

SPEDEMISSIONS INC  
Form 10KSB  
April 15, 2005

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

**Form 10-KSB**

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

**For the fiscal year ended December 31, 2004**

TRANSITION REPORT UNDER 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.**

(Name of small business issuer in its charter)

**Florida**

(State or other jurisdiction of  
incorporation or organization)

**1134 Senoia Road, Suite B2**

**Tyrone, Georgia**

(Address of principal executive offices)

**33-0961488**

(I.R.S. Employer  
Identification No.)

**30290**

(Zip Code)

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

Securities registered under Section 12(g) of the Exchange Act:

**Common stock, par value \$0.001**

(Title of class)

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  No .

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year. The issuer's revenues for the year ended December 31, 2004 were \$2,867,921.

State the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common

Edgar Filing: SPEEDEMISSIONS INC - Form 10KSB

equity, as of a specified date within the past 60 days. (See definition of affiliate in rule 12b-2 of the Exchange Act.) \$2,570,993, based on the closing price of \$0.30 for our common stock on March 30, 2005.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of March 30, 2005, there were 25,041,594 shares of common stock, par value \$0.001, issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

If the following documents are incorporated by reference, briefly describe them and identify the part of the form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1990). None.

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

---

**Speedemissions, Inc.**

**TABLE OF CONTENTS**

<b>PART I</b>	<b>3</b>
ITEM 1 - DESCRIPTION OF BUSINESS	3
ITEM 2 - DESCRIPTION OF PROPERTY	9
ITEM 3 - LEGAL PROCEEDINGS	10
ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	10
<b>PART II</b>	<b>11</b>
ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	11
ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION	13
ITEM 7 - FINANCIAL STATEMENTS	20
ITEM 8 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	20
ITEM 8A - DISCLOSURE CONTROLS AND PROCEDURES	20
ITEM 8B - OTHER INFORMATION	20
<b>PART III</b>	<b>21</b>
ITEM 9 - DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT	21
ITEM 10 - EXECUTIVE COMPENSATION	24
ITEM 11 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	27
ITEM 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	28
ITEM 13 - EXHIBITS	32
ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES	35

## PART I

This Annual 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.

### ITEM 1 - DESCRIPTION OF BUSINESS

#### Introduction

We were incorporated as SKTF Enterprises, Inc. in the State of Florida on March 27, 2001. Effective September 5, 2003, after our acquisition of our wholly owned subsidiary, we changed our name to Speedemissions, Inc.

Our original business plan was to develop, market and distribute branded and licensed hats and clothing at major events such as sporting events, concerts, and conventions. However, our management abandoned our original business plan, and on June 16, 2003, we acquired Speedemissions, Inc., a Georgia corporation.

#### Our Principal Services and Markets

We currently operate 24 vehicle emissions testing centers in two separate markets, greater Atlanta, Georgia and Houston, Texas. In addition, we operate five mobile units in the Atlanta, Georgia area.

#### 2004 Acquisitions

On January 21, 2004, we acquired all of the assets of the businesses known and operated as NRH Enterprises/Procam Emissions and Georgia Emissions, which consisted primarily of five emissions testing centers in the Atlanta, Georgia area.

On January 30, 2004, we acquired all of the assets of the businesses known and operated as \$20 Emission, which consisted primarily of seven emissions testing centers in the Atlanta, Georgia area.

On June 11, 2004, we acquired all of the assets of BB&S Emissions, LLC, consisting of one emissions testing center in the Atlanta, Georgia area.

On December 2, 2004, we acquired five mobile testing units from State Inspections of Texas, Inc., and on December 30, 2004, we acquired the remainder of their assets, consisting of six emissions testing centers in the Houston, Texas area.

We intend to operate all of the recently acquired centers and mobile units under the Speedemissions name.

### **Our Typical Site**

The typical testing site is located inside of a structure similar to a typical lube or tire change garage with doors at both ends so vehicles can “drive-through” the facility. We also have structures that resemble a bank drive-through facility. A computerized testing system is located in the building. There are two types of primary tests that are performed, the Accelerated Simulated Model (ASM) and the On-Board Diagnostic (OBD). In selected markets a vehicle safety inspection must also be performed. These tests apply to vehicles generally manufactured from 1980 through 2001, depending on the state. The ASM test is done on vehicles 1995 and older, while the OBD test is conducted on vehicles 1996 and newer. In all new sites, we expect to operate two testing lanes. The cost of equipment for operating one ASM and two OBD machines is approximately \$50,000. The cost of facilities varies, depending on location and market rates in that area. Generally, we do not expect to own any land or buildings. Instead, although we own the land and building at one of our sites, in the future we intend to lease or sublease all of the land and the buildings that we use in our business. We expect the total cost for a new emissions testing site will be approximately \$150,000, including emission testing equipment and related installation, deposits and prepaid items such as certificates, furniture and office equipment, renovations if necessary, signage, and capital necessary to fund operations during the first year. Such amount does not include future years’ costs, such as rent and utilities or other operating costs.

Under the guidelines of the Georgia Clean Air Force program, the mobile vehicle emission testing units are only permitted to conduct the OBD test on 1996 and newer vehicles. We currently have five units and they serve the automobile fleets of the federal, state, and local governments. Also, all used cars, prior to being re-sold, must have a vehicle emission test, and thus we serve both the new and used car dealers throughout the greater Atlanta market. Finally, these units serve the fleets of major corporate customers as well. The start-up cost for the mobile testing unit is about 60% less than the cost of a typical brick-and-mortar location. As a result, they are a more profitable operating unit.

### **Our Growth Strategy**

Our objective is to become a national provider of vehicle emissions tests and safety inspections where applicable.

We intend to grow using three methods. First, we intend to continue opening and operating company-owned testing stations. Second, we intend to continue acquiring competitors in favorable markets. Third, we intend to offer franchises in selected markets. Currently, in addition to the Atlanta and Houston areas, we have targeted the following areas for application of our three growth strategies: Dallas, Texas; Charlotte, North Carolina; Northern Virginia; Pittsburgh and Philadelphia, Pennsylvania; Southern California; New York City; and Boston, Massachusetts. We intend to create brand awareness in each of these areas through a standard building style and facade, consistent color schemes, signs, employee uniforms, and limited local advertising.

## **Industry Background - Government and Regulatory Overview**

Presently, the American Automobile Motor Vehicle Association reports that 34 states and the District of Columbia are required by the United States Environmental Protection Agency to have vehicle emissions testing. According to the 2000 census, these states constitute 72% of the U.S. population, or about 206 million citizens. The major metropolitan areas of these states represent 141 million citizens and 87.1 million vehicles. Each state, in turn, has its own regulatory structure for emissions testing with which we must comply.

Public awareness of air pollution and its hazardous effects on human health and the environment has increased in recent years. The U.S. Environmental Protection Agency estimates that in the United States alone approximately 46 million persons live in areas where air quality levels fail to meet the EPA's national air quality standards. Increased awareness of air pollution and its hazardous effects on human health and the environment has led many governmental authorities to pass more stringent pollution control measures. One especially effective measure that many governmental authorities have adopted is vehicle emissions testing. Vehicle emissions produce approximately 35% to 70% of the ozone air pollution and nearly all of the carbon monoxide air pollution in metropolitan areas. The EPA estimates that enhanced emissions testing on motor vehicles is approximately 10 times more cost-effective in reducing air pollution than increasing controls on stationary pollution sources such as factories and utilities. Consequently, the EPA has made emissions testing an integral part of its overall effort to reduce air pollution by ensuring that vehicles meet emissions standards.

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

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

The EPA has granted state governmental authorities the discretion to determine how best to establish and operate a network of emissions testing facilities, including the flexibility to choose either a centralized or a decentralized program. Nineteen states have implemented decentralized programs and twelve states and the District of Columbia have implemented centralized programs. There are three states that have implemented a hybrid program, whereby there are both decentralized and centralized testing stations. The percentage of programs that are either centralized or decentralized has remained relatively constant since 1991.

Vehicle emissions control requirements have become progressively more stringent since the passage of the Clean Air Act in 1970. The 1990 Amendments, in particular, emphasized the need for effective emissions control programs and, in 1992, the EPA adopted regulations that required areas across the United States to implement certain types of emissions control programs by certain dates, depending on the area's population and their respective levels of air pollution. The EPA has the authority under the Clean Air Act to withhold non-safety related federal highway funds from states that fail to implement such mandated programs by prescribed deadlines. To date, the EPA has been willing, in certain circumstances, to grant extensions of these deadlines. However, there are also examples where it has withheld non-safety related highway funding. This occurred for a period of two years in Georgia because of Atlanta's high vehicle emissions (New York Times, January 4, 2001).

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

Since 1977, when federal legislation first required states to comply with emissions standards through the use of testing programs, California has been a leader in testing procedures and technical standards. California has approximately 23 million vehicles subject to emissions testing, more than two times that of any other state. California's testing program is overseen by the California Bureau of Automotive Repair. The Bureau has revised its emissions testing standards three times: in 1984, 1990 and, most recently, in 1997. With each of these revisions, the Bureau has required the use of new, more sophisticated and more accurate emissions testing and analysis equipment, which must be certified by the Bureau. California's testing standards have become the benchmark for emissions testing in the United States. All states with decentralized programs and many states with centralized programs require emissions testing and analysis equipment used in their programs to be either BAR-84, BAR-90, or BAR-97 certified, with all newly implemented enhanced programs requiring BAR-97 certification.

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

However, today's vehicles have different emissions problems. For tests on modern vehicles to be effective, the equipment must measure nitrogen oxide emissions that also cause smog and must test the vehicle under simulated driving conditions. The EPA now requires these enhanced tests in the major metropolitan areas of the 34 states and the District of Columbia. A technician conducts these Accelerated Simulated Mode (ASM) tests on a dynamometer, a treadmill-type device that simulates actual driving conditions, including periods of acceleration, deceleration and cruising, or the On Board Diagnostic (OBD) by plugging into the vehicles computerized operation system.

#### *Emissions Testing in the State of Georgia*

As a result of a rapidly increasing population, which has caused the levels of smog to escalate sharply, the 13 counties that make up the metro Atlanta area have been identified by the EPA as target sites for a mandatory vehicle inspection and maintenance program. In 1996, the Environmental Protection Division of the State of Georgia initiated "Georgia's Clean Air Force" program that requires testing of certain vehicles in a 13 county area surrounding Atlanta, Georgia, for certain emission levels. These rules are set forth in Sections 391-3-20-.01 through .22 of the Rules of the Georgia Department of Natural Resources, Environmental Protection Division.

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

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

The market for emissions testing in Georgia is highly fragmented and generally consists of services provided by independent auto repair service providers, service stations, oil and tire repair stores, and independent test-only facilities. According to the State of Georgia, there were approximately 700 licensed test sites, and 1,983,327 tests were performed in Georgia under the Georgia Clean Air Force Program during the calendar year 2002.

Under Georgia law, the price that a testing station may charge per test may not be less than \$10 nor more than \$25. A fee of \$6.95 must be paid by the station operator to the state. The balance of the current charge, or \$18.05 assuming the maximum price of \$25 is charged, is retained by the station operator. If a vehicle fails an emissions test, it may be retested at no additional charge for up to 30 days after the initial test, so long as the subsequent test is performed at the same facility.

If a vehicle fails to pass an emissions test, the owner of the vehicle must have repair work performed to correct the deficiency, up to a total cost of \$689 under current law. If a vehicle fails a re-inspection despite the maximum expenditure required by law, the owner must apply for a compliance waiver from the state.

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

#### *Emissions Testing in the State of Texas*

The market in Texas is highly fragmented and consists of testing services implemented under the current guidelines in May 2002. The Texas Department of Public Safety manages the vehicle emissions testing and safety inspection for the state. The emissions tests conducted are the same as in Georgia. The fee is set at a maximum of \$39.50 for both the emissions test and the safety inspection. The operator is charged \$8.00 for the ASM sticker, and \$14.00 for the OBD sticker. The safety inspection cost is included in these amounts. Vehicles are required to be tested on an annual basis, with an annual exemption for the two most recent model years. According to the American Automobile Motor Vehicle Association, there are 4.6 million eligible vehicles in the state.



If a vehicle fails, the operator must provide a free re-test at the same facility within 15 days. Texas also has provisions for those vehicles that cannot pass an emissions test, with no limit on the amount of repairs. The owner may apply to the state for a compliance waiver.

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

### **Operating Strategy**

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

- Seek to secure and maintain multiple stations at well-traveled intersections and other locations that are easily reachable by our customers;
- Coordinate operations, training and advertising in each market to enhance revenue and maximize cost efficiencies within each market;
  - Implement regional management and marketing initiatives in each of our markets;
  - Seek to acquire existing testing sites where significant volume potential exists;
- Tailor each facility, utilize limited local advertising and the services we offer to appeal to the broadest range of consumers; and
- Recently expanded the use of our mobile vehicle testing units by adding a sales manager to call on federal, state, and local governments for their fleets, as well as corporate accounts and car dealers.

Most of our emissions testing stations are open for business during weekdays between the hours of 8:00 am and 6:00 pm, and from 8:30 am to 5:00 pm on Saturdays, for a total of 58.5 hours per week. Our stations are closed on Sundays. The average emissions test in Georgia takes approximately 8 to 12 minutes to complete. In Texas, because of the safety inspection, the completion time is slightly longer. Therefore, each of our stations with one testing bay can test anywhere from three to four vehicles per hour. Assuming steady demand throughout the day, six days a week, each of our stations would have the capacity to test approximately 234 vehicles per week (58.5 hours times 4 vehicles per hour), or 936 vehicles per month (234 vehicles per week times 4 weeks). Based upon our calculations involving our existing emissions stations, stations with one testing bay need to receive payment for 450 emissions tests per month to cover the costs associated with its operation, while stations with two testing bays need 475 tests per month to break even. In addition, we do a limited (about 10%) oil change business in six of our Texas locations.

We currently purchase our raw materials, such as filters, hoses, etc., from 2 suppliers, and because these raw materials are readily available from a variety of suppliers, we do not rely upon any one supplier for a material portion of our materials. Certificates of Emission Inspection are purchased from the Georgia Clean Air Force, and emission and safety inspection stickers are purchased from the Texas Department of Public Safety.

## **Intellectual Property**

We have registered the trade name "Speedemissions" in Fulton County, Georgia, and Austin, Texas, and are thereby authorized to conduct our business in Georgia and Texas under the name "Speedemissions." We have filed a Federal Service Mark Registration for the name and logo of Speedemissions, Inc., and for the tag line "The Fastest Way to Keep Your Air Clean."

## **Competition**

The emissions testing industry is full of small owner-operators. Auto repair shops, tire stores, oil change stores, muffler shops, service stations, and other emissions testing stations all offer the service. Competition is fierce, and we expect competition from local operators at all of our locations. There are no national competitors at this time. Our market share is too small to measure. We intend to compete by creating brand awareness through advertising, a standard building style and facade, and consistent color schemes and uniforms. Because most families own more than one vehicle, and they are required to have their vehicle tested on a regular basis, we anticipate that we can retain repeat customers.

## **Research and Development**

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

## **Compliance with Environmental Laws**

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

## **Employees**

We currently employ 58 individuals. Of these 58 employees, six are employed in administrative positions at our headquarters, including our Chief Executive Officer, Richard A. Parlontieri, and our Chief Financial Officer, William Klenk, while 52 are employed on-site at our testing locations. 57 of our employees are full-time, while one is employed on a part-time basis.

## **ITEM 2 - DESCRIPTION OF PROPERTY**

### **Corporate Office**

We rent our general corporate offices located at 1134 Senoia Road, Suite B2, Tyrone, Georgia, which consists of 2,000 square feet of office space. The rent for our office space is \$1,250 per month, including utilities, with a term that expires on February 1, 2007, with a 2-year renewal option. We believe that this space is adequate for our current needs.

### **Testing Facilities**

We lease the land and buildings we use in connection with 24 of our existing emissions testing facilities, and we own one building and the associated land. In addition, we have one testing facility under construction. All of our facilities are believed to be in adequate condition for their intended purposes and adequately covered by insurance.

Site	City	State	Monthly Rent	Lease Expiration
<b>Georgia Facilities</b>				
27 East Crogan Street	Lawrenceville	GA	Company owned	N/A
100 Peachtree Parkway	Peachtree City	GA	\$1,705	May 2006
8405 Tara Boulevard	Jonesboro	GA	\$1,500	January 2008
Highway 85*	Riverdale	GA	\$2,250	January 2008
4853 Canton Road	Marietta	GA	\$1,000	September 2008
2720 Sandy Plains Road	Marietta	GA	\$3,031	December 2004
8437 Roswell Road	Atlanta	GA	\$2,750	November 2003
9072 Highway 92	Woodstock	GA	\$1,800	April 2007
14865 Highway 92	Woodstock	GA	\$1,700	April 2008
2887 Canton Road	Marietta	GA	\$2,500	July 2008
213 Riverstone Parkway	Canton	GA	\$1,300	November 2007
731 Powder Springs Street	Marietta	GA	\$2,700	month to month
1869 Cobb Parkway	Marietta	GA	\$2,756	August 2004
2625 S. Cobb Drive	Smyrna	GA	\$2,800	March 2005
2909 N. Druid Hills	Decatur	GA	\$1,500	month to month
3826 Clairmont Road	Chamblee	GA	\$3,500	March 2005
5300 Roswell Road	Atlanta	GA	\$1,800	January 2008
7000 North Point Pkwy	Alpharetta	GA	\$1,500	August 2008

\* Under construction

#### Texas Facilities

11831 Jones Road	Houston	TX	\$2,500	June 2004
1580 W. Main Street	Houston	TX	\$4,500	March 2024
7710 W. Bellfort	Houston	TX	\$3,120	November 2009
1531 Gessner	Houston	TX	\$3,000	August 2007
11125 Briar Forest	Houston	TX	\$4,500	August 2007
4494 Highway 6	Houston	TX	\$4,882	August 2007
108 Bellaire	Houston	TX	\$4,500	November 2009
12340 Bissonnet	Houston	TX	\$2,400	2009

### ITEM 3 - LEGAL PROCEEDINGS

In the ordinary course of business, we may be from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon our financial condition and/or results of operations. However, in the opinion of our management, matters currently pending or threatened against us are not expected to have a material adverse effect on our financial position or results of operations.

### 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.



**PART II****ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS****Market Information**

Our common stock became eligible for trading on the Over the Counter Bulletin Board on December 19, 2002 under the symbol "SKTE." Beginning September 5, 2003, in connection with our name change to Speedemissions, Inc., our common stock was eligible for trading under the symbol "SPEM." There have been a limited number of trades in our common stock.

The following table sets forth the high and low bid information for each quarter since we first became eligible for trading, as provided by the Nasdaq Stock Markets, Inc. The information reflects prices between dealers, and does not include retail markup, markdown, or commission, and may not represent actual transactions.

	High	Low
<b>Fiscal year ended December 31, 2002:</b>		
Fourth Quarter	\$ 0.00	\$ 0.00
<b>Fiscal year ended December 31, 2003:</b>		
First Quarter	\$ 0.00	\$ 0.00
Second Quarter	\$ 0.00	\$ 0.00
Third Quarter	\$ 0.25	\$ 0.00
Fourth Quarter	\$ 0.60	\$ 0.20
<b>Fiscal year ended December 31, 2004:</b>		
First Quarter	\$ 1.01	\$ 0.30
Second Quarter	\$ 0.60	\$ 0.41
Third Quarter	\$ 0.62	\$ 0.45
Fourth Quarter	\$ 0.50	\$ 0.17
<b>Fiscal year ended December 31, 2005:</b>		
First Quarter (through February 28, 2005)	\$ 0.48	\$ 0.20

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

**Holder**

As of December 31, 2004 and March 11, 2005, there were 24,541,594 and 25,041,594 shares, respectively, of our common stock issued and outstanding and held by approximately 102 shareholders of record. As of December 31, 2004 and March 11, 2005, there 2,500,000 shares of our preferred stock issued and outstanding and held of record by one shareholder.



## Dividends

We have not paid any dividends on our common stock and do not expect to do so in the foreseeable future. We intend to apply our earnings, if any, in expanding our operations and related activities. The payment of cash dividends on our common stock in the future will be at the discretion of the Board of Directors and will depend upon such factors as earnings levels, capital requirements, our financial condition and other factors deemed relevant by the Board of Directors.

We are obligated to pay cumulative quarterly dividends on our Series A Convertible Preferred Stock in amount equal to seven percent (7%) per annum. The dividends are to be paid, in our discretion, in either additional shares of Series A Convertible Preferred Stock, or in common stock based on the market price.

## Securities Authorized for Issuance Under Equity Compensation Plans

On May 15, 2001, our directors and shareholders approved the SKTF, Inc. 2001 Stock Option Plan, effective June 1, 2001. At our annual shareholders meeting on August 27, 2003, our shareholders approved an amendment to the plan, changing its name to the Speedemissions, Inc. 2001 Stock Option Plan, and increasing the number of shares of our common stock available for issuance under the plan from 600,000 shares to 1,000,000 shares. The plan offers selected employees, directors, and consultants an opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. As of March 11, 2005, we have issued options to acquire 921,750 shares of our common stock under the plan at prices ranging from \$0.25 to \$0.51 per share, and we have issued 50,000 shares of common stock under the plan.

As of December 31, 2004, the plan information is as follows:

Plan Category	Number of Securities		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	to be issued upon exercise of outstanding options, warrants and rights (a)	(b)		
Equity compensation plans approved by security holders	686,750	\$	0.30	263,250
Equity compensation plans not approved by security holders	1,525,000	\$	0.63	N/A
<b>Total</b>	<b>2,211,750</b>	<b>\$</b>	<b>0.53</b>	<b>263,250</b>

## Recent Sales of Unregistered Securities

On October 8, 2004, we issued 90,000 shares of our common stock, restricted in accordance with Rule 144, to a consultant for services rendered. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the shareholder was a sophisticated purchaser.

On November 18, 2004, in connection with a contract to provide equity research services, we issued a total of 312,500 shares of common stock, restricted in accordance with Rule 144, to three unrelated companies, as payment for services performed for us by one of the payees. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investors were accredited investors.

## **ITEM 6 - MANAGEMENT'S 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; 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 Annual Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

### **Overview**

As of December 31, 2004 we operated twenty-five (25) vehicle emissions testing stations and seven (7) mobile units in two separate markets, greater Atlanta, Georgia and Houston, Texas. Due to a station closing and a consolidation of mobile unit routes in February 2005, we currently operate twenty-four (24) vehicle emissions testing stations and five (5) mobile units in these markets. We do not provide automotive repair services at our centers because we believe that it inhibits our ability to provide timely customer service and creates a perception that our test results might be compromised.

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 is \$25, and a fee of \$6.95 is paid to the State of Georgia. In Texas, the maximum fee that we can charge is \$39.50, for both an emissions test and a safety inspection, and a fee varying between approximately \$5.50 and \$14.00 per certificate, depending on the type of test is paid to the State of Texas.



We want to grow. We completed four acquisitions during 2004, which added nineteen testing centers and seven mobile units. We intend to close more acquisitions, and to open company-owned stations, in 2005.

As a result of our growth plans, our biggest challenge will be managing our growth and integrating our acquisitions. We have tried to attract qualified personnel to assist us with this growth, while keeping our overhead expenses manageable. We have not operated at a profit, nor have we operated on a break-even cash flow basis. However, if we are successful in implementing our growth strategy, we believe that both of these financial goals are achievable in the next 12 months. Until that time, we will have to continue to fund our operations, and our acquisitions, with capital raised from selling our stock.

#### Explanatory Paragraph in Report of Our Independent Certified Public Accountants

Our independent accountants have included an explanatory paragraph in their most recent report, stating that our audited financial statements for the period ending December 31, 2004 were prepared assuming that we will continue as a going concern. However, they note that we have not yet generated significant revenues, that we have a large accumulated working capital deficit, and that there are no assurances that we will be able to meet our financial obligations in the future.

Our independent accountants included the explanatory paragraph based primarily on an objective test of our historical financial results. Although we agree that this explanatory paragraph is applicable when the objective test is applied, we believe that if we can successfully implement our business plan in the next fiscal year, future audit reports might be issued without this explanatory paragraph. Until such time, however, our going concern paragraph may be viewed by some shareholders and investors as an indication of financial instability, and it may impair our ability to raise capital.

#### **Year ended December 31, 2004 compared to the year ended December 31, 2003**

##### **Results of Operations**

##### Introduction

Our operations reflect a significantly different company in 2004 versus 2003. At the beginning of 2003 we were a privately held company operating two emissions testing stations in Georgia and three stations in Texas. During 2003 we were acquired by a public company in a reverse acquisition, but our number of emissions testing stations remained at five as of December 31, 2003. During 2004 we made four acquisitions (adding 19 stations), opened two new stations and closed one existing station, increasing our emissions testing stations to twenty-five plus seven mobile units as of December 31, 2004. Of the net twenty stations added during 2004, only fourteen had a significant impact on revenues and expenses as six of the acquired stations were purchased on December 30, 2004. As a result, our revenues and operating expenses increased significantly in 2004 compared to 2003. Additionally, our acquisition and capital raising activities during 2004 added significant expenses associated with common stock issued at discounts from the trading values for our common stock.

Revenues and Loss from Operations

Our revenue, cost of emission certificates (our cost of goods sold), general and administrative expenses, and loss from operations for the year ended December 31, 2004 as compared to the year ended December 31, 2003 are as follows:

	Year Ended December 31, 2004	Year Ended December 31, 2003	Percentage Change
Revenue	\$ 2,867,921	\$ 612,948	368%
Cost of Emission Certificates	874,507	173,495	404%
General & Administrative Expenses	4,901,360	1,781,370	175%
Loss from Operations	(2,907,946)	(1,341,917)	117%

Our revenues increased 368% in 2004 because of the fourteen stations added through acquisition and new stations openings, while combined revenues from existing stations increased by approximately 3% when compared to 2003.

Our cost of emission certificates increased \$701,012 during 2004 and was \$874,507, or 30% of revenues, compared to \$173,495 or 28% of revenues, during 2003. This increase was largely attributable to revenues at the seven stations acquired in the \$20 Emissions acquisition providing emission testing services at a rate of \$20 per test rather than the maximum \$25 per test fee allowed in the state of Georgia and charged by the Company's other Georgia emission testing stations.

Our general and administrative expenses during 2004 were \$4,901,360, an increase of \$3,119,990, or 175% as compared to 2003. The 175% increase in general and administrative expenses from 2003 to 2004 compares favorably with the 368% increase in revenues during the same period and indicates that the significant fixed expenses associated with being a public company do not increase proportionally with increased revenues. As we grow through future acquisitions we expect revenues will continue to increase at a faster rate than do general and administrative expenses and these efficiencies will result in more profitable operations. The primary causes of the increased expenses were as follows:

Increased wages and rent expense associated with fourteen additional emissions testing stations	\$ 969,700
Excess of purchase price over fair market value of assets purchased	559,514
Expense associated with common stock issued in conversion of promissory notes	489,812
Increased legal, accounting and consulting expenses due to acquisitions and public company issues	435,351
Increased depreciation and maintenance expense associated with fourteen additional emissions testing stations	189,628
	\$ 2,644,005

#### Interest Expense, Taxes, and Net Loss

Our interest expense, income tax benefit, and net loss for the year ended December 31, 2004 as compared to the year ended December 31, 2003 are as follows:

	Year Ended December 31, 2004	Year Ended December 31, 2003	Percentage Change
Interest Expense	\$ 64,110	\$ 137,276	(53)%
Net Loss	(2,972,056)	(1,479,193)	101%
Basic and Diluted Loss per Share	(0.14)	(0.16)	(13)%

Our interest expense during 2004 was \$64,110, a \$73,166, or 53% decrease compared to \$137,276 for 2003. The decrease was due to reductions in the Company's outstanding debt; a total of \$540,000 in promissory notes were converted to the Company's common stock during 2004 and \$1,450,000 in convertible debentures was converted to the Company's common stock in December 2003.

During 2004, we had a net loss of \$2,972,056 or \$0.14 per weighted-average share. During 2003, we reported a net loss of \$1,479,193 or \$0.16 per weighted-average share. The \$1,492,863 increase in net loss for 2004 was primarily due to the \$2,644,005 in additional expenses as detailed above, partially offset by an increase of \$1,554,207 in revenue less cost of emission certificates, due to the fourteen additional stations, for 2004 compared to 2003. The 101% increase in net loss from 2003 to 2004 compares favorably with the 368% increase in revenues during the same period and indicates that the significant fixed expenses associated with being a public company do not increase proportionally with increased revenues. As we grow through future acquisitions we expect revenues will continue to increase at a faster rate than associated expenses and these efficiencies will result in more profitable operations.



**Three Months Ended December 31, 2004 Compared to the Three Months Ended September 30, 2004 and December 31, 2003**Revenues and Loss from Operations

Our revenue, cost of emission certificates (our cost of goods sold), general and administrative expenses, and loss from operations for the quarter ended December 31, 2004 as compared to the quarter ended September 30, 2004 and the quarter ended December 31, 2003 are as follows:

	Quarter Ended December 31, 2004	Quarter Ended September 30, 2004	Quarter Ended December 31, 2003
Revenue	\$ 746,515	\$ 758,008	\$ 145,213
Cost of Emission Certificates	225,075	233,681	43,115
General & Administrative Expenses	946,765	970,564	600,237
Loss from Operations	(425,325)	(446,229)	(498,139)