

SPEDEMISSIONS INC  
Form 10-Q  
November 12, 2010  
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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, 2010

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_ to \_\_\_\_.

Commission file number: 000-49688

**Speedemissions, Inc.**

(Exact name of registrant as specified in its charter)

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<b>Florida</b> (State or other jurisdiction of incorporation or organization)	<b>33-0961488</b> (I.R.S. Employer Identification No.)
<b>1015 Tyrone Road</b>  <b>Suite 220</b>	
<b>Tyrone, GA</b> (Address of principal executive offices)	<b>30290</b> (Zip Code)
<b>Issuer's telephone number (770) 306-7667</b>	

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

Indicate by check mark 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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>

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

As of November 1, 2010, there were 14,616,928 shares of common stock, par value \$0.001, issued and outstanding.

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**CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION**

This quarterly report on Form 10-Q of Speedemissions, Inc. ( Speedemissions or the Company ) 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 testing and safety inspection 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 and Results of Operations. Forward-looking statements also include statements in which words such as expects, anticipates, intends, plans, believes, estimates, considers 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 forecast 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.

**Table of Contents****PART I - FINANCIAL INFORMATION****Item 1. Financial Statements  
Speedemissions, Inc. and Subsidiaries****Consolidated Balance Sheets**

	September 30, 2010 (unaudited)	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 323,386	\$ 449,203
Note receivable - current portion	12,000	
Other current assets	197,904	136,790
Total current assets	533,290	585,993
Note receivable, net of current portion	91,139	
Property and equipment, at cost less accumulated depreciation and amortization	777,831	953,183
Goodwill	4,251,657	4,251,657
Other assets	105,803	104,003
Total assets	\$ 5,759,720	\$ 5,894,836
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 162,067	\$ 177,647
Accrued liabilities	245,719	196,544
Current portion of capitalized lease obligations	43,359	47,288
Current portion of equipment financing obligations	21,008	18,865
Current portion - deferred rent	30,513	30,513
Total current liabilities	502,666	470,857
Capitalized lease obligations, net of current portion	52,986	93,604
Equipment financing obligations, net of current portion	29,530	46,389
Deferred rent	174,920	205,701
Other long term liabilities	7,350	7,350
Total liabilities	767,452	823,901
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, 1,296,982 shares issued and outstanding with a liquidation preference of \$3,330,650 at September 30, 2010 and	1,297	2,280

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2,279,981 shares issued and outstanding with a liquidation preference of \$5,854,991 at December 31, 2009

Common stock, \$.001 par value, 250,000,000 shares authorized, 14,616,928 and 6,685,448 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	14,617	6,685
Additional paid-in capital	15,813,617	15,795,364
Accumulated deficit	(15,416,609)	(15,312,740)
Total shareholders' equity	412,922	491,589
Total liabilities and shareholders' equity	\$ 5,759,720	\$ 5,894,836

*See accompanying notes to consolidated financial statements.*

**Table of Contents****Speedemissions, Inc. and Subsidiaries****Consolidated Statements of Operations****(unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenue	\$ 2,313,816	\$ 2,599,350	\$ 7,262,663	\$ 7,657,600
Costs of operations:				
Cost of emission certificates	498,599	560,042	1,607,340	1,673,285
Store operating expenses	1,487,037	1,595,521	4,579,162	4,743,112
General and administrative expenses	380,301	378,880	1,261,924	1,041,299
(Gain) loss on disposal of non-strategic assets		(5,500)	9,713	(30,330)
Gain from settlement of lawsuit	(106,881)		(106,881)	
Operating income (loss)	54,760	70,407	(88,595)	230,234
Interest income (expense)				
Interest income	1,272	34	1,900	85
Interest expense	(4,937)	(9,910)	(17,174)	(24,720)
Interest expense, net	(3,665)	(9,876)	(15,274)	(24,635)
Net income (loss)	\$ 51,095	\$ 60,531	\$ (103,869)	\$ 205,599
Basic net income (loss) per share	\$ 0.00	\$ 0.01	\$ (0.01)	\$ 0.04
Diluted net income (loss) per share	\$ 0.00	\$ 0.01	\$ (0.01)	\$ 0.02
Weighted average common shares outstanding, basic	13,179,213	5,162,108	9,570,761	5,162,108
Weighted average common shares outstanding, diluted	17,456,713	9,439,606	9,570,761	9,439,606

*See accompanying notes to consolidated financial statements.*

**Table of Contents****Speedemissions, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****(unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (103,869)	\$ 205,599
<b>Adjustments to reconcile net income (loss) to net cash from operating activities:</b>		
Depreciation and amortization	206,088	240,546
(Gain) loss on disposal of assets	9,713	(30,330)
Share-based compensation	25,201	35,511
Gain from settlement of lawsuit	(106,881)	
<b>Changes in operating assets and liabilities:</b>		
Other current assets	(61,114)	(6,347)
Other assets	(1,800)	(850)
Accounts payable and accrued liabilities	33,596	(205,296)
Other liabilities	(30,781)	(2,568)
<b>Net cash (used in) provided by operating activities</b>	<b>(29,847)</b>	<b>236,265</b>
<b>Cash flows from investing activities:</b>		
Proceeds from note receivable	3,742	
Proceeds from sales of property and equipment	20,000	30,330
Purchases of property and equipment	(60,449)	(64,435)
<b>Net cash used in investing activities</b>	<b>(36,707)</b>	<b>(34,105)</b>
<b>Cash flows from financing activities:</b>		
Payments on equipment financing obligations	(14,716)	(12,051)
Payments on capitalized leases	(44,547)	(30,997)
<b>Net cash used in financing activities</b>	<b>(59,263)</b>	<b>(43,048)</b>
<b>Net (decrease) increase in cash</b>	<b>(125,817)</b>	<b>159,112</b>
Cash at beginning of period	449,203	512,492
<b>Cash at end of period</b>	<b>\$ 323,386</b>	<b>\$ 671,604</b>
<b>Supplemental Information:</b>		
Cash paid during the period for interest	\$ 16,513	\$ 23,288

*See accompanying notes to consolidated financial statements.*





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**Speedemissions, Inc.**

**Notes to Consolidated Financial Statements**

**September 30, 2010**

**(Unaudited)**

**Note 1: Nature of Operations**

### **Description of Business**

Speedemissions, Inc. ( Speedemissions or the Company ) performs vehicle emissions testing and safety inspections in certain cities in which vehicle emissions testing is mandated by the Environmental Protection Agency ( EPA ). 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. As of September 30, 2010, the Company operated 40 vehicle emissions testing and safety inspection stations under the trade names of *Speedemissions* (Atlanta, Georgia and St. Louis, Missouri); *Mr. Sticker* (Houston, Texas); and *Just Emissions* (Salt Lake City, Utah). The Company also operates four mobile testing units in the Atlanta, Georgia area. The Company manages its operations based on these four regions and has one reportable segment.

At its vehicle emissions testing and safety inspection stations, the Company uses computerized emissions testing equipment and safety inspection equipment that tests vehicles for compliance with emissions and safety standards.

On June 22, 2010, the Company announced the launch of its first iPhone application, Carbonga. Carbonga is an iPhone application that diagnoses an automobile's computer systems using the on board diagnostic port on vehicles that are 1996 or newer. Carbonga can check over 2,000 vehicle fault codes.

### **Basis of Presentation**

The accompanying unaudited consolidated financial statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America ( GAAP ) as codified in the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification. 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 GAAP 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, 2009.

The Company has evaluated subsequent events through the date of filing its Form 10-Q with the Securities and Exchange Commission. Other than as described in Note 12: Subsequent Event, the Company is 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 the Company's consolidated financial statements.

### **Consolidation**

The accompanying consolidated financial statements include the accounts of Speedemissions and its non-operating subsidiaries, which are 100% owned by the Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Note 2: Significant Accounting Policies and Estimates**

### **Use of Estimates**

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

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liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included in these financial statements relate to useful lives of property and equipment, the valuation allowance provided against deferred tax assets and the valuation of long-lived assets and goodwill. Actual results could differ from those estimates. For a