SPEEDEMISSIONS INC
Form 10QSB/A
February 22, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB/A

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

For the quarterly period ended June 30, 2007

¨ **TRANSITION REPORT UNDER 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 small business issuer as specified in its charter)

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

1015 Tyrone Road

Suite 220

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

Issuer s telephone number (770) 306-7667

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

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 August 7, 2007, there were 3,034,958 shares of common stock, par value $0.001, issued and outstanding.

Transitional Small Business Disclosure Format

(check one):

Yes ¨ No x

Speedemissions, Inc.

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PART I

This Quarterly Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the Exchange Act). These statements are based on management s beliefs and assumptions, and on information currently available to management. 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 expect, anticipate, intend, plan, believe, estimate, consider or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The Company s future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

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EXPLANATORY NOTE:

This quarterly report on Form 10-QSB/A (Form 10-QSB/A) is being filed to amend our quarterly report on Form 10-QSB for the quarter ended June 30, 2007 (the Original Form 10-QSB), which was originally filed with the Securities and Exchange Commission (SEC) on August 13, 2007. Accordingly, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the Form 10-QSB/A contains current dated certifications from the Principal Executive Officer and the Principal Financial Officer.

In preparing a response to comments received from the SEC related to our December 19, 2007 filing of Form SB-2/A, we concluded that changes are necessary to certain previously issued filings to amend and restate consolidated financial statements, amend disclosures in the Original Form 10-QSB and amend disclosures in the notes accompanying the consolidated financial statements. The restatement reclassifies 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 on our balance sheets and certain other items. The restatement had no effect on our quarterly net income/(loss), cash flows or liquidity, and its effects on our financial position at June 30, 2007 are immaterial.

We have not updated the information contained herein for events occurring subsequent to August 13, 2007, the filing date of the Original Form 10-QSB.

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ITEM 1 Financial Statements
Speedemissions, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30, 2007 (Restated) (unaudited)	December 31, 2006 (Restated)
Assets		
Current assets:		
Cash	$ 462,216	$ 320,231
Other current assets	209,812	224,930
Total current assets	672,028	545,161
Property and equipment, at cost less accumulated depreciation and amortization	941,213	1,229,329
Goodwill	7,100,572	7,100,572
Other assets	61,726	59,926
Total assets	$ 8,775,539	$ 8,934,988
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 189,100	$ 318,297
Accrued liabilities	392,110	515,547
Debt payable		111,747
Current portion of capitalized lease obligations	5,306	12,925
Total current liabilities	586,516	958,516
Other liabilities	111,408	113,848
Commitments and contingencies		
Series A convertible preferred stock, $.001 par value, 5,000,000 shares authorized, 5,133 and 5,133 shares issued and outstanding in 2007 and 2006, respectively liquidation preference: $10,976,000	5	5
Shareholders equity:		
Series B convertible preferred stock, $.001 par value, 3,000,000 shares authorized, 2,481,482 and 2,481,482 shares issued and outstanding in 2007 and 2006, respectively liquidation preference: $5,906,000	2,481	2,481
Common stock, $.001 par value, 250,000,000 shares authorized, 3,034,958 and 2,963,528 shares issued and outstanding in 2007 and 2006, respectively	3,035	2,964
Additional paid-in capital	19,788,195	19,622,834
Accumulated deficit	(11,716,101)	(11,765,660)
Total shareholders equity	8,077,610	7,862,619

Total liabilities and shareholders equity	$ 8,775,539	$ 8,934,988

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Operations

(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2007 (Restated)	2006 (Restated)	2007 (Restated)	2006 (Restated)
Revenue	$ 2,468,889	$ 2,375,261	$ 4,881,426	$ 4,802,790
Costs and expenses:				
Cost of emission certificates	603,090	591,340	1,202,780	1,241,590
Store operating expenses	1,384,241	1,351,671	2,886,005	2,729,523
General and administrative expenses	371,878	350,458	727,913	729,628
(Gain)/loss from disposal of non-strategic assets	7,886		11,735	(10,472)
Income from operations	101,794	81,792	52,993	112,521
Interest expense	107	2,688	3,434	5,337
Net income	$ 101,687	$ 79,104	$ 49,559	$ 107,184
Net income per share (basic)	$ 0.03	$ 0.03	$ 0.02	$ 0.04
Net income per share (diluted)	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Weighted average common shares outstanding, basic	3,016,119	2,888,642	2,989,969	2,825,910
Weighted average common shares outstanding, diluted	7,296,117	7,453,640	7,269,967	7,390,908

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30, 2007 (Restated)	Six Months Ended June 30, 2006 (Restated)
Operating activities:		
Net income	$ 49,559	$ 107,184
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	132,496	192,539
(Gain) loss on sale of non-strategic assets	11,735	(10,472)
Share based compensation expenses	65,432	58,424
Stock issued for services		68,500
Changes in operating assets and liabilities, net of acquisitions:		
Other current assets	50,590	(39,922)
Other assets	(1,800)	(7,200)
Accounts payable and accrued liabilities	(157,533)	(166,415)
Net cash provided by operating activities	150,479	202,638
Cash flows from investing activities:		
Proceeds from asset sales	211,094	12,000
Capital expenditures	(102,681)	(144,729)
Net cash provided by (used in) investing activities	108,413	(132,729)
Cash flows from financing activities:		
Payments on debt	(111,747)	
Payments on capitalized leases	(5,160)	(10,474)
Net cash used in financing activities	(116,907)	(10,474)
Net increase in cash	141,985	59,435
Cash at beginning of period	320,231	250,227
Cash at end of period	$ 462,216	$ 309,662

Supplemental Information:

Cash paid during the year for interest	$ 13,017	$ 3,244

Supplemental Disclosure of Noncash Financing Activities:

During the quarter ended June 30, 2007, the Company issued 71,430 shares of common stock to the former owners of a subsidiary acquired in 2005, which was final payment of $100,000 withheld from the acquisition price for any potential unknown or undisclosed liabilities.

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc.

Notes to Consolidated Financial Statements

June 30, 2007

(Unaudited)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

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.

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. As of August 7, 2007, we operated 35 vehicle emissions testing and safety inspection centers in three separate markets, greater Atlanta, Georgia; Houston, Texas; and Salt Lake City, Utah, and four mobile units in the Atlanta, Georgia area. We expect to open eight new vehicle emissions testing and safety inspection centers in the Dallas Ft. Worth area and two in the Houston, Texas area before December 31, 2007. Throughout this report, the terms we , us , our , Speedemissions , and Company refer to Speedemissions, Inc., including its wholly-owned subsidiaries.

Nature of Presentation

The accompanying unaudited restated consolidated financial statements include the accounts of Speedemissions and its wholly-owned subsidiaries, Mr. Sticker, Inc. and Just, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying restated consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the SEC s instructions applicable to Form 10-QSB interim financial information. In the opinion of management, such consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows as of June 30, 2007 and for all periods presented. The results of operations presented in the accompanying restated consolidated financial statements are not necessarily indicative of the results expected for the full fiscal year or for any future period.

The accompanying restated consolidated financial statements do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for annual financial statements. Such interim restated consolidated financial statements should be read in conjunction with the Company s audited financial statements as restated contained in our Form 10-KSB/A for the year ended December 31, 2006.

Going Concern

The accompanying restated consolidated financial statements have been on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying restated consolidated financial statements, as of June 30, 2007, the Company has cash on hand of $0.5 million, working capital of $0.1 million, a current quarterly net income available to common shareholders of $0.1 million and an accumulated deficit of $11.7 million. These factors raise substantial doubt about the Company s ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the Company s ability to provide and maintain sufficient cash flow from operations to meet current and future obligations and its ability to implement its business plan. There can be no assurance that management will be successful in implementing its plans. The accompanying restated consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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Adoption of Recent Accounting Pronouncements

On January 1, 2007, Speedemissions adopted Financial Accounting Standards Board Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes,* which prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). The adoption of FIN No. 48 on January 1, 2007 did not result in a material cumulative-effect adjustment.

Nature of Operations

Speedemissions is engaged in opening, acquiring, developing, and operating vehicle emissions testing and safety inspection stations. The federal government and a number of state and local governments in the United States (and in certain foreign countries) mandate vehicle emissions testing as a method of improving air quality.

The Company s 35 emissions testing stations operate under the trade names *Speedemissions (Georgia), Mr. Sticker (Texas) and Just Inc. (Utah).* At its emissions testing stations, the Company uses computerized emissions testing equipment and safety inspection equipment that test vehicles for compliance with emissions and safety standards. 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.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Material estimates included in these financial statements relate to useful lives of certain assets and valuation of long-term assets such as goodwill. Actual results could differ from those estimates.

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 operations.

The Company normally requires that the customer s payment be made with cash, check, or credit card; accordingly, the Company does not have significant levels of accounts receivable.

Under current Georgia, Texas, and Utah laws, if a vehicle fails an emissions test, 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.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable, accrued liabilities, and other short-term liabilities approximate fair value because of the short-term nature of these accounts.

Impairment of Long-Lived Assets

Property and Equipment

The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Company evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying businesses.

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Goodwill

The Company has adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, (SFAS 142), which prescribes the accounting for all purchased goodwill. In accordance with SFAS 142, goodwill is not amortized but tested for impairment annually and whenever an impairment indicator arises.

We measure the fair value of reporting units using discounted future cash flows based on our projections. Because the business is assumed to continue in perpetuity, the discounted future cash flow includes a terminal value. The long-term growth assumptions incorporated into the discounted cash flow calculation reflect our long-term view of the market and the discount rate is based on our weighted average cost of capital. Each year we re-evaluate the assumptions used to reflect changes in the business environment.

Income Taxes

Deferred income taxes are recognized for the effect of temporary differences between financial reporting and tax filing in accordance with the requirements of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS 109).

Regulatory Impact

Our business depends upon government legislation and regulations mandating air pollution controls. Georgia, Texas, and Utah laws are especially important to us because all of our existing emissions testing services are currently conducted in those states. In addition, because we are seeking expansion opportunities, laws mandating air pollution controls in other states could affect our business or, since not all states require emissions testing, our ability to expand. Changes in federal or state laws that govern or apply to our operations could have a materially adverse effect on our business, such as 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, if any, in federal or state law would not have a materially adverse effect on the vehicle emissions testing industry generally or, specifically, on our business.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R), which establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS 123R, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee s requisite service period (generally the vesting period of the equity grant). Prior to January 1, 2006, the Company accounted for share-based compensation to employees in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) and related interpretations. The Company also followed the disclosure requirements of SFAS 123, *Accounting for Stock-Based Compensation*, as amended by SFAS 148, *Accounting for Stock-Based Compensation Transition and Disclosure*. The Company elected to adopt the modified prospective transition method as provided by SFAS 123R and, accordingly, financial statement amounts for the prior periods presented in this Form 10-QSB/A have not been restated to reflect the fair value method of expensing share-based compensation. See Note 7 for additional disclosures.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements,* which establishes a framework for reporting fair value and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently assessing the impact of the adoption of this standard on its financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* which provides companies with an option to report selected financial assets and liabilities at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to

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facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. The Company is currently assessing the impact of the adoption of this standard on its financial statements.

Restatement of Financial Statements

The accompanying financial statements as of June 30, 2007, June 30, 2006 and December 31, 2006, have been restated to correct errors through certain reclassifications and the expansion of certain disclosures in the notes to financial statements as set forth below.

Series A Convertible Preferred Stock has been reclassified from Shareholder s Equity as a result of certain conditions that are outside the control of the Company that could trigger redemption of the securities.

Reclassified deferred compensation from Shareholder s Equity to accrued liabilities.

Expanded or corrected note disclosures relating to goodwill, stock options and warrants.

The restatement had no effect on our quarterly net income/(loss), cash flows or liquidity, and its effects on our financial position at June 30, 2007, June 30, 2006 and December 31, 2006 are immaterial.

Note 2: Going Concern

The Company has historically incurred losses and has limited capital resources which raises substantial doubt about the Company s ability to continue as a going concern. The future success of the Company is contingent upon, among other things, the ability to: achieve and maintain satisfactory levels of profitable operations; obtain and maintain adequate levels of debt and/or equity financing; and provide sufficient cash flow from operations to meet current and future obligations. The Company is actively seeking new sources of financing to expand its revenue opportunities, however there is no guarantee that the Company will be successful in obtaining the financing required to fund the capital needed for expansion.

The Company has taken certain steps to maintain its operating and financial requirements in an effort to enable it to continue as a going concern until such time that revenues are sufficient to cover expenses on a consistent basis, including expanding its revenue opportunities through the investment in new stores, incorporating revisions to its processes and costs by seeking reduced operating costs through service agreements, redistributing labor to reduce overtime costs, and improving the appearance of its stores and personnel.

The Company has prepared financial forecasts which indicate that, based on its current business plans and strategies, it anticipates that it will achieve profitable operations and generate positive cash flows in the future. However, the ultimate timing and ability of the Company to achieve these forecasts and to meet the objectives discussed in the preceding paragraph cannot be determined at this time. The accompanying restated consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Note 3: Property and Equipment

Our Lawrenceville, Georgia store, which we owned, was located in the middle of a road widening project undertaken by the Georgia Department of Transportation and Gwinnett County. As a result, Gwinnett County, filed a declaration of taking and condemnation petition on January 24, 2007, taking the majority of the property. On April 17, 2007, we received $210,694 from Gwinnett County as compensation for a portion of the building and land. We have filed an appeal based on the amount of just and fair compensation, which includes the (a) fair market value of the property taken, (b) any consequential damage to the remaining property, and (c) any business loss resulting from the taking. We are working with Gwinnett County and a mediator to settle the final amount of compensation to be paid to Speedemissions by Gwinnett County for the building, land and loss of business. We occupied the building and continued to perform emission tests at the location until June 8, 2007.

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Property and equipment at June 30, 2007 and December 31, 2006 was as follows:

	June 30, 2007	December 31, 2006
Land	$ 0	$ 240,000
Building	0	10,000
Emission testing equipment	1,207,248	1,194,527
Furniture, fixtures and office equipment	78,873	72,364
Vehicles	15,607	23,775
Leasehold improvements	703,385	644,930
	2,005,113	2,185,596
Less accumulated depreciation and amortization	1,063,900	956,267
	$ 941,213	$ 1,229,329

Note 4: Debt Payable

On April 19, 2007, we used proceeds received from the sale of the Lawrenceville property discussed in Note 3, to repay a $60,000 bank debt secured by the property and $231 in accrued interest. The unpaid principal and interest unpaid principal and interest was $0 and $60,000 as of June 30, 2007 and December 31, 2006.

On April 20, 2007, we used proceeds received from the sale of the Lawrenceville property discussed in Note 3, the to repay a note payable to V2R, Inc. (V2R), which is controlled by Bahram Yusdfzadeh, a former director of the Company. The note bears interest at 10% per annum. The principal and accrued interest repaid was $60,934. The unpaid principal and interest was $0 and $59,332 as of June 30, 2007 and December 31, 2006, respectively.

Note 5: Net Income Per Common Share

Net income per share has been computed according to SFAS No. 128, *Earnings per Share,* which requires a dual presentation of basic and diluted earnings per share (EPS). Basic EPS represents net income 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 per share for the three and six month periods ended June 30, 2007 and 2006, respectively:

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Net income (A)	$ 101,687	$ 79,104	$ 49,559	$ 107,184
Weighted average common shares basic (B)	3,016,119	2,888,642	2,989,969	2,825,910
Effect of dilutive securities (3):				
Diluted effect of stock options (1,2)				
Diluted effect of stock warrants (1,2)	2,500	287,500	2,500	287,500
Diluted effect of unrestricted preferred Series A Shares	4,277,498	4,277,498	4,277,498	4,277,498
Weighted average common shares diluted (C)	7,296,117	7,453,640	7,269,967	7,390,908
Net income per share basic (A/B)	$ 0.03	$ 0.03	$ 0.02	$ 0.04

Net income per share diluted (A/C)	$	0.01	$	0.01	$	0.01	$	0.01

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(1) Because their effects are anti-dilutive, 19,878,162 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 and six months ended June 30, 2007.

(2) Because their effects are anti-dilutive, 17,743,912 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 and six months ended June 30, 2006.

(3) Series B convertible preferred stock held by Barron Partners, LP do not have voting rights and are subject to a maximum ownership by Barron Partners, LP 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 six months ended June 30, 2006 and June 30, 2007.

Note 6: Stockholders Equity

Preferred Stock

There were 5,133 shares of Series A convertible preferred stock issued and outstanding as of June 30, 2007 and December 31, 2006, respectively. For financial statement purposes, the Series A convertible 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 Series B convertible preferred stock issued and outstanding as of June 30, 2007 and December 31, 2006, respectively.

Common Stock

The Company is authorized to issue 250,000,000 shares of $0.001 par value common stock, of which 3,034,958 and 2,963,528 shares were issued and outstanding as of June 30, 2007 and December 31, 2006, respectively.

Note 7: Share-Based Compensation

The Company accounts for stock-based compensation pursuant to SFAS No. 123(R), *Share-Based Payment,* which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation over the requisite service period for awards expected to vest. The Company estimates the fair value of stock options using the Black-Scholes valuation model, and

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determines the fair value of restricted stock units based on the number of shares granted and the quoted price of Speedemissions 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 under SFAS No. 123(R) was $32,716 and $51,769 during the three months ended June 30, 2007 and 2006, respectively. Stock-based compensation expense was $65,432 and $58,424 during the six months ended June 30, 2007 and 2006, respectively. In the Company s Statement of Cash Flows, the $65,432 and $58,424 in share-based compensation expense was shown as a non-cash expense in the reconciliation of net cash provided by operating activities in the six months ended June 30, 2007 and 2006, respectively.

The Company s proforma information for the three and six months ended June 30, 2007 and 2006 is as follows:

	For the Three Months Ending June 30,		For the Six Months Ending June 30,	
	2007	2006	2007	2006
Net income; as reported	$ 101,687	$ 79,104	$ 49,559	$ 107,184
Add stock-based employee compensation expense included in net loss as reported, net of related tax effects	$ 32,716	$ 6,655	$ 65,432	$ 58,424
Net income; pro forma	$ 134,403	$ 85,759	$ 114,991	$ 165,608
Net income per share basic; as reported	$ 0.03	$ 0.03	$ 0.02	$ 0.04
Net income per share basic; proforma	$ 0.04	$ 0.03	$ 0.04	$ 0.06
Net income per share diluted; as reported	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Net income per share diluted; proforma	$ 0.02	$ 0.01	$ 0.02	$ 0.02

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 Board of Directors and Compensation Committee of the Board of Directors, which determine the terms of the awards granted. Stock options are generally granted with an exercise price equal to the market value of Speedemissions, Inc. 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 Speedemissions Stock Option Plans as of June 30, 2007:

	Stock Options	Weighted Average Exercise Price	Weighted Average Contractual Term	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2006	2,290,625	$ 0.69	9.57	$ 0.19
Granted				
Forfeited/Cancelled	(34,900)	0.58	9.25	0.17
Outstanding at June 30, 2007	2,255,725	0.70	9.07	0.19
Exercisable at June 30, 2007	879,592	$ 0.84	8.86	$ 0.23

The aggregate intrinsic value of options outstanding and exercisable at June 30, 2007 was $0. Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of the options.

As of June 30, 2007, there was $150,272 of unrecognized stock-based compensation expense related to nonvested stock options. This amount is expected to be recognized over a weighted average period of fifteen months. No shares vested during the six months ended June 30, 2007.

The following table represents our nonvested stock options activity for the six months ended June 30, 2007:

	Number of Options	Weighted Average Grant Date Fair Value
Nonvested December 31, 2006	1,396,900	$ 0.17
Granted		
Vested		
Forfeited	(22,433)	0.17
Nonvested June 30, 2007	1,374,467	$ 0.17

There were 2,255,725 and 2,290,625 shares issued and outstanding under the Company s SKTF, Inc. 2001 Stock Option Plan, the 2005 Omnibus Stock Grant and Option Plan and Speedemissions Inc. 2006 Stock Grant and Option Plan as of June 30, 2007 and December 31, 2006, respectively. There were no options granted or exercised during the six month period ended June 30, 2007.

Stock Warrants

There were 17,624,937 and 17,710,437 common stock warrants issued and outstanding as of June 30, 2007 and December 31, 2006, respectively. There were no common stock warrants granted or exercised during the six month period ended June 30, 2007. The following table represents our warrant activity for the six months ended June 30, 2007:

	Number of Options/Warrants	Weighted Average Grant Date Fair Value
Outstanding warrants December 31, 2006	17,710,437	$ 1.40
Granted		
Exercised		

Forfeited		(85,500)		1.80
Outstanding warrants	June 30, 2007	17,624,937	$	1.40

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Note 8 : Income Taxes

No provision for income taxes has been reflected for the six month period ended June 30, 2007 as the Company has sufficient net operating loss carry forwards to offset taxable income.

Note 9: 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.

ITEM 2 Managements Discussion and Analysis or Plan of Operation
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; 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 store leases, 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.

Overview

As of June 30, 2007 we operated 35 vehicle emissions testing stations and four mobile units in three separate markets, greater Atlanta, Georgia, Houston, Texas and greater 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.

We charge a fee for each test, whether it passes or not, and a portion of that fee is passed on to the state governing agency. In Georgia, the maximum fee that we can charge for an emissions test is $25.00, and a fee of $6.95 is paid to the State of Georgia; Georgia does not require a safety inspection. In Texas, the maximum fee that we can charge is $39.75, for both an emissions test and a safety inspection, and a fee varying between approximately $7.50 and $14.25 per certificate, depending on the type of test is paid to the State of Texas. In Utah, there is not a maximum fee that we can charge in Salt Lake County. We charge $38.00 for an emissions test and $17.00 for a safety inspection and remit a fee of $1.80 to the County per emissions certificate and $2.00 to the Utah Highway Patrol for each safety inspection. There is a maximum of $25.00 and $17.00 that we can charge in Weber County, Utah for an emissions test and safety inspection respectively. A fee of $3.00 is remitted to Weber County per emissions certificate and a $2.00 fee is remitted to the Utah Highway Patrol for each safety inspection.

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We want to grow. We completed four acquisitions during 2004 and two acquisitions during 2005, which added 32 testing centers and four mobile units. Since September 30, 2006, we have opened one new store in Atlanta and two new stores in Houston. We are in the process of opening two additional stores in the Houston, Texas area. We intend to continue growing in 2007 and 2008 by opening company-owned stations in existing markets as well as in new markets such as Dallas, Texas and acquiring more competitors if we are able to obtain reasonable terms on additional equity or debt needed to fund the acquisition.

We expect overall profits to be adversely affected in 2007 as we continue to invest in new emissions testing stations in Houston, Dallas and St. Louis. Opening stations in new markets involves initial infrastructure costs and sales and marketing costs to add loyal customers who can generate recurring revenue for the Company.

Results of Operations

Three Months Ended June 30, 2007 and 2006

Our revenue, cost of emission certificates, store operating expenses, general and administrative expenses and income from operations for the three months ended June 30, 2007 as compared to the three months ended June 30, 2006 were as follows:

	Three Months Ended June 30		Percentage
	2007	2006	Change
Revenue	$ 2,468,889	$ 2,375,261	3.9%
Cost of emission certificates	603,090	591,340	2.0%
Store operating expenses	1,384,241	1,351,671	2.4%
General and administrative expenses	371,878	350,458	6.1%
(Gain)/loss from disposal of non-strategic assets	7,886		
Income (loss) from operations	$ 101,794	$ 81,792	24.5%

Revenue. Revenue increased $93,628 or 3.9% to $2,468,889 in the three months ended June 30, 2007 compared to $2,375,261 in the three months ended June 30, 2006. The increase in revenue over the comparable period was primarily due to an increase in same store sales of $116,096 or 5.0%, an increase of $18,894 from two new stores that were not open in the three months ended June 30, 2006, offset by the loss of $41,362 in revenue from the closure of a single store in Houston where the landlord sold the property upon the expiration of our lease in April 2006 and the closure of the Lawrenceville, Georgia store where Gwinnett County acquired the property for a road widening project. Management believes the increase in comparable stores sales is related to the Company s efforts to improve the appearance of its stores and its focus on increasing customer satisfaction.

Cost of emission certificates. Cost of emission certificates increased $11,750 or 2.0% in the three month period ended June 30, 2007 and was $603,090 or 24.4% of revenues, compared to $591,340 or 24.9% of revenues in the three months ended June 30, 2006. The increase was primarily due to an increase in same store emissions tests performed which resulted in higher cost of emission certificates of $19,194, and an increase of $6,409 for tests performed at new stores that have opened since August 2006. The decrease was offset by a reduction in certificate costs of $13,853 resulting from the closure of the two stores discussed above and a decrease on April 1, 2006 in the cost of emissions certificates in Salt Lake County Utah from $3.60 to $1.80 per certificate.

Store operating expenses. Store operating expenses increased $32,570, or 2.4% in the three month period ended June 30, 2007 and was $1,384,241 or 56.1% of revenues, compared to $1,351,671 or 56.9% of revenues in the three month period ended June 30, 2006. The increase was primarily due to $77,387 in new store operating expenses. Also contributing to the increase were higher personnel costs from the implementation of store employee incentives and additional personnel required to provide our customers with improved service and customer satisfaction. The increase was offset by a decrease of $30,062 in same store operating expenses and $14,755 resulting from the closure of the two stores.

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General and administrative expenses. Our general and administrative expenses increased $21,420, or 6.1% to $371,878 in the three month period ended June 30, 2007 from $350,458 in the three month period ended June 30, 2006. The increase in general and administrative expenses was primarily due to an increase in consulting, legal and accounting fees of $25,650.

(Gain) loss from disposal of non-strategic assets. For the three months ended June 30, 2007, we incurred a loss of $7,886 from the disposal of non-strategic assets compared to no gain or loss in the three months ended June 30, 2006.

Interest Expense, Net Income and Earnings Per Share Our interest expense, net income and earnings per share for the three months ended June 30, 2007 as compared to the three months ended June 30, 2006 is as follows:

	Three Months Ended June 30	
	2007	**2006**
Income from operations	$ 101,794	$ 81,792
Interest expense, net	107	2,688
Net Income	$ 101,687	$ 79,104
Basic income per share	$ 0.03	$ 0.03
Diluted income per share	$ 0.01	$ 0.01
Weighted average shares outstanding, basic	3,016,119	2,888,642
Weighted average shares outstanding, diluted	7,296,117	7,453,640

Our interest expense decreased $2,581 during the three months ended June 30, 2007 and was $107 compared to $2,688 for the three months ended June 30, 2006. The Company repaid debt in April 2007, which resulted in the lower interest expense.

During the three months ended June 30, 2007, we had net income of $101,687 or $0.03 per weighted-average share-basic and $0.01 per weighted-average share-diluted. During the three months ended June 30, 2006, we reported net income of $79,104 or $0.03 per weighted-average share-basic and $0.01 per weighted-average share-diluted.

Six Months Ended June 30, 2007 and 2006

Our revenue, cost of emission certificates, store operating expenses, general and administrative expenses and income from operations for the six months ended June 30, 2007 as compared to the six months ended June 30, 2006 were as follows:

	Six Months Ended June 30		Percentage
	2007	**2006**	**Change**
Revenue	$ 4,881,426	$ 4,802,790	1.6%
Cost of emission certificates	1,202,780	1,241,590	(3.1)%
Store operating expenses	2,886,005	2,729,523	5.7%
General and administrative expenses	727,913	729,628	(0.2)%
(Gain)/loss from disposal of non-strategic assets	11,735	(10,472)	(212.1)%
Income (loss) from operations	$ 52,993	$ 112,521	(52.9)%

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Revenue. Revenue increased $78,636 or 1.6% to $4,881,426 in the six months ended June 30, 2007 compared to $4,802,790 in the six months ended June 30, 2006. The increase in revenue over the comparable period was primarily due to an increase in same store sales of $199,404 or 4.4%, an increase of $33,580 from two new stores that were not open in the six months ended June 30, 2006, offset by the loss of $154,348 in revenue from the closure of a single store in Houston where the landlord sold the property upon the expiration of our lease in April 2006 and the closure of our Lawrenceville, Georgia store where Gwinnett County acquired the property for a road widening project. Management believes the increase in comparable stores sales is related to the Company s efforts to improve the appearance of its stores and its focus on increasing customer satisfaction.

Cost of emission certificates. Cost of emission certificates decreased $38,810 or (3.1%) in the six month period ended June 30, 2007 and was $1,202,780 or 24.6% of revenues, compared to $1,241,590 or 25.9% of revenues in the six months ended June 30, 2006. The decrease was primarily due to a decrease on April 1, 2006 in the cost of emissions certificates in Salt Lake County Utah from $3.60 to $1.80 per certificate and a reduction in certificate costs of $50,297 resulting from the closure of the two stores discussed above. The decrease was offset by an increase in same store emissions tests performed which resulted in higher cost of emission certificates and an increase of $10,984 for tests performed at new stores that have opened since August 2006.

Store operating expenses. Store operating expenses increased $156,482, or 5.7% in the six month period ended June 30, 2007 and was $2,886,005 or 59.1% of revenues, compared to $2,729,523 or 56.8% of revenues in the six month period ended June 30, 2006. The increase was primarily due to $161,703 in new store operating expenses and an increase in same store operating expenses of $43,473. Also contributing to the increase were higher personnel costs from the implementation of store employee incentives and additional personnel required to provide our customers with improved service and customer satisfaction. The increase was offset by a decrease of $48,694 resulting from the closure of the two stores discussed above.

General and administrative expenses. Our general and administrative expenses decreased $1,715, or (0.2%) to $727,913 in the six month period ended June 30, 2007 from $729,628 in the six month period ended June 30, 2006. The decrease in general and administrative expenses was primarily due to a decrease in consulting, legal and accounting fees, offset by higher general and administrative costs.

(Gain) loss from disposal of non-strategic assets. For the six months ended June 30, 2007, we incurred a loss of $11,735 from the disposal of non-strategic assets compared to a gain of $10,472 in the six months ended June 30, 2006.

Interest Expense, Net Income and Earnings Per Share Our interest expense, net income (loss) and earnings per share for the six months ended June 30, 2007 as compared to the six months ended June 30, 2006 is as follows:

	Six Months Ended June 30	
	2007	**2006**
Income from operations	$ 52,993	$ 112,521
Interest expense, net	3,434	5,337
Net Income	$ 49,559	$ 107,184
Basic income per share	$ 0.02	$ 0.04
Diluted income per share	$ 0.01	$ 0.01
Weighted average shares outstanding, basic	2,989,969	2,825,910
Weighted average shares outstanding, diluted	7,269,967	7,390,908

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Our interest expense decreased $1,903 during the six months ended June 30, 2007 and was $3,434 compared to $5,337 for the six months ended June 30, 2006. The Company repaid debt in April 2007, which resulted in the lower interest expense.

During the six months ended June 30, 2007, we had net income of $49,559 or $0.02 per weighted-average share-basic and $0.01 per weighted-average share-diluted. During the six months ended June 30, 2006, we reported net income of $107,184 or $0.04 per weighted-average share basic and $0.01 per weighted-average share-diluted.

Liquidity and Capital Resources

Introduction

We generated positive operating cash flows of $150,479 and $202,638 in the six months ended June 30, 2007 and June 30, 2006, respectively. As we continue to implement our growth strategy, we anticipate an increase in our net operating cash flow on a long-term basis, but with the increased costs of expanding our operations, may not achieve positive operating cash flow on a consistent basis during 2007. The Company has funded operations through operating cash flows and acquisitions primarily through the issuance of equity securities. In the future we may continue to issue our equity securities in order to raise additional capital to fund expansion.

Cash Requirements

For the six months ended June 30, 2007 and June 30, 2006, our net cash provided by operating activities was $150,479 and $202,638. Positive operating cash flows during the six months ended June 30, 2007 were primarily created by net income of $49,559, a decrease in other current assets of $50,590, depreciation and amortization of $132,496, losses recognized from the sale of non-strategic assets of 11,735 and share based compensation expenses of $65,432, partially offset by a decrease of $157,533 in accounts payable and accrued liabilities and an increase in other assets of $1,800. Because of our growth, we do not have an opinion as to how indicative these results will be of future results.

Positive operating cash flows during the six months ended June 30, 2006 were primarily created by a net income from operations of $107,184, from non-cash stock related expenses of $126,924 plus depreciation and amortization of $192,539, partially offset by a decrease of $166,415 in accounts payable and accrued liabilities and an increase in other current assets of $39,922 and an increase in other assets of $7,200.

Sources and Uses of Cash

Prior to January 1, 2006, we had not generated sufficient cash flow from operations to fund growth as we continued to acquire and open new emission testing stations. However, cash flows from operations for the last eighteen months have generated sufficient profits to cover operating expenses, and we have used some of these profits to generate organic growth and reduce our liabilities. Overall net cash flow from operations may be adversely affected in 2007 as we continue to invest in new emissions testing stations in the new markets of Dallas and St. Louis and increase the number of stores in our existing markets; however, we do seek to effectively manage expenses associated with our existing operations and working capital to mitigate the adverse impact our growth initiatives are expected to have on our operational cash flow.

Net cash provided by (used in) investing activities was $108,413 and ($132,729) for the six months ended June 30, 2007 and 2006, respectively. The investing activities during the six months ended June 30, 2007 were due to proceeds of $211,094 received from the sale of equipment and our Lawrenceville, Georgia location to Gwinnett County for a road widening project and capital expenditures related to the building of new stores and the purchase of equipment in the amount of $102,681. The investing activities

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during the six months ended June 30, 2006 were due to capital expenditures related to the building of new stores and other property and equipment in the amount of $144,729 offset by the receipt of $12,000 related to the sale of emissions testing equipment. Management continuously reviews industry and economic conditions to identify opportunities to pursue acquisitions of competitors and we expect to invest in new stores in new and existing markets.

Net cash used in financing activities was $116,907 and $10,474 for the six months ended June 30, 2007 and 2006, respectively. We repaid $111,747 in debt as discussed above in Note 4 and made payments of $5,160 on capital leases during the six months ended June 30, 2007. Net cash used in financing activities during the six months ended June 30, 2007 and 2006 resulted primarily from the payment of capital leases.

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.

ITEM 3 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 June 30, 2007 (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 six months ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, the internal controls as of the Evaluation Date.

PART II

ITEM 1 Legal Proceedings

As of June 30, 2007, 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 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-KSB/A for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-KSB/A are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes to the risk factors disclosed in Item 1A in our Form 10-KSB/A for the year ended December 31, 2006.

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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 Rule 13a-14(a) Certification of Chief Executive Officer

31.2 Rule 13a-14(a) Certification of Chief Financial Officer

32 Section 1350 Certifications

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: February 22, 2007

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

President

Date: February 22, 2007

By: /s/ Michael Shanahan
Michael Shanahan

Chief Financial Officer

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