compensation expense.

Gain from disposal of non-strategic assets. We recognized a gain of $5,500 on the sale of equipment in the three month period ended September 30, 2009. We recognized a gain of $51,471 from the disposal of non-strategic assets in the three month period ended September 30, 2008.

Operating income (loss) Our operating income decreased $17,247 in the three month period ended September 30, 2009 and was $70,407 compared to an operating income of $87,654 in the three month period ended September 30, 2008.

Interest income, interest expense, income from continuing operations and basic and diluted earnings per share. Our interest income, interest expense, income (loss) from continuing operations and basic and diluted earnings per share for the three month period ended September 30, 2009 as compared to the three month period ended September 30, 2008 is as follows:

	Three Months Ended September 30,	
	2009	2008
Operating income	$ 70,407	$ 87,654
Interest income	34	226
Interest expense	(9,910)	(9,183)
Income from continuing operations	$ 60,531	$ 78,697
Basic income per share from continuing operations	$ 0.01	$ 0.02
Diluted income per share from continuing operations	$ 0.01	$ 0.01
Weighted average shares outstanding, basic	5,162,108	5,162,108
Weighted average shares outstanding, diluted	9,439,606	9,439,606

The Company incurred net interest expense of $9,876 and $8,957 during the three month periods ended September 30, 2009 and 2008, respectively.

Loss from discontinued operations and earnings 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 three month period ended September 30, 2009 and 2008 consists of the operating results for these 12 stores. Revenue in the three month period ended September 30, 2009 and 2008 from these stores was $0 and $53,265, respectively. Loss from discontinued operations was $0 and ($53,928) in the three month period ended September 30, 2009 and 2008, respectively. Basic and diluted net loss per share from discontinued operations was $0.00 and ($0.01) in the three month period ended September 30, 2009 and 2008, respectively.

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Nine Months Ended September 30, 2009 and 2008

Our revenue, cost of emission certificates, store operating expenses, general and administrative expenses and operating income (loss) for the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008 were as follows:

	Nine Months Ended September 30		Percentage
	2009	2008	Change
Revenue	$ 7,657,600	$ 7,481,467	2.4%
Cost of emission certificates	1,673,285	1,579,729	5.9%
Store operating expenses	4,743,112	4,551,415	4.2%
General and administrative expenses	1,041,299	1,427,368	(27.0%)
Gain from disposal of non-strategic assets	(30,330)	(51,471)	(41.1%)
Operating income (loss)	$ 230,234	$ (25,574)	

Revenue. Revenue increased $176,133 or 2.4% to $7,657,600 in the nine month period ended September 30, 2009 compared to $7,481,467 in the nine month period ended September 30, 2008. The increase in revenue over the comparable period was primarily due to an increase in same store sales of $300,145 or 4.1% and revenue from new stores of $81,363, offset by a decrease of $205,375 from a store closed in September 2008. The increase in same store sales is mainly attributable to revenue growth from newer stores that have been open for less than two years in Houston and St. Louis.

Cost of emission certificates. Cost of emission certificates increased $93,556 or 5.9% in the nine month period ended September 30, 2009 and was $1,673,285 or 21.9% of revenues, compared to $1,579,729 or 21.1% of revenues in the nine month period ended September 30, 2008. The increase in the cost of emission certificates was primarily due to a $119,078 increase in same store certificate costs resulting from increased sales and from $16,347 in certificates used at new stores, offset by a decrease of $41,869 in the cost of emission certificates from a store closed in September 2008.

Store operating expenses. Store operating expenses increased $191,697 or 4.2% in the nine month period ended September 30, 2009 and was $4,743,112 or 61.9% of revenues, compared to $4,551,415 or 60.8% of revenues in the nine month period ended September 30, 2008. The increase was mainly attributable to an increase of $191,697 in same store operating expenses and from new store operating expenses of $82,767, offset by a decrease of $80,643 in store operating expenses from a store closed in September 2008.

General and administrative expenses. Our general and administrative expenses decreased $386,069 or 27.0% to $1,041,299 in the nine month period ended September 30, 2009 from $1,427,368 in the nine month period ended September 30, 2008. The decrease in general and administrative expenses was primarily due to decreases in legal and accounting fees, lower personnel costs and a reduction in stock option compensation expense.

Gain from disposal of non-strategic assets. We recognized a gain of $30,330 on the sale of equipment in the nine month period ended September 30, 2009. We recognized a gain of $51,471 from the disposal of non-strategic assets in the nine month period ended September 30, 2008.

Operating income (loss). Our operating income increased $255,808 in the nine month period ended September 30, 2009 and was $230,234 compared to an operating loss of $25,574 in the nine month period ended September 30, 2008.

Interest income, interest expense, income loss) from continuing operations and basic and diluted earnings per share. Our interest income, interest expense, income (loss) from continuing operations and basic and diluted earnings per share for the nine month period ended September 30, 2009 as compared to the nine month period ended September 30, 2008 is as follows:

	Nine Months Ended September 30,

	2009	2008
Operating income (loss)	$ 230,234	$ (25,574)
Interest income	85	1,346
Interest expense	(24,720)	(28,160)
Income (loss) from continuing operations	$ 205,599	$ (52,388)
Basic income (loss) per share from continuing operations	$ 0.04	$ (0.01)
Diluted income (loss) per share from continuing operations	$ 0.02	$ (0.01)
Weighted average shares outstanding, basic	5,162,108	5,162,108
Weighted average shares outstanding, diluted	9,439,606	5,162,108

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The Company incurred net interest expense of $24,635 and $26,814 during the nine month periods ended September 30, 2009 and 2008, respectively.

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 nine month period ended September 30, 2009 and 2008 consists of the operating results for these 12 stores. Revenue in the nine month period ended September 30, 2009 and 2008 from these stores was $0 and $197,652, respectively. Loss from discontinued operations was $0 and ($272,121) in the nine month period ended September 30, 2009 and 2008, respectively. Basic and diluted loss per share from discontinued operations was $0.00 and ($0.05) in the nine month period ended September 30, 2009 and 2008, respectively.

Liquidity and Capital Resources

Introduction

Our net cash position increased by $159,112 and our current liabilities decreased by $199,519 during the nine months ended September 30, 2009 primarily from cash provided by operations. We anticipate an increase in our net operating cash flow on a long-term basis, but we may not achieve positive operating cash flows on a consistent basis during 2009. The Company has funded operations and our investment in new stores primarily through the issuance of equity securities, equipment leases and cash provided by operations. In the future, we may raise additional capital by issuing our equity securities to fund expansion and working capital needs. If we are unsuccessful in obtaining additional sources of debt or capital and if the new stores do not reach sufficient levels of tests to achieve profitability in the short-term, we may have to curtail our growth strategy. We continually assess store profitability and may close non-profitable or poor performing stores.

Cash Requirements

For the nine months ended September 30, 2009, our net cash provided by operating activities was $236,265 compared to net cash used in operations of $95,974 in the nine months ended September 30, 2008. Positive operating cash flows during the nine months ended September 30, 2009 were primarily created by net income of $205,599, depreciation and amortization of $240,546, and share-based compensation expenses of $35,511. The increase in net cash provided by operating activities was offset by a decrease of $205,296 in accounts payable and accrued liabilities, a gain on disposal of assets of $30,330, a decrease in other liabilities of $2,568 and increases in other assets and other current assets of $850 and $6,347.

Negative operating cash flows during the nine months ended September 30, 2008 were primarily created by a net loss of $324,509, a decrease of $138,166 in accounts payable and accrued liabilities, increases in other assets of $3,750, a gain on disposal of assets of $51,471 and a decrease in other liabilities of $7,169, offset by depreciation and amortization of $256,340, share-based compensation expenses of $141,422 and a decrease of $31,329 in other current assets.

Sources and Uses of Cash

Net cash used in investing activities was $34,105 for the nine months ended September 30, 2009 compared to net cash used in investing activities of $64,520 for the nine months ended September 30, 2008. The net cash used in investing activities during the nine months ended September 30, 2009 consisted of capital expenditures of $64,435, offset by proceeds from disposal of assets of $30,330. The net cash used in investing activities during the nine months ended September 30, 2008 consisted of capital expenditures of $184,927, offset by proceeds from disposal of assets of $120,407.

Net cash used in financing activities was $43,048 and $37,459 for the nine months ended September 30, 2009 and 2008, respectively. During the nine months ended September 30, 2009 we made principal payments of $12,051 and $30,997 on debt and capital leases, respectively. During the nine months ended September 30, 2008 we made principal payments of $10,465 and $26,994 on debt and capital leases, respectively.

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 our Board of Directors, the Company has identified accounting policies related to valuation of our common stock and for

assessing whether any value should be assigned to a warrant that we believe 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 key to an understanding of its financial statements. These are important accounting policies that require management s most difficult, subjective judgments.

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ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

There have been no events that are required to be reported under this Item.

ITEM 4T Controls and Procedures

The Company s Chief Executive Officer and Chief Financial Officer (or those persons performing similar functions), after evaluating the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2009 (the Evaluation Date), have concluded that, as of the Evaluation Date, the Company s disclosure controls and procedures were effective to ensure the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. There were no changes in the Company s internal controls over financial reporting during the nine months ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the internal controls as of the Evaluation Date.

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company s Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company s disclosure controls and procedures. The Company s disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company s disclosure control objectives. The Company s Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period covered. In addition, the Company reviewed its internal controls, and there have been no significant changes in its internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation or from the end of the reporting period to the date of this Form 10-Q.

(B) Changes in Internal Controls Over Financial Reporting

In connection with the evaluation of the Company s internal controls during the three months ended September 30, 2009, the Company s Chief Executive Officer and Chief Financial Officer has determined that there are no changes to the Company s internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company s internal controls over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1 Legal Proceedings
As of September 30, 2009, neither the Company nor its subsidiaries is a party to nor is any of our property subject to any material or other pending legal proceedings that would materially adversely affect our operations.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds
There have been no events that are required to be reported under this Item.

ITEM 3 Defaults Upon Senior Securities
There have been no events that are required to be reported under this Item.

ITEM 4 Submission of Matters to a Vote of Security Holders
There have been no events that are required to be reported under this Item.

ITEM 5 Other Information
There have been no events that are required to be reported under this Item.

ITEM 6 Exhibits

(a) Exhibits

31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPEEDEMISSIONS, INC.

Date: November 10, 2009

By: /s/ Richard A. Parlontieri
Richard A. Parlontieri

President

Date: November 10, 2009

By: /s/ Michael S. Shanahan
Michael S. Shanahan

Chief Financial Officer