SPEEDEMISSIONS INC
Form S-1/A
March 06, 2008

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As filed with the Securities and Exchange Commission on March 6, 2008

Registration No. 333-146733

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-Effective Amendment No. 2

to the

Form S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

SPEEDEMISSIONS, INC.

(Name of small business issuer in its charter)

Florida	**7549**	**33-0961488**
(State or jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1015 Tyrone Road

Suite 220

Tyrone, GA 30290

(770) 306-7667

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Richard A. Parlontieri, President

1015 Tyrone Road, Suite 220

Tyrone, Georgia 30290

(770) 306-7667

(Name, address, and telephone number of agent for service)

COPIES TO:

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Approximate date of commencement of proposed sale to the public:

From time to time after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

Explanatory Note

On October 16, 2007, Speedemissions, Inc. (Speedemissions or the Company) filed a Registration Statement on Form SB-2 (No. 333-146733) (the Registration Statement) to register shares of its common stock, as well as shares underlying warrants and preferred stock, held by certain securityholders. The Registration Statement was amended by Amendment No. 1 to Registration Statement on Form SB-2 filed on December 19, 2007 (the Amended Registration Statement). The rules issued by the Securities and Exchange Commission (the SEC) no longer permit the Company to file a Registration Statement on Form SB-2. Pursuant to the guidelines set forth by the SEC in Release 33-8876 on December 19, 2007 (Smaller Reporting Regulatory Relief and Simplification), the Company filed this pre-effective amendment to the Amended Registration Statement on Form S-1. Furthermore, the Company, as allowed by Release 33-8876, maintained the disclosure format and content of Form SB-2 in this amendment on Form S-1.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

Up to 40,652,438 shares of common stock

SPEEDEMISSIONS, INC.

Speedemissions, Inc. (Speedemissions or the Company) is registering 2,127,150 shares of common stock for sale by existing shareholders, and 38,525,288 shares of common stock for sale by existing warrant and preferred stock holders upon the exercise of warrants or conversion of preferred shares. This offering will terminate when all 40,652,438 shares are sold or on October 15, 2009, unless we terminate it earlier.

Our common stock is quoted on the over-the-counter electronic bulletin board under the symbol SPMI.

Investing in our common stock involves risks. Speedemissions currently has limited operations, limited income, and limited assets. You should not invest unless you can afford to lose your entire investment. See Risk Factors beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

All of the common stock registered by this prospectus will be sold by the selling shareholders at the prevailing market prices at the time they are sold. Speedemissions is not selling any of the shares of common stock in this offering and therefore will not receive any proceeds from this offering. Speedemissions would, however, receive proceeds upon the exercise of warrants.

The date of this prospectus is March 6, 2008

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PROSPECTUS SUMMARY

This summary highlights specific information contained elsewhere in this prospectus. Because this is a summary, it may not contain all the information that is important to you. Therefore, you should read carefully the more detailed information set forth in this prospectus and our financial statements before making an investment decision regarding our common stock. On November 18, 2005, our shareholders approved a 1-for-10 reverse stock split of the issued and outstanding shares of common stock with fractional shares being rounded up to the next whole share. All share amounts in this prospectus have been adjusted to reflect this reverse stock split.

Our Business

Speedemissions, Inc. performs vehicle emissions testing and safety inspections in certain cities in which vehicle emissions testing is mandated by the Environmental Protection Agency (EPA). As of January 31, 2008, we operated 45 vehicle emissions testing and safety inspection stations under the trade names of *Speedemissions* (Atlanta, Georgia); *Mr. Sticker* (Dallas and Houston, Texas); and *Just Emissions* (Salt Lake City, Utah). We also operate four mobile testing units in the Atlanta, Georgia area.

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.

In the past three years, we have acquired some of our competitors in the Atlanta, Georgia, Houston, Texas and Salt Lake City areas. In November 2007, we began expanding our operations into Dallas, Texas and St. Louis, Missouri. Our plans for expansion into these new and existing markets will encompass opening a total of ten to thirteen stations in Dallas and three stations in St. Louis by June 30, 2008. We continually reassess our store rollout plans based on numerous factors including the overall environment of the emissions testing industry, our access to working capital and external financing and the availability of suitable locations. This growth may be curtailed if we do not have adequate working capital, access to financing, as a cost containment initiative, or if we are unable to obtain the standard emission and safety station licensing approval from the respective state regulatory agencies for each location.

We reported our most recent audited financial statements for the twelve months ended December 31, 2006 on Form 10-KSB/A. We reported revenues of $9,480,097 and a net loss of $1,332,206. This net loss included a non-cash charge of $1,071,007 from goodwill and related asset impairment. Excluding the non-cash charge for goodwill and related asset impairment, our net loss was $261,199. We also reported current assets of $545,161, property and equipment less accumulated depreciation and amortization of $1,229,329, goodwill of $7,100,572 and other assets of $59,926 as of December 31, 2006.

In their report dated March 27, 2007, our independent auditors stated that our financial statements for the years ended December 31, 2006 and 2005 were prepared assuming that we would continue as a going concern. However, our independent auditors raised substantial doubt about our ability to continue as a going concern due to our recurring losses from operations, operating cash flow deficiencies, and our limited capital resources. Our future success and ability to continue as a going concern 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 equity financing for expansion, and provide sufficient cash from operations to meet current and future obligations.

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Corporate Structure and Principal Executive Offices

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

Our principal offices are located at 1015 Tyrone Road, Suite 220, Tyrone, Georgia 30290, and our telephone number is (770) 306-7667. Our website address is www.speedemissions.com. Information contained on our website is not incorporated into, and does not constitute any part of, this prospectus.

The Offering

We are registering 2,127,150 shares for sale by existing shareholders, and 38,525,288 shares for sale by existing warrant and preferred stock holders upon the exercise of warrants or conversion of the preferred shares. The shares of our common stock to be sold by warrantholders are or will be acquired upon the exercise of certain common stock purchase warrants. All of the shares of common stock registered for sale pursuant to this prospectus will be sold by the selling shareholders at the prevailing market prices at the time they are sold.

We will not receive any proceeds from the sale by the selling shareholders of the common stock offered in this prospectus. We would, however, receive proceeds from any exercise of warrants held by the selling shareholders. Any proceeds we receive from the exercise of warrants would be used to finance acquisitions and may be used for working capital, if needed, as more fully described in the Use of Proceeds section. There are no acquisitions currently being contemplated by the Company.

We currently have 5,162,108 shares of common stock outstanding. We have outstanding warrants to purchase 15,487,788 shares of common stock and options to purchase 2,347,725 shares of common stock. In addition, we have currently outstanding (i) 5,133 shares of Series A Convertible Preferred Stock which could be converted into 4,277,500 shares of common stock and (ii) 2,481,482 shares of Series B Convertible Preferred Stock which could be converted into 18,760,000 shares of common stock. If all outstanding warrants and options are exercised and all outstanding preferred stock is converted into shares of common stock, we could have a total of 46,035,121 shares of common stock outstanding.

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R ISK FACTORS

Our independent auditors have expressed doubt about our ability to continue as a going concern.

In their report dated March 16, 2007, our independent auditors stated that our financial statements for the years ended December 31, 2006 and 2005 were prepared assuming that we would continue as a going concern. However, our independent auditors raised substantial doubt about our ability to continue as a going concern due to our recurring losses from operations, operating cash flow deficiencies, and our limited capital resources. Our future success and ability to continue as a going concern 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 equity financing for expansion, and provide sufficient cash from operations to meet current and future obligations.

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

Our limited operating history and losses to date make it difficult to evaluate our business. We have incurred net losses of $1,332,206 and $3,688,638 for the years ended December 31, 2006 and 2005, respectively. We generated profit of $66,377 for the nine months ended September 30, 2007. As of September 30, 2007 and December 31, 2006, we had cash on hand of $946,576 and $320,231 respectively, working capital of $449,010 and a working capital deficit of $430,792, respectively, an accumulated deficit of $11,699,283 and $11,765,660 respectively, and a total stockholders equity of $8,446,217 and $7,862,619, respectively. You should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, are in their early stages of development. Various factors, such as economic conditions, regulatory and legislative considerations, and competition, may also impede our ability to expand our market presence. We may not successfully address these risks and uncertainties or successfully implement our operating and acquisition strategies. If we fail to do so, it could materially harm our business and impair the value of our common stock. Even if we accomplish these objectives, we may not generate positive cash flows or profits we anticipate in the future.

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

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

There is an extremely limited market for our stock.

There is an extremely limited trading market for our common stock. Although our common stock is quoted on the OTC Bulletin Board, there are very few trades of our shares. Currently, there are approximately three market makers in our common stock. Making a market in securities involves maintaining bid and ask quotations and being able to effect transactions in reasonable quantities at those quoted prices, subject to various securities laws and other regulatory requirements. The development and maintenance of a public trading market depends, however, upon the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. Market makers on the OTC Bulletin Board are not required to maintain a continuous two-sided market, are required to honor firm quotations for only a limited number of shares, and are free to

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withdraw firm quotations at any time. Even with a market maker, factors such as our losses from operations for each of the past three years, the going concern opinion by our independent auditors, the large number of shares reserved for issuance upon exercise of existing warrants or options or the conversion of outstanding shares of preferred stock, and the small size of our company mean that there can be no assurance of an active and liquid market for our common stock developing in the foreseeable future. Even if a market develops, we cannot assure you that a market will continue, or that shareholders will be able to resell their shares at any price. You should carefully consider the limited liquidity of your investment in our common stock.

Our near term growth is expected to be financed through debt, equity offerings and cash flows from operations.

Our expansion into Dallas, Texas and St. Louis, Missouri in 2007 and 2008 has been and is expected to be financed through debt, equity offerings and cash flow from operations. We cannot be certain that we will be successful in securing debt, completing equity offerings, or in generating sufficient cash flows from operations. If we finance our expansion through equity offerings, our current shareholders ownership interests would be diluted. Our growth and expansion may be curtailed if we are unable to secure equipment leases, loans, equity or generate sufficient cash flows to fund the growth and expansion.

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

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

If we fail to maintain the effectiveness of a registration statement for the shares held by Barron without Barron s consent, then we must pay to Barron in the form of shares of Series B Convertible Preferred Stock an amount equal to 24% of the purchase price of $6,615,000 paid by Barron for the Series B Convertible Preferred Stock and common stock warrants per annum for each day the registration is not effective. For example, if we fail to maintain the effectiveness of the registration statement for a period of 30 days, we must issue to Barron approximately 49,315 shares of Series B Convertible Preferred Stock which would convert to approximately 372,822 shares of our common stock.

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

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

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Our Selling Shareholders are Offering a Number of Common Shares Equal to Approximately Eight Times Our Common Outstanding Equity.

The number of shares listed for registration by our Selling Securityholders equal approximately eight (8) times the current outstanding equity for the Company. As of January 31, 2008, there were 5,162,108 shares of common stock outstanding, which included the 2,127,150 outstanding shares registered under this Registration Statement. The majority of the shares being registered (38,119,930) are associated with preferred stock and warrants. If current securityholders convert their preferred stock or exercise their warrants dilution will occur.

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

Barron may acquire 18,760,000 shares of common stock upon conversion of 2,481,482 shares of Series B Convertible Preferred Stock. However, Barron is restricted from converting any portion of the Series B Convertible Preferred Stock which would cause Barron to beneficially own in excess of 4.99% of the number of shares of common stock outstanding immediately after giving effect to such conversion unless such restriction is waived or amended by Barron and the holders of a majority of the outstanding common stock who are not affiliates. In addition, Barron may acquire 12,587,431 shares of common stock upon the exercise of warrants at exercise prices between $0.30 and $0.90 per share. However, Barron is restricted from exercising any portion of the common stock warrants (except as described below) which would cause Barron to beneficially own in excess of 4.99% of the outstanding shares of common stock unless such restriction is waived or amended by Barron and the holders of a majority of the outstanding common stock who are not affiliates. Barron s Common Stock Purchase Warrant AA-5 gives Barron the ability to revoke this ownership restriction upon 61 days prior notice from Barron to Speedemissions. If the restrictions relating to the warrants are waived, amended or revoked, as the case may be, Barron could control approximately 86% of outstanding shares of common stock based on number of outstanding shares as of January 31, 2008.

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

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

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

If we raise sufficient capital to support our growth strategy of both opening and acquiring stations, we anticipate rapid growth and development in a relatively short period of time. The management of this expansion will require, among other things, continued development of our financial and management controls and management information systems, stringent control of costs, increased marketing activities, the ability to attract and retain qualified management personnel, and the training of new personnel. We intend to hire additional personnel in order to effectively manage our expected growth and expansion. Failure to successfully manage our

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expected growth and development and difficulties in managing additional emissions testing stations could have a material adverse effect on our business and the value of our common stock.

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

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

- Inability to find suitable acquisition candidates;
- Failure or unanticipated delays in completing acquisitions due to difficulties in obtaining regulatory approvals or consents;
- Difficulty in integrating the operations, systems and management of our acquired stations and absorbing the increased demands on our administrative, operational and financial resources;
- Loss of key employees;
- Reduction in the number of suitable acquisition targets resulting from continued industry consolidation;
- Inability to negotiate definitive purchase agreements on satisfactory terms and conditions;
- Increases in the prices of sites and testing equipment due to increased competition for acquisition opportunities or other factors; and
- Inability to sell any non-performing stations or to sell used equipment.

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

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

Our testing stations face competition from other emission station operators that are located near our sites. The markets we operate in are highly fragmented and our competitors generally consist of independent auto repair service providers, service stations, oil and tire repair stores and independent test-only facilities that may only operate a single station. We estimate our total number of competitors to be several thousand across all the markets in which we operate. For example, the 2006 list of licensed testing sites provided by the State of Georgia contains approximately 700 licensed test sites. We expect such competition whenever and wherever we open or acquire a station. Our revenue from emissions testing is affected primarily by the number of vehicles our stations service, and the price charged per test. Other emissions testing operators may have greater financial resources than us, which may allow them to obtain more expensive and advantageous locations for testing stations, to provide services in addition to emissions testing, to charge lower prices than we do, and to advertise and promote their businesses more effectively than we do. For example, some of our competitors in Atlanta charge only $20.00 to test a vehicle rather than the $25.00 maximum allowed under Georgia law. As a result, we have had to reduce our fees to $20.00 in some of our Atlanta stations. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain, or will increase, their current testing volumes and revenues. A decrease in testing volume as the result of competition or other factors could materially impair our profitability and our cash flows, thereby adversely affecting our business and the value of our common stock.

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

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

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

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

Our largest shareholder, GCA Strategic Investment Fund Limited, and its affiliate, own approximately 65% of our outstanding common shares and control approximately 82% of our outstanding voting securities. They have the ability to control the direction of our company, which may be contrary to the wishes of other shareholders or new investors.

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

As of January 31, 2008, there were 5,162,108 shares of common stock outstanding. If all warrants and options outstanding as of January 31, 2008 are exercised and all preferred stock are converted to common stock, there will be 46,035,121 shares of common stock outstanding. As a result, a shareholder s proportionate interest in us will be substantially diluted.

Our stock price may fluctuate which could result in substantial losses for investors.

The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

- Quarterly variations in operating results;
- Any significant sale of stock or exercise of warrants by any of our existing shareholders;
- Announcements by us or our competitors of new products, significant contracts, acquisitions or strategic relationships;
- Publicity about our company, management, products or our competitors;
- Additions or departures of key personnel;
- Any future sales of our common stock or other securities; and
- Stock market price and volume fluctuations of publicly traded companies.

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

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

Our common stock is quoted on the OTC Electronic Bulletin Board. Broker-dealer practices in connection with transactions in penny stocks are regulated by certain penny stock rules adopted by the Securities and Exchange Commission. Penny stocks, like shares of our common stock, generally are equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on Nasdaq. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny

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stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer s presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer s account. In addition, broker-dealers who sell these securities to persons other than established customers and accredited investors must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser s written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security subject to the penny stock rules, and investors in our common stock may find it difficult to sell their shares.

Seasonality

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

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus, including in the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, that are based on our management s beliefs and assumptions and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words believe, expect, anticipate, intend, plan, and estimate, as well as similar expres
These statements are only predictions and involve known and unknown risks and uncertainties, **including the risks outlined under Risk Factors** and elsewhere in this prospectus.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievement. We are not under any duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results, unless required by law.

USE OF PROCEEDS

We will not receive any proceeds from the sale by the selling shareholders of the common stock offered in this prospectus. We would, however, receive proceeds of the sale of common stock pursuant to an exercise of warrants held by warrant holders. If all of our warrantholders exercise their warrants, the aggregate amount of the proceeds we would receive is $9,840,143. Any proceeds we may receive from the exercise of the outstanding warrants would be used to open new stores or finance acquisitions of emissions testing stations. We may also use a portion of any proceeds we receive for working capital, if necessary.

Our allocation of proceeds represents our best estimate based upon the expected exercise of warrants and the requirements of our proposed business and marketing plan. If any of these factors change, we may reallocate some of the net proceeds.

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SELLING SECURITY HOLDERS

The selling shareholder offering the majority of the shares pursuant to this prospectus is Barron Partners LP (Barron). Barron currently owns 2,481,482 shares of our Series B Convertible Preferred Stock, which represents 100% of our issued and outstanding shares of our Series B Convertible Preferred Stock. On February 23, 2006, Barron converted 18,518 shares of Series B Convertible Preferred Stock into 140,000 shares of common stock. Barron owned 134,500 shares of common stock as of January 31, 2008. Additionally, Barron holds warrants to purchase 12,587,431 shares of our common stock at exercise prices between $0.30 and $0.90 per share. Pursuant to the terms of the warrants and the Certificate of Designation governing the Series B Convertible Preferred Stock, Barron is restricted from converting the Series B Convertible Preferred Stock or the warrants if such conversion would result in Barron beneficially owing more than 4.9% of our outstanding common stock. However, the terms of the Series B Convertible Preferred Stock and the warrants (except for Barron s Common Stock Purchase Warrant AA-5, which allows Barron to revoke the restriction upon sixty-one (61) days notice) provide that this 4.9% ownership restriction may be waived or amended with the consent of Barron and the holders of a majority of the outstanding common stock who are not affiliates.

The following table provides information with respect to shares offered by the selling shareholders:

Selling Securityholder	Outstanding Shares offered for sale	Shares underlying Warrants or Preferred Stock offered for sale	Total Shares to be offered for sale	Outstanding Shares owned after offering	Percentage of Shares owned after offering
Barron Partners LP (1)(2)	-0-	31,347,430(3)(4)	31,347,430	134,500	2.6%
GCA Strategic Investment Fund Limited (5)(6)(7)	1,860,000(8)	3,103,333(9)(10)	4,963,333	-0-	*
Michael S. Brown (11)(2)	12,500(8)	-0-	12,500	30,000	*
Global Capital Funding Group L.P. (12)(13)(14)	-0-	3,574,167(15)(16)	3,574,167	-0-	*
Gerald Amato (17)	100,000(8)	70,000(18)	170,000	-0-	*
Robert L. Bilton (2)	15,000(8)	-0-	15,000	-0-	*
Stephen Booke (17)	20,000(8)	10,000(18)	30,000	-0-	*
Richard A. Parlontieri (19)	100,000(8)	15,000(20)	115,000	52,500	1.0%
Michael Vuocolo (2)	7,150(8)	-0-	7,150	-0-	*
Total	2,127,150	38,119,930(21)	40,247,080	-0-	3.6%

* less than 1%

1. Barron Capital Advisors, LLC is the General Partner with voting or dispositive power over the shares for Barron Partners LP. Andrew B. Worden is the Managing Director of Barron Capital Advisors, LLC.
2. The selling securityholder has no relationship with the Company outside of security ownership.
3. The shares of common stock underlying Barron Partners LP s warrants and preferred stock includes 4,195,810 shares of common stock which may be acquired upon the exercise of warrants at $0.90; 4,195,810 shares of common stock which may be acquired upon the exercise of warrants at $0.60; 4,195,811 shares of common stock which may be acquired upon the exercise of warrants at $0.30; and 18,760,000 shares of common stock which may be acquired upon the exercise of 2,481,482 shares Series B Convertible Preferred Stock.
4. Barron Partners LP received all Series B Convertible Preferred Stock and a portion of the warrants pursuant to the Preferred Stock Purchase Agreement dated June 30, 2005 and has held these securities for 2 years, 7 months. Barron Partners LP received a portion of the warrants pursuant to the Amendment to Preferred Stock Purchase Agreement dated August 4, 2005 and has held these securities for 2 years, 5 months. Barron Partners LP received a portion of the warrants pursuant to the Settlement Agreement and General Release dated October 14, 2005 and has held these securities for 2 years, 3 months.
5. Lewis N. Lester and Michael S. Brown have shared voting or dispositive power over the shares for GCA Strategic Investment Fund Limited.

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6. GCA Strategic Investment Fund Limited is an affiliate of Colony Park Financial Services, LLC, who is a registered broker-dealer. Global Capital Advisors Ltd. owns 98% of the total interest in Colony Park Financial Services, LLC. Lewis N. Lester, director, has (along with Michael S. Brown) voting and dispositive power over the shares of GCA Strategic Investment Fund Limited. Mr. Lester disclaims beneficial ownership of any of the shares of common stock held by GCA Strategic Investment Fund Limited. Lewis N. Lester has sole voting or dispositive power over Global Capital Advisors Ltd. Because of this common ownership and control, GCA Strategic Investment Fund Limited is an affiliate of Colony Park Financial Services, LLC.
7. GCA Strategic Investment Fund Limited s relationship with the Company is that a former officer of GCA Strategic Investment Fund Limited, Bradley A. Thompson, is now a director of the Company. GCA Strategic Investment Fund Limited is also a 10% or more owner of the Company and, therefore, an affiliate.
8. The selling securityholder received the shares pursuant to a private placement transaction on September 24, 2007 and has held these securities for 4 months.
9. The shares of common stock underlying GCA Strategic Investment Fund Limited s preferred stock includes 3,103,333 shares of common stock which may be acquired upon the exercise of 3,724 shares of Series A Convertible Preferred Stock.
10. GCA Strategic Investment Fund Limited received the Series A Convertible Preferred Stock pursuant to the Subscription and Securities Purchase Agreement dated January 21, 2004 and has held the securities for 4 years.
11. Michael S. Brown is an affiliate of Colony Park Financial Services, LLC, who is a registered broker-dealer. Michael S. Brown is affiliated with Global Capital Advisors Ltd. which, in turn, owns 98% of the total interest in Colony Park Financial Services, LLC.
12. Global Capital Management Services, Inc., as General Partner, has voting or dispositive power over the shares for Global Capital Funding Group LP. Global Capital Advisors Ltd., as the sole owner, has voting or dispositive power over Global Capital Management Services, Inc. Lewis N. Lester has sole voting or dispositive power over Global Capital Advisors Ltd.
13. Global Capital Funding Group LP is an affiliate of Colony Park Financial Services, LLC, who is a registered broker-dealer. Global Capital Advisors Ltd. owns 98% of the total interest in Colony Park Financial Services, LLC. Global Capital Advisors Ltd. also owns 100% of the total interest in Global Capital Management Services, Inc. which, in turn, is the General Partner of Global Capital Funding Group LP. Because of this common ownership, Global Capital Funding Group LP is an affiliate of Colony Park Financial Services, LLC.
14. Global Capital Funding Group LP s relationship with the Company is that a former officer of Global Capital Funding Group LP, Bradley A. Thompson, is now a director of the Company.
15. The shares of common stock underlying Global Capital Funding Group LP s warrants and preferred stock includes 800,000 shares of common stock which may be acquired upon the exercise of warrants at $0.90; 800,000 shares of common stock which may be acquired upon the exercise of warrants at $0.60; 800,000 shares of common stock which may be acquired upon the exercise of warrants at $0.30; and 1,174,167 shares of common stock which may be acquired upon the exercise of 1,409 shares of Series A Convertible Preferred Stock.
16. Global Capital Funding Group LP received the Series A Convertible Preferred Stock and the warrants pursuant to the Settlement Agreement and General Release dated October 14, 2005 and has held the securities for 2 years, 3 months.
17. The selling securityholder s relationship with the Company is as an employee of Booke & Company, which is the investor relations firm for the Company.
18. The selling securityholder received the warrants from a private placement transaction on April 1, 2006 and has held the securities for 1 year, 10 months.
19. Mr. Parlontieri is the Chief Executive Officer, President, Secretary and a director of the Company.
20. Mr. Parlontieri received the warrants as incentive compensation on February 22, 2005 and has held the securities for 2 years, 11 months.
21. The total has been rounded up to the nearest whole number to reflect fractional shares that may occur as a result of the calculations when converting the derivative securities to the underlying common stock.

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As part of the questionnaire that the Company has received from each selling securityholder, such securityholders have made a representation as to whether or not they are an affiliate of a broker-dealer registered pursuant to Section 15 of the Exchange Act. Each selling securityholder that identified itself as an affiliate of the broker-dealer also represented in the questionnaire that they acquired the securities in the ordinary course of business and at the time of their purchase, they did not have any agreements or understandings, directly or indirectly, with any person to distribute the securities. None of the selling securityholders are in the business of underwriting securities.

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PLAN OF DISTRIBUTION

This prospectus covers up to 40,652,438 shares of our common stock, including (i) 2,127,150 shares of common stock outstanding, (ii) 4,277,500 shares of common stock issuable upon conversion of our Series A Convertible Preferred Stock, (iii) 18,760,000 shares of common stock issuable upon conversion of our Series B Convertible Preferred Stock, and (iv) 15,487,788 shares of common stock issuable upon the exercise of warrants outstanding. We will not receive any of the proceeds of the sale of the common stock offered by this prospectus. However, we would receive the proceeds from any exercise of the warrants.

The common stock may be sold from time to time to purchasers either (i) directly by the selling shareholders; or (ii) through broker-dealers or agents who may receive compensation in the form of discounts, concessions, or commissions from the selling shareholders or the purchasers of the common stock. The selling shareholders will act independently of us in making decisions with respect to timing, manner, and size of each sale.

The selling shareholders and any broker-dealers or agents who participate in the distribution of the common stock may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, or the Securities Act. As a result, any profits on the sale of the common stock by the selling shareholders and any discounts, commissions, or concessions received by any such broker-dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act. If any of the selling shareholders were deemed to be an underwriter, the selling shareholder may be subject to statutory liabilities including, but not limited to, those under Sections 11, 12, and 17 of the Securities Act and Rule 10b-5 under the Securities Exchange Act of 1934, or the Exchange Act.

Barron is under no obligation to convert its Series B Convertible Preferred Stock or common stock purchase warrants into shares of our common stock, except for Barron s Common Stock Purchase Warrant AA-5 which requires Barron, upon notice from Speedmissions, to exercise such warrants if the closing price of Speedmission s common stock exceeds $2.40 for fifteen consecutive trading days (subject to the ownership restrictions set forth in such warrant).

If the underlying common stock is sold through broker-dealers or agents, the selling shareholder will be responsible for broker-dealers and agents commissions. Shares of the common stock may be sold at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale, or at negotiated or fixed prices, in each case as determined by the selling shareholders or by agreement between the selling shareholders and underwriters, brokers, dealers or agents, or purchasers.

These sales may be effected through transactions (i) on the over-the-counter market or on any other market in which the price of our shares of common stock are quoted; or (ii) in transactions other than in the over-the-counter market or in any other market on which the price of our shares of common stock are quoted. These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the transaction.

To our knowledge, there are currently no plans, arrangements, or understandings between the selling shareholders and any underwriter, broker-dealer, or agent regarding the sale of the shares of common stock by the selling shareholders. The selling shareholders may decide not to sell all or a portion of the shares of common stock offered by this prospectus. Upon being notified in writing by a selling shareholder that any material arrangement, plan, or understanding has been entered into with a broker-dealer, underwriter, or agent for the sale of common stock, we will file, if required, a supplement to this prospectus, pursuant to Rule 424(b) under the Securities Act disclosing (i) the name of such selling shareholder, (ii) the number of shares involved, (iii) the price at which such shares of common stock were sold, (iv) the commissions paid or discounts or concessions allowed to such underwriter, broker-dealer, or agent, where applicable, (v) that such underwriter, broker-dealer, or agent did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, and (vi) other facts material to the transaction.

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We will pay all expenses in connection with the registration and sale of the common stock by the selling shareholders. The estimated expenses of issuance and distribution are set forth below:

Registration Fees	$ 673.70
Transfer Agent Fees	$ 1,000
Printing and Engraving Costs	$ 1,000
Legal Fees	$ 50,000
Accounting Fees	$ 5,000
TOTAL	$ 57,673.70

Under the securities laws of certain states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. We advise that the selling shareholders consult their own legal counsel to ensure that any underwriters, brokers, dealers, or agents effecting transactions on behalf of the selling shareholders are registered to sell securities in all fifty states. In addition, in certain states the shares of common stock may not be sold by a selling shareholder unless the sale of the shares has been registered or qualified in such state or we have taken steps to comply with an applicable exemption from registration or qualification. Even though we have registered the sale of the shares covered by this prospectus by the selling shareholders under the federal securities laws, we have not registered, or taken any action to qualify for an exemption from registration for, the sale by the selling securityholders under any state securities laws. Selling securityholders should consult their own legal counsel to ensure compliance with state securities laws. The selling shareholders and any brokers, dealers, or agents that participate in the distribution of common stock may be considered underwriters, and any profit on the sale of common stock by them and any discounts, concessions, or commissions received by those underwriters, brokers, dealers, or agents may be considered underwriting discounts and commissions under the Securities Act of 1933.

The selling shareholder and any other persons participating in the distribution of the common stock will be subject to the Exchange Act and the rules and regulations thereunder. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of the common stock by the selling shareholder and any such other person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the common stock to engage in market-making activities with respect to the common stock being distributed for a period of up to five business days prior to the commencement of such distribution. This may affect the marketability of the common stock and the ability to engage in market-making activities with respect to the common stock.

LEGAL PROCEEDINGS

We are not a party to or otherwise involved in any 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.

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DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS

The following table sets forth information about our current executive officers and directors. The Board of Directors elects executive officers for one-year terms. The directors serve one-year terms until their successors are elected.

Name	Age	Position
Richard A. Parlontieri	62	Director, Chief Executive Officer, President, and Secretary (2003)
Michael E. Guirlinger	59	Director (2006)
Bradley A. Thompson	43	Director (2003)
Michael S. Shanahan	39	Chief Financial Officer (2006)
John Bradley	48	Director (2006)
Ernest A. Childs, PhD.	61	Director (2005)

Richard A. Parlontieri has served on our Board of Directors and as our President since June 2003. He served as the President and CEO of our wholly owned subsidiary since January 2001. From 1998 to December 2000, he was the chief executive officer of ebank.com, Inc. (ebank), a publicly held bank holding company headquartered in Atlanta. ebank, which began as a traditional bank designed to deliver banking services in a non-traditional way, was an internet bank that provided banking services focusing on small business owners. Prior to starting ebank, Mr. Parlontieri was president and chief executive officer of Habersham Resource Management, Inc., a consulting firm with over 16 years experience in the financial services, mortgage banking, real estate, home health care and capital goods industries. While at Habersham, Mr. Parlontieri co-founded and organized banks (including Fayette County Bank which was sold to Regions Financial Corporation) and completed strategic acquisitions or divestitures for banks, mortgage companies and real estate projects.

Mr. Parlontieri currently serves on the Industry Advisory Board for Georgia s Vehicle Emission Inspection and Maintenance Program. He also is a member of the Georgia Emissions Testing Association (GETA).

Michael E. Guirlinger was appointed to our Board of Directors in August 2006. Mr. Guirlinger is currently the chief executive officer and chief operating officer for The Language Access Network, a publicly traded company. Prior to joining Language Access Network in June 2006, Mr. Guirlinger served as Managing Director from March 2001 to May 2006 for Profit Technologies Corporation, a privately held company in Davidson, North Carolina, which offered consulting services to the financial/corporation market. He has extensive experience, as both manager and a director, in a variety of professional practices, both public and private, with a particular emphasis in the financial services industry. Mr. Guirlinger received his Bachelor of Arts from Aquinas College in 1970 and his Masters in Business Administration from Ohio State University in 1986.

Bradley A. Thompson, CFA was appointed to our Board of Directors in 2003. Since 2006, Mr. Thompson has served as the executive vice president of Portfolio Management for PMFM, Inc., where he has been employed since September 2006. From 1999 to September 2006, Mr. Thompson served as the chief investment officer and chief financial analyst for Global Capital Advisors, LLC, an affiliate of GCA Strategic Investment Fund Limited where he served as a Board member until September of 2006. Mr. Thompson also served as the chief operating officer and secretary for Global Capital Management Services, Inc., the corporate general partner and managing partner of Global Capital Funding Group, L.P., a licensed SBIC.

Prior to joining GCA in 1998, Mr. Thompson was self-employed, managing his own small business enterprises. Mr. Thompson was the president and sole owner of Time Plus, an automated payroll accounting services firm for small to mid sized companies. Mr. Thompson was also 50% owner and vice president, chief financial officer of AAPG, Inc., a specialty retail sporting goods firm. Mr. Thompson has since sold his interest in AAPG, Inc.

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Mr. Thompson has a Bachelor of Business Administration Degree in Finance from the University of Georgia, and also holds the Chartered Financial Analyst designation. Brad is a member of the CFA Institute and the Bermuda Society of Financial Analysts. Mr. Thompson served as a Board Member of Axtive, Inc. from May 2003 to June 2005.

Michael S. Shanahan was engaged as our Chief Financial Officer on April 24, 2006. Prior to his employment with the Company in October 2005, Mr. Shanahan was employed by StayOnline, Inc., a Wi-Fi ISP sold to LodgeNet Entertainment Corporation, as Vice President of Finance from November 2002 to October 2005. Mr. Shanahan s financial experience also includes a position as Manager of Tax and Financial Reporting for Scientific Games International, and tax and audit positions at KPMG Peat Marwick and Deloitte & Touche. Mr. Shanahan has a BS in Accounting and a Master in Accountancy from the University of Florida.

John Bradley was appointed to our Board of Directors in June 2006. Mr. Bradley is currently vice president of sales at Environmental Systems Products, where he has been employed since 1998. He is also a member and active participant in a number of industry trade associations in various states. Mr. Bradley currently serves as a director for Auto Repair Coalition, which represents certain large auto repair entities and is based in Sacramento, California. He received a degree in automotive technology from the State University of New York.

Ernest A. Childs, PhD. was appointed to our Board of Directors in June 2005. Mr. Childs is currently the chief executive officer of ArcheaSolutions, Inc., a position he has held since April 2000. ArcheaSolutions is a privately held environmental company that specializes in solutions for wastewater processing problems. Prior to joining ArcheaSolutions, Dr. Childs was the chief executive officer of Benesys, Inc. and Equity Development, Inc. Benesys is a benefit consulting company for companies in the health care industry and Equity Development is a consulting company that specializes in assisting people injured in major work and traffic accidents. Dr. Childs received his Bachelor of Science from the University of Tennessee in 1968, his Masters of Science from the University of Tennessee in 1969, and his Doctorate from the University of Georgia in 1971.

Board Meetings and Committees

During the fiscal year ended December 31, 2006, the Board of Directors held six meetings. Each of our directors attended all of the meetings of the board of directors and the committees of the board on which he served during 2006. We currently have two standing committees of the Board of Directors: the Compensation Committee and the Audit Committee, which are described below. We do not presently have a standing Nominating Committee.

Nominating Committee

During the fiscal year ended December 31, 2006, Speedemissions did not have a standing nominating committee. The NASDAQ rules do not require the Company to have a nominating committee since the Company was a controlled company in that more than 50% of the voting common stock of the Company was held by GCA Strategic Investment Fund Limited. The Board of Directors believes that there is no material benefit to the Company of having a separate nominating committee at this time in view of the size of the company, and the fact that Speedemissions is controlled by one large shareholder. Nominees for election as a director are determined by the entire Board of Directors. The Board of Directors will make all decisions regarding director nominees based upon the best interest of the Company and its shareholders.

Compensation Committee

Our Compensation Committee consists of three directors. In 2006, Dr. Ernest Childs served as chairman of the Compensation Committee and Messrs. Parlontieri and Thompson also served on the Compensation Committee. The primary purposes of the Compensation Committee are to assist the Board of Directors in its responsibilities relating to compensation and to determine the compensation arrangements for certain executive

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officers. The Compensation Committee is also charged with approving incentive compensation plans for executive management. Mr. Parlontieri, our President and Chief Executive Officer, makes recommendations to the compensation committee regarding the structure of compensation packages and discusses such recommendations with the committee. Mr. Parlontieri recuses himself from decisions regarding his own compensation. The Compensation Committee met four times in 2006.

Audit Committee

In 2006, we had two members on the Audit Committee: Michael E. Guirlinger, who served as chairman, and Bradley Thompson. The primary purposes of our Audit Committee are to represent and assist the Board of Directors in its responsibilities relating to the accounting, reporting and financial practices of Speedemissions and its subsidiaries, including the integrity of our financial statements and the outside auditor s qualifications and independence. The Audit Committee also prepared the report, included elsewhere in this proxy statement, required by the rules of the SEC to be included in our annual proxy statements. The Audit Committee met four times during 2006.

Our Board of Directors has determined that Bradley Thompson, based upon his education and extensive experience in accounting, is an audit committee financial expert within the meaning of the rules of the SEC. No member of the Audit Committee is presently serving on the audit committee of another company.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows how much of our common stock is owned by the directors, executive officers, and owners of more than 5% of the outstanding common stock, as of January 31, 2008, on a fully diluted basis. The mailing address for each beneficial owner without a listed address is in care of Speedemissions, Inc., 1015 Tyrone Road, Suite 220, Tyrone, GA 30290.

Common Stock

Name	Number of Shares Owned	Right To Acquire (1)	Percentage of Beneficial Ownership (2)
GCA Strategic Investment Fund Ltd. (3) c/o Prime Management Ltd Mechanics Bldg 12 Church St. HM11 Hamilton, Bermuda HM 11	3,317,062	3,103,333(4)	55.4%
Global Capital Funding Group, L.P. 106 Colony Park Drive, Suite 900 Cumming, GA 30040	62,299	3,574,167(5)	41.3%
Global Capital Advisors, LLC (6) 227 King Street Frederiksted, USVI 00840		10,000	0.2%
Richard A. Parlontieri (7)	256,242(8)	925,666(9)	18.6%
Bradley A. Thompson (7)	850	63,500(10)	1.2%
John Bradley (7)		50,000(11)	1.0%
Michael E. Guirlinger (7)	2,500	50,000(12)	1.0%
Michael S. Shanahan		153,334(13)	2.9%
Ernest A. Childs, PhD (7)		57,500(14)	1.1%
All directors and executive officers as a group (6 persons)	259,602	1,300,000	23.2%

(1) Includes shares that may be acquired within 60 days of the date of this report by exercising vested stock options and warrants but does not include any unvested stock options or warrants as of the date of this report.

(2) For each individual or entity, this percentage is determined by assuming the named person or entity exercises all vested options and warrants either has the right to acquire within 60 days, but that no other persons or entities exercise any options or warrants. For the directors and executive officers as a group, this percentage is determined by assuming that each director and executive officer exercises all vested options and warrants which he or she has the right to acquire within 60 days, but that no other persons or entities exercise any options or warrants. The calculations are based on 5,162,108 shares of common stock outstanding as of January 31, 2008.

(3) Global Capital Advisors, LLC (Global), the investment advisor to GCA Strategic Investment Fund Limited (GCA), has sole investment and voting control over shares held by GCA. Mr. Lewis Lester is the sole voting member of Global.

(4) Includes 3,103,333 shares of common stock which may be acquired upon conversion of 3,724 shares of Series A Convertible Preferred Stock.

(5)

Includes 1,174,167 shares of common stock which may be acquired upon conversion of 1,409 shares of Series A Convertible Preferred Stock. Includes 800,000 shares of common stock which may be acquired upon the exercise of warrants at $0.90 per share, 800,000 shares of common stock which may be acquired upon the exercise of warrants at $0.60 per share and 800,000 shares of common stock which may be acquired upon the exercise of warrants at $0.30 per share.

(6) Global is not a 5% owner, but is the investment advisor to GCA and has sole investment and voting control over shares held by GCA, which is a 5% owner of the Company.

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(7) Indicates a Director of the Company.

(8) Includes 103,742 shares of common stock owned of record by Calabria Advisors, LLC, an entity controlled by Mr. Parlontieri.

(9) Includes 150,000 shares of common stock which may be acquired upon the exercise of options at $1.00 per share; 44,000 shares of common stock which may be acquired upon the exercise of options at $2.50 per share; 716,666 shares of common stock which may be acquired upon the exercise of options at $0.58, which are part of a grant of 1,075,000 shares with 358,334 shares vesting on 10/1/08. Includes 15,000 shares which may be acquired upon the exercise of warrants at $2.50 per share.

(10) Includes 5,000 shares of common stock which may be acquired upon the exercise of options at $1.00 per share. Includes 8,500 shares of common stock which may be acquired upon the exercise of options at $2.50 per share. Includes 50,000 shares of common stock which may be acquired upon the exercise of options at $0.58, which are part of a grant of 75,000 options, 25,000 options vesting on October 1, 2008.

(11) Includes 50,000 shares of common stock which may be acquired upon the exercise of options at $0.58, which are part of a grant of 75,000 options, 25,000 options vesting on October 1, 2008.

(12) Includes 50,000 shares of common stock which may be acquired upon the exercise of options at $0.58, which are part of a grant of 75,000 options, 25,000 options vesting on October 1, 2008.

(13) Includes 133,334 shares of common stock which may be acquired upon the exercise of options at $0.58, which are part of a grant of 200,000 options, 66,666 options vesting on October 1, 2008. Includes 20,000 shares of common stock which may be acquired upon the exercise of options at $1.00.

(14) Includes 5,000 shares of common stock which may be acquired upon the exercise of options at $1.00 per share,. Includes 2,500 shares of common stock which may be acquired upon the exercise of options at $2.00 per share. Includes 50,000 shares of common stock which may be acquired upon the exercise of options at $0.58, which are part of a grant of 75,000 options, 25,000 options vesting on October 1, 2008.

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Preferred Stock

Title of Class	Name	Number of Shares Owned	Percentage of Ownership of Class
Series A Convertible Preferred Stock	GCA Strategic Investment Fund Ltd c/o Prime Management Ltd Mechanics Bldg 12 Church St. HM11 Hamilton, Bermuda HM 11	3,724	72.5%
Series A Convertible Preferred Stock	Global Capital Funding Group, L.P. 106 Colony Park Drive, Suite 900 Cumming, GA 30040	1,409	27.5%
Series B Convertible Preferred Stock	Barron Partners LP (1) c/o Barron Capital Advisors, LLC Managing Partner Attn: Andrew Barron Worden 730 Fifth Avenue, 25th Floor New York, NY 10019	2,481,481	100%

(1) Barron converted 18,519 shares of Series B Convertible Preferred Stock into 140,000 shares of common stock on February 23, 2006. Barron owned 134,500 shares of common stock on January 31, 2008. Barron may acquire 18,760,000 shares of common stock upon conversion of 2,481,482 shares of Series B Convertible Preferred Stock. However, Barron is restricted from converting any portion of the Series B Convertible Preferred Stock which would cause Barron to beneficially own in excess of 4.9% of the number of shares of common stock outstanding immediately after giving effect to such conversion. In addition, Barron may acquire 12,587,431 shares of common stock upon the exercise of warrants as follows: 4,195,810 shares at $0.90 per share, 4,195,810 shares at $0.60 per share and 4,195,811 shares at $0.30 per share. However, Barron is restricted from exercising any portion of the common stock warrants which would cause Barron to beneficially own in excess of 4.9% of the outstanding shares of common stock unless both Barron and holders of a majority of the outstanding shares of common stock who are not affiliates agreed to amend or waive such restriction. If this restriction is waived or amended, Barron could control approximately 86% of outstanding shares of common stock based on the number of outstanding shares as of January 31, 2008.

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DESCRIPTION OF SECURITIES

Our authorized capital stock consists of 250,000,000 shares of common stock, par value $0.001, and 5,000,000 shares of preferred stock, par value $0.001. As of January 31, 2008, there were 5,162,108 shares of our common stock issued and outstanding and held by approximately 100 shareholders.

On November 18, 2005, our shareholders approved a 1-for-10 reverse stock split of the issued and outstanding shares of common stock with fractional shares being rounded up to the next whole share. All share amounts in this prospectus have been adjusted to reflect the reverse stock split.

Common Stock. Each shareholder of our common stock is entitled to a pro rata share of cash distributions made to shareholders, including dividend payments. The holders of our common stock are entitled to one vote for each share of record on all matters to be voted on by shareholders. There is no cumulative voting with respect to the election of our directors or any other matter. Therefore, the holders of more than 50% of the shares voted for the election of those directors can elect all of the directors. The holders of our common stock are entitled to receive dividends when and if declared by our Board of Directors from funds legally available. Cash dividends are at the sole discretion of our Board of Directors. In the event of our liquidation, dissolution, or winding up, the holders of common stock are entitled to share ratably in all assets remaining available for distribution to them after payment of our liabilities and after provision has been made for each class of stock, if any, having any preference in relation to our common stock. Holders of shares of our common stock have no conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to our common stock.

Preferred Stock. We are authorized to issue 5,000,000 shares of preferred stock, par value $0.001. As of January 31, 2008, there are 5,133 shares of Series A Preferred Stock issued and outstanding and held by two shareholders. As of January 31, 2008, there are 2,481,482 shares of Series B Convertible Preferred Stock issued and outstanding and held of record by one shareholder.

In January 2004, we designated 3,500 shares as Series A Convertible Preferred Stock. In October 2005, we increased the designation of our Series A Convertible Preferred Stock to 6,000 shares. There are 5,133 shares of Series A Convertible Preferred Stock issued and outstanding. Each share of Series A Convertible Preferred Stock is convertible into 833.33 shares of our common stock. Upon certain changes in control, we could be required to redeem the Series A Convertible Preferred Stock at the greater of (i) the original issue price of $1,000 per share or (ii) the number of shares of common stock which the redeemed shares may converted multiplied by the market price of the common stock. On October 14, 2005, the holders of Series A Convertible Preferred Stock consented to the termination of dividend accruals on the Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is entitled to the number of votes to which the holders would be entitled if they converted their shares of Series A Convertible Preferred Stock.

In June 2005, we designated 3,000,000 shares of Series B Convertible Preferred Stock. In June 2005, we issued 2,500,000 shares to one shareholder. Each share is convertible into 7.56 shares of our common stock, or 18,900,000 shares of common stock in the aggregate. On February 23, 2006, the sole Series B Convertible Preferred Stock shareholder converted 18,518 shares of Series B Convertible Preferred Stock into 140,000 shares of our common stock. As of January 31, 2008 there are 2,481,482 shares of Series B Convertible Preferred Stock issued and outstanding. The Series B Convertible Preferred Stock does not pay a dividend or have voting rights.

The availability or issuance of preferred shares in the future could delay, defer, discourage, or prevent a change in control.

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

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

Our Series B Convertible Preferred Stock does not pay a dividend.

Transfer Agent. The transfer agent for our common stock is Interwest Transfer Co., Inc., 1981 East 4800 South, Suite 100, Salt Lake City, Utah 84117, telephone number (801) 272-9294 and fax number (801) 277-3147.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION

FOR SECURITIES ACT LIABILITIES

Article X of our Articles of Incorporation provides that, to the fullest extent permitted by law, no director or officer shall be personally liable to us or our shareholders for damages for breach of any duty owed to us or our shareholders. In addition, we have the power, in our bylaws or in any resolution of our shareholders or directors, to indemnify our officers and directors against any liability as may be determined to be in our best interests, and in conjunction therewith, to buy, at our expense, policies of insurance. Our bylaws do not further address indemnification.

We have entered into separate indemnification agreements with each of our current directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

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DESCRIPTION OF BUSINESS

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. As of January 31, 2008, we operated 45 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 five additional testing facilities in Dallas, Texas and three in St. Louis, Missouri by June 30, 2008.

We are becoming a national provider of vehicles emissions testing and safety inspections. In the past three years, we have acquired some of our competitors in the Atlanta, Georgia; Houston, Texas, and Salt Lake City, Utah areas. We intend to continue opening company-owned and operated stores and to acquire more competitors, in both our current markets and other selected markets. We are creating brand awareness in our current testing stations through standard building style and façade, consistent color schemes, signs, and employee uniforms, and we advertise in select local markets.

Our Typical Testing Center

The typical testing center is located inside of a structure similar to a typical lube or tire change garage with doors at both ends so vehicles can drive-through the facility. We also have structures that resemble a bank drive-through facility. 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 1982 through 2003, 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 centers, we expect to operate two testing lanes. 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.

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

Industry Background Government and Regulatory Overview

The United States Environmental Protection Agency reported in 2003 that approximately 123 million people live in 333 counties across the United States that do not meet national air quality standards. The 2006 Motor Vehicle I/M Report, an annual report published by Sierra Research, states that 33 states and the District of Columbia currently have vehicle emissions testing programs. Each state as well as the District of Columbia has its own regulatory structure for emissions testing with which we must comply if we conduct business in that state.

Public awareness of air pollution and its hazardous effects on human health and the environment has increased in recent years. Increased awareness of air pollution and its hazardous effects on human health and the environment has led 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 up to 50% of the hazardous air pollutants and up to 90% of the carbon monoxide air pollution in metropolitan areas. The EPA estimates that enhanced emissions testing on motor

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vehicles is approximately 10 times more cost-effective in reducing air pollution than increasing controls on stationary pollution sources such as factories and utilities. Consequently, the EPA has made emissions testing an integral part of its overall effort to reduce air pollution by ensuring that vehicles meet emissions standards.

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

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

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

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

Eighteen states have implemented decentralized programs, 12 states and the District of Columbia have implemented centralized programs, and two states have some counties that have centralized programs and other counties that have decentralized programs. There are three states that have implemented a hybrid program, whereby there are both decentralized and centralized testing stations.

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

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

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

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

However, today s vehicles have different emissions problems. For tests on modern vehicles to be effective, the equipment must measure nitrogen oxide emissions that also cause smog and must test the vehicle under simulated driving conditions. The EPA now requires these enhanced tests in the major metropolitan areas of 33 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 are known as ALL VEHICLES WELCOME stations, or only vehicles not more than ten years old, known as 1996 OR NEWER VEHICLES ONLY stations. All the stations we currently operate in Georgia, are ALL VEHICLES WELCOME stations.

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

The market for emissions testing in Georgia is highly fragmented and generally consists of services provided by independent auto repair service providers, service stations, oil and tire repair stores, and independent test-only facilities. According to the State of Georgia, there were approximately 700 licensed test sites, and approximately 2,386,000 tests were performed in Georgia under the Georgia Clean Air Force Program during the calendar year 2006.

Under Georgia law, the price that a testing station may charge per test may not be less than $10 nor more than $25. As of October 1, 2007, the fee of $6.95 that must be paid by the station operator to the state for every test was reduced to $4.02. The balance of the current charge, or $20.98 assuming the maximum price of $25 is charged, is retained by the station operator. If a vehicle fails an emissions test, it may be retested at no additional charge within 30 days of the initial test if performed at the same facility.

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

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

Emissions Testing in the State of Texas

The Texas Vehicle Emissions Testing Program, also known as AirCheck Texas, was implemented in May 2002 in affected areas of Texas to improve air quality. As of January 2007, 17 counties will be subject to enhanced vehicle emissions testing. The rules are set forth in § 114.50 of the Texas Administrative Code.

The testing program is integrated with the annual safety inspection program, both of which are operated by the Texas Department of Public Safety in conjunction with the Texas Commission on Environmental Quality. Vehicles two to twenty-four years old are subject to vehicle emissions testing in Texas. The emissions tests conducted are the same as in Georgia with 1996 and newer models subject to the OBD test and 1995 and older models subject to the ASM test. The fee is set at a maximum of $39.75 for both the emissions test and the safety inspection, with $27.25 allocated for an ASM or an OSD emissions test and $12.75 allocated for the safety inspection. The operator is charged $8.25 for the ASM sticker, and $14.25 for the OBD sticker. Vehicles are required to be tested on an annual basis, with an annual exemption for the two most recent model years. According to the American Automobile Motor Vehicle Association, there are 4.6 million eligible vehicles in the state.

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

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

Emissions Testing in the State of Utah

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

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

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

Operating Strategy

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

- Seek to secure and maintain multiple stations at well-traveled intersections and other locations that are easily reachable by our customers;
- Coordinate operations, training and a local outreach program in each market to enhance revenue and maximize cost efficiencies within each market;
- Implement regional management and marketing initiatives in each of our markets;
- Seek to acquire existing testing sites where significant volume potential exists;
- Tailor each facility, utilize limited local advertising and the services we offer to appeal to the broadest range of consumers; and
- Seek to expand the use of our mobile vehicle testing units by 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. We operate some stations on Sundays in Texas. The average emissions test in Georgia takes approximately 8 to 12 minutes to complete. In Texas and Utah, 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. In addition, we do a limited amount of oil changes in six of our Texas locations.

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

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. There are no national competitors at this time. Competition is fierce, and we expect competition from local operators at all of our locations. We expect such competition whenever and wherever we open or acquire a station. Our

market share is too small to measure. Our revenue from emissions testing is affected primarily by the number of vehicles our stations perform, and the price charged per test. Other emissions testing operators may have greater financial resources than us, which may allow them to obtain more expensive and advantageous locations for testing

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stations, to provide services in addition to emissions testing, to charge lower prices than we do, and to advertise and promote their businesses more effectively than we do. For example, some of our competitors in Atlanta charge only $20.00 to test a vehicle rather than the $25.00 maximum allowed under Georgia law. As a result, we have had to reduce our fees to $20.00 in some of our Atlanta stations. We intend to compete by creating brand awareness through advertising, a standard building style and facade, 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. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain, or will increase, their current testing volumes and revenues.

Research and Development

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 107 individuals. Of these 107 employees, eight are employed in administrative positions at our headquarters, including our Chief Executive Officer, Richard A. Parlontieri, while 99 are employed on-site at our testing locations. 102 of our employees are full-time, while 5 are employed on a part-time basis.

Settlement Agreement with Certain Shareholders

On June 30, 2005, we entered into a Preferred Stock Purchase Agreement (the Barron Agreement) with Barron Partners LP (Barron) pursuant to which Barron purchased $6,420,000 of our Series B Convertible Preferred Stock, along with warrants to purchase 2,500,000 shares of our common stock at an exercise price of $2.40 per share for a period of five years, and warrants to purchase 1,890,000 shares of our common stock at an exercise price of $4.80 per share for a period of five years. On August 4, 2005, we entered into an Amendment to Stock Purchase Agreement which modified the Barron Agreement to, among other things, increase the warrants to 2,621,496 shares at $2.40 per share and 1,965,935 shares at $4.80 per share, respectively.

On August 23, 2005, GCA Strategic Investment Fund Limited (GCA), the holder of all 2,500 shares of our Series A Convertible Preferred Stock then issued and outstanding, notified us that as a result of the Barron Agreement and pursuant to Section 9 of the Certificate of Designation of Series A Convertible Preferred Stock, the conversion ratio of our Series B Convertible Preferred Stock was automatically incorporated into the rights of the Series A Convertible Preferred Stock (referred to herein as the Dispute). We resolved this Dispute by entering into a Settlement Agreement with GCA, Barron, and Global Capital Funding Group, LP (GCFG, and collectively with GCA and Barron referred to herein as the Investors) with all parties agreeing to the following terms:

- GCFG converted all amounts due and owing under the Speedemissions, Inc. Secured Promissory Note dated December 30, 2004, in the principal amount of $1,285,000 plus accrued interest of $124,288 into (i) 1,409 shares of Series A Convertible Preferred Stock with rights and preferences outlined in the Amended Certificate of Designation of our Series A Convertible Preferred Stock and (ii) a warrant to purchase 2,400,000 shares of our common stock at an exercise price of $1.20 per share for a period of five years;

- GCA consented to the Amended Certificate of Designation of our Series A Convertible Preferred Stock, including a new conversion price of $1.20 per share of common stock and no dividend rights,

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and converted all amounts due and owing, including accrued interest of $160,705, under the $350,000 principal amount promissory note dated January 26, 2005, the $300,000 principal amount promissory note dated August 2, 2001, and the $110,000 principal amount promissory note dated August 7, 2004 and $302,847 in cumulative dividends due and owing under the existing 2,500 shares of our Series A Convertible Preferred Stock into (i) 1,224 shares of Series A Convertible Preferred Stock, (ii) a warrant to purchase 1,600,000 shares of our common stock with an exercise price of $1.20 per share of common stock for a period of five years, and (iii) an amended warrant agreement dated January 26, 2005 to purchase 250,000 shares of common stock reducing the exercise price from $2.40 to $1.20 per share;

Barron agreed to the issuance of the GCA Stock, the GCFG Stock, and the GCFG Warrant, and to the Amended Certificate of Designation in exchange for a warrant to purchase 4,000,000 shares of our common stock with an exercise price of $1.20 per share of common stock for a period of five years; and

Speedemissions, GCFG, GCA, and Barron agreed to release each other of all claims, agreements, contracts, covenants, representations, obligations, losses, liabilities, demands and causes of action which it may now or hereafter have or claim to have against each other, as a result of the Dispute.

In connection with the Settlement Agreement, we also amended certain Common Stock Purchase Warrants held by the Investors effective October 14, 2005:

We executed an Amendment No. 1 to the First Restated Common Stock Purchase Warrant A to purchase 2,621,496 shares of common stock held by Barron reducing the exercise price from $2.40 per share to $1.20 per share.

We executed an Amendment No. 1 to the Common Stock Purchase Warrant B to purchase 1,965,935 shares of common stock held by Barron reducing the exercise price from $4.80 per share to $1.20 per share.

We executed an Amendment No. 1 to the Warrant to purchase 250,000 shares of common stock held by GCA reducing the exercise price from $1.25 per share to $1.20 per share.

We executed an Amendment No. 1 to the Warrant to purchase 10,000 shares of common stock held by GCA reducing the exercise price from $3.57 per share to $1.20 per share.

As part of the Settlement Agreement, we entered into an Exchange Agreement with GCFG dated effective as of October 14, 2005 exchanging the GCFG Stock and the GCFG Warrant for the GCFG Note.

In conjunction with the GCFG Exchange Agreement, we granted to GCFG registration rights with respect to the sale of the shares of common stock underlying the warrants and preferred stock issued to GCFG. Pursuant to the Registration Rights Agreement with GCFG dated October 14, 2005, we agreed to prepare and file a registration statement for the sale of the shares of common stock underlying the GCFG Stock and GCFG Warrant and to use our best efforts to cause the registration statement to be declared effective.

As part of the Settlement Agreement, we entered into an Exchange Agreement with GCA dated effective as of October 14, 2005 exchanging the GCA Stock and the GCA Warrant for the following debt and rights held by GCA: (i) the $300,000 Note; (ii) the $110,000 Note; (iii) the $350,000 Note and (iv) $302,847 in cumulative dividends due and owing under the then existing 2,500 shares of the Series A Convertible Preferred Stock.

In conjunction with the GCA Exchange Agreement, we granted to GCA registration rights with respect to the sale of the shares of common stock underlying the warrants and preferred stock issued to GCA. Pursuant to a Registration Rights Agreement with GCA dated October 14, 2005, we agreed to prepare and file a registration statement for the sale of the shares of common stock underlying the GCA Stock and GCA Warrant and to use our best efforts to cause the registration statement to be declared effective.

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MANAGEMENT S DISCUSSION AND ANALYSIS

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 January 31, 2008, we operated 45 vehicle emissions testing stations, respectively, and four mobile units in four separate markets, greater Atlanta, Georgia, Houston, Texas, Dallas, 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 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.

In the past three years, we have acquired some of our competitors in the Atlanta, Georgia; Houston, Texas and Salt Lake City, Utah areas. In November 2007, we began expanding our operations into Dallas, Texas and St. Louis, Missouri. Our plans for expansion into these new and existing markets will encompass opening ten to thirteen stations in Dallas, of which eight have already opened and are included in our total of 45 operating stations and three stations in St. Louis by June 30, 2008. We continually reassess our store rollout plans based on numerous factors including the overall environment of the emissions testing industry, our access to working capital and external financing and the availability of suitable locations. This growth may be curtailed if we do not have adequate working capital, access to financing, as a cost containment initiative, or if we are unable to obtain the standard emission and safety station licensing approval from the respective state regulatory agencies for each location.

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 $25.00, and a fee of $4.02 is paid to the

State of Georgia. 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 $5.50 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 Salt Lake

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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 the County per emissions certificate and a $2.00 fee is remitted to the Utah Highway Patrol for each safety inspection. We currently operate seven stores in Salt Lake County and one store in Weber County.

We completed four acquisitions during 2004 and two acquisitions during 2005, which added 32 testing centers and four mobile units. In 2006 we opened one new store and closed a store after the new owner of the building would not renew the lease. We opened seven new stores in 2007, and five new stores in January 2008.

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 consistently operated at a profit, however we operated on a positive cash flow basis for the years ended 2006 and 2007. However, if we are successful in implementing our growth strategy, we believe that our financial goals are achievable in the next 12 months. Until that time, we will have to continue to fund our operations through existing cash flow, and our acquisitions, with capital raised from selling our stock and/or acquiring debt.

Explanatory Paragraph in Report of Our Independent Registered Public Accounting Firm

Our independent auditors have included an explanatory paragraph in their most recent report dated March 27, 2007, stating that our audited financial statements for the year ending December 31, 2006 were prepared assuming that we will continue as a going concern. However, they note that we have recurring losses from operations, past history of operating cash flow deficiencies and its limited capital resources raise substantial doubt about its ability to continue as a going concern.

Our independent auditors 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. For additional disclosure, see Liquidity and Capital Resources.

Results of Operations

Introduction

Our operational results during 2006 reflect the positive impact of our 2005 acquisitions. During 2005 we made two acquisitions which resulted in the addition of six and eight emissions testing stations in Texas and Utah, respectively. Therefore, our revenues and operating expenses increased significantly in 2006 compared to 2005.

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Year ended December 31, 2006 compared to the year ended December 31, 2005

Our revenue, cost of emission certificates (our cost of goods sold), store operating expenses, general and administrative expenses, and loss from operations for the year ended December 31, 2006 as compared to the comparable period ended December 31, 2005 were as follows:

	Year Ended December 31, 2006	2005	Percentage Change
Revenue	$ 9,480,097	$ 6,952,200	36%
Cost of emission certificates	2,401,461	2,050,283	17%
Store operating expenses	5,788,657	4,014,912	44%
General & administrative expenses	1,601,505	2,439,121	(34)%
(Gain)/loss from disposal of non-strategic assets	(61,449)	14,046	536%
Goodwill impairment expense	1,071,007	97,000	1004%
Warrant settlement expense		1,660,538	N/A
Loss from operations	$ (1,321,084)	$ (3,323,700)	(60)%

Revenue. For the year ended December 31, 2006, revenue increased $2,527,897 or 36% to $9,480,097 compared to $6,952,200 in the prior year. The increase was primarily due to an increase of $2,822,829 in revenue from operating the fourteen additional stores acquired in Texas and Utah after June 30, 2005 for a full twelve months and an increase in existing same store sales in Georgia of $194,911, or 6% from 2005. We experienced a decrease in revenue of $203,692 from unprofitable stores closed in 2005 and a decrease in same store sales of $302,127, or 20% at six stores acquired in December 2004 from State Inspections of Texas.

Cost of emission certificates. Cost of emission certificates increased $351,178 or 17% to $2,401,461 in the year ended December 31, 2006 and was $2,401,461, or 25% of revenues, compared to $2,050,283 or 29% of revenues, during 2005. The increase was primarily due to an increase of $482,205 in cost of emission certificates from operating the fourteen additional stores acquired in Texas and Utah after June 30, 2005 for a full twelve months and an increase in existing same store certificate costs in Georgia of $34,855, or 4% from 2005. We experienced a decrease in the cost of certificates of $69,707 from unprofitable stores closed in 2005 and a decrease in same store certificate costs of $100,735, or 20% at six stores acquired in December 2004 from State Inspections of Texas.

Store operating expenses. Our store operating expenses increased $1,773,745 or 44% to $5,788,657 in the year ended December 31, 2006 and was 61% of revenues, compared to $4,014,912 or 58% of revenues during 2005. The increase was primarily due to an increase of $1,443,623 in store operating expense from operating the fourteen additional stores acquired in Texas and Utah after June 30, 2005 for a full twelve months, an increase in existing same store operating expenses in Georgia of $357,561, or 22% from 2005, an increase in existing same store operating expenses at six stores acquired in December 2004 from State Inspections of Texas in the amount $124,579, or 13%, offset by a net decrease of $237,254 from the closure and opening of stores from 2005 to 2006.

General and administrative expenses. For the year ended December 31, 2006, our general and administrative expenses decreased $837,616 or 34% to $1,601,505 from $2,439,121 in 2005. The decrease in general and administrative expenses was primarily due to a reduction of $440,606 related to expenses associated with efforts to raise capital for future acquisition incurred in 2005 but not in 2006, a decrease in professional fees including legal and accounting of $402,411, a decrease in consulting and shareholders expense of $170,563, a decrease in payroll and payroll taxes of $24,151, offset by an increase of $237,028 in stock compensation expenses and an increase in rent expense of $22,821 as a result of moving our corporate office in 2006.

(Gain)/loss from disposal of non-strategic assets. For the year ended December 31, 2006, we recognized a gain of $61,449 from the disposal of non-strategic assets. We incurred a loss of $14,046 from the disposal of non-strategic assets in the year ended December 31, 2005.

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Goodwill impairment expense. We determined that goodwill recorded from the acquisition of the assets of State Inspections of Texas, Inc. was impaired as of December 31, 2006 and 2005. The fair value of goodwill was determined using discounted cash flow techniques. The amount of the goodwill and related purchased assets impairment in 2006 and 2005 has been calculated at $1,071,007 and $97,000, and is recorded in the accompanying consolidated statements of operations for the years ended December 31, 2006 and 2005.

Warrant settlement expense For the year ended December 31, 2005, we recognized a one-time expense in the amount of $1,660,538 related to warrants issued as part of a settlement agreement with our two largest shareholders (See Note 9 in the accompanying Notes to Consolidated Financial Statements).

Interest expense, net loss and earnings per share. Our interest expense, net loss and earnings per share for the year ended December 31, 2006 as compared to the year ended December 31, 2005 were as follows:

	Year Ended December 31, 2006	Year Ended December 31, 2005	Percentage Change
Interest Expense	11,122	227,015	(95)%
Net Loss	(1,332,206)	(3,550,715)	(62)%
Preferred stock dividends on Series A convertible preferred stock	0	137,923	N/A
Net loss attributable to common shareholders	$ (1,332,206)	$ (3,688,638)	(64)%
Basic and Diluted Loss per Share	$ (0.46)	$ (1.43)	(70)%

Our interest expense decreased $215,893, or 95% to $11,122 in 2006 compared to $227,015 for 2005. The decrease was primarily due to the conversion of debt to equity and repayments on debt in 2005. Total long term debt, including the current portion, as of December 31, 2006 was $101,747.

During 2006, we had a net loss of $1,332,206 or ($0.46) per weighted-average share. During 2005, we reported a net loss of $3,688,638 or ($1.43) per weighted-average share. Our net loss in 2006 was favorably impacted in 2006 by the 2005 acquisitions of the 14 stores in Texas and Utah.

Nine Months Ended September 30, 2007 and 2006

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

	Nine Months Ended September 30,		Percentage
	2007	2006	Change
Revenue	$ 7,406,415	$ 7,286,789	1.6%
Cost of emission certificates	1,831,587	1,842,776	(0.6%)
Store operating expenses	4,284,209	4,155,151	3.1%
General and administrative expenses	1,210,034	1,081,971	11.8%
(Gain)/loss from disposal of non-strategic assets	11,735	(9,993)	(217.4%)
Income from operations	$ 68,850	$ 216,884	(68.3%)

Revenue. Revenue increased $119,626 or 1.6% to $7,406,415 in the nine months ended September 30, 2007 compared to $7,286,789 in the nine months ended September 30, 2006. The increase in revenue over the comparable period was primarily due to an increase in same store sales of $227,310 or 3.2%, an increase of $85,385 from three new stores that were not open for a full nine months in the period ended September 30, 2006, offset by the loss of $193,069 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.

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Cost of emission certificates. Cost of emission certificates decreased $11,189 or (0.6%) in the nine month period ended September 30, 2007 and was $1,831,587 or 24.7% of revenues, compared to $1,842,776 or 25.3% of revenues in the nine months ended September 30, 2006. The decrease was primarily due to a decrease on April 1, 2006 in the cost of emission certificates in Salt Lake County Utah from $3.60 to $1.80 per certificate and a reduction in certificate costs of $60,458 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 $28,611 for tests performed at new stores that have opened since August 2006.

Store operating expenses. Store operating expenses increased $129,058, or 3.1% in the nine month period ended September 30, 2007 and was $4,284,209 or 57.8% of revenues, compared to $4,155,151 or 57.0% of revenues in the nine month period ended September 30, 2006. The increase was primarily due to $254,054 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 in same store operating expenses of $39,567 and a decrease of $83,729 resulting from the closure of the two stores discussed above.

General and administrative expenses. Our general and administrative expenses increased $128,063, or 11.8% to $1,210,034 in the nine month period ended September 30, 2007 from $1,081,971 in the nine month period ended September 30, 2006. The increase in general and administrative expenses was primarily due to an increase in Sarbanes Oxley compliance costs, consulting, legal and accounting fees and stock option compensation expense.

(Gain) loss from disposal of non-strategic assets. For the nine months ended September 30, 2007, we incurred a loss of $11,735 from the disposal of non-strategic assets compared to a gain of $9,993 in the nine months ended September 30, 2006.

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

	Nine Months Ended September 30	
	2007	**2006**
Income from operations	$ 68,850	$ 216,884
Interest expense, net	2,473	8,158
Net Income	$ 66,377	$ 208,726
Basic income per share	$ 0.02	$ 0.07
Diluted income per share	$ 0.01	$ 0.03
Weighted average shares outstanding, basic	3,051,881	2,852,140
Weighted average shares outstanding, diluted	7,330,940	7,417,138

Our net interest expense decreased $5,685 during the nine months ended September 30, 2007 and was $2,473 compared to $8,158 for the nine months ended September 30, 2006. The Company repaid debt in April 2007, which resulted in the lower interest expense.

During the nine months ended September 30, 2007, we had net income of $66,377 or $0.02 per weighted-average share-basic and $0.01 per weighted-average share-diluted. During the nine months ended September 30, 2006, we reported net income of $208,726 or $0.07 per weighted-average share basic and $0.03 per weighted-average share-diluted.

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Liquidity and Capital Resources

Introduction

We achieved a milestone in 2006 by generating positive operating cash flows for the year ended December 31, 2006. Net cash provided by operating activities in 2006 was $323,819 as compared to net cash used in operating activities of $(714,157) in 2005. With the 2005 acquisitions described above, and as we continue to implement our growth strategy, we anticipate an increase in our operating cash flow, but with the increased costs of expanding our operations, we may not achieve positive operating cash flow during 2007.

Both of our acquisitions during the year ended December 31, 2005, were funded from a private placement of $6,420,000 of our Series B Convertible Preferred Stock and warrants to Barron Partners, LP.

Our cash, current assets, total assets, current liabilities, and total liabilities as of December 31, 2006 as compared to December 31, 2005 were:

	As of December 31, 2006	As of December 31, 2005	Change
Cash	$ 320,231	$ 250,227	$ 70,004
Total current assets	545,161	390,510	154,651
Total assets	8,934,988	9,993,897	(1,058,909)
Total current liabilities	958,516	1,184,646	(226,130)
Total liabilities	1,072,364	1,184,646	(112,282)
Series A convertible preferred stock	5	5	0
Total stockholders equity	$ 7,862,619	$ 8,809,246	$ (946,627)

Cash Requirements

For the nine months ended September 30, 2007 and September 30, 2006, our net cash provided by operating activities was $352,834 and $415,965. Positive operating cash flows during the nine months ended September 30, 2007 were primarily created by net income of $66,377, a decrease in other current assets of $40,417, depreciation and amortization of $199,481, losses recognized from the sale of non-strategic assets of $11,735 and share based compensation expenses of $98,149, partially offset by a decrease of $41,388 in accounts payable and accrued liabilities and an increase in other assets of $21,937. Positive operating cash flows during the nine months ended September 30, 2006 were primarily created by a net income from operations of $208,726, from non-cash stock related expenses of $133,578 plus depreciation and amortization of $287,191, partially offset by a decrease of $164,097 in accounts payable and accrued liabilities and an increase in other current assets of $27,915 and an increase in other assets of $11,525.

For the year ended December 31, 2006 our net cash provided by operating activities was $323,819, as compared to net cash used in operating activities of ($714,157) for the year ended December 31, 2005. Positive operating cash flows during 2006 were primarily created by a net loss of $1,332,206, an increase in other liabilities of $138,823, fully offset by; a goodwill impairment charge of $1,071,007, stock issued for services valued at $68,500, share based compensation expenses of $217,079 a net decrease in accounts payable and accrued liabilities of $122,925 and depreciation and amortization of $388,799.

Negative operating cash flows during 2005 were primarily created by a net loss of $3,550,715, partially offset by: a net increase of $261,429 in accounts payable and accrued liabilities, stock issued for services valued at $381,858, goodwill impairment charge of $97,000 and depreciation and amortization of $429,171.

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

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Sources and Uses of Cash

Net cash provided by (used in) investing activities was $72,603 and ($238,830) for the nine months ended September 30, 2007 and 2006, respectively. The investing activities during the nine months ended September 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 $138,491. The cash used in investing activities during the nine months ended September 30, 2006 included capital expenditures related to the building of new stores and other property and equipment in the amount of $153,684 and payment of $100,000 previously withheld for contingent liabilities on the acquisition price of Just, Inc., offset by the receipt of $14,854 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 investing activities was $281,489 and $5,413,846, respectively, for the years ended December 31, 2006 and 2005. The investing activities during 2006 and 2005 involved primarily $100,000 and $5,314,273 used in the acquisition of businesses and capital expenditures of $196,343 and $133,573, respectively.

Net cash provided by (used in) financing activities was $200,908 and ($16,419) for the nine months ended September 30, 2007 and 2006, respectively. During the nine months ended September 30, 2007, we received proceeds from the sale of common stock of $319,072, repaid $111,747 in debt and made payments of $6,417 on capital leases. Net cash used in financing activities during the nine months ended September 30, 2007 and 2006 resulted primarily from the payment of capital leases.

Net cash provided by financing activities was $27,674 and $6,361,799, respectively, for the years ended December 31, 2006 and 2005. Net cash provided during 2006 resulted primarily from a $60,000 bank line of credit, offset by payments on capitalized leases of $32,326.

Net cash provided during 2005 resulted primarily from the $5,906,400 in proceeds from the sale of convertible preferred stock, which is net of $513,600 associated financing costs, proceeds of $350,000 from the issuance of promissory notes to related parties and an increase of $195,000 resulting from a private placement of the Company s common stock and warrants and net proceeds of $126,000 resulting from the issuance of convertible debentures.

We are not generating sufficient cash flow from operations to fund material growth as we continue to open and acquire new emission testing and safety inspection stations. If we can successfully complete one or more acquisitions of profitable businesses, then we anticipate that we can operate consistently at a profitable level. Until such time, however, and in order to complete the acquisitions, we will need to raise additional capital through the sale of our equity securities and or through debt financing. If we are unsuccessful in raising the required capital, we may have to delay the growth of our operations until such capital is available.

On October 14, 2005, as part of the Settlement Agreement, GCFC converted all amounts due and owing under the Speedemissions, Inc. Secured Promissory Note dated December 30, 2004, in the principal amount of $1,285,000 plus accrued interest of $124,288.25 into (i) 1,409 shares of Series A Convertible Preferred Stock with rights and preferences outlined in the Amended Certificate of Designation of our Series A Convertible Preferred Stock and (ii) a warrant to purchase 2,400,000 shares of our common stock at an exercise price of $1.20 per share for a period of five years from the date of grant.

On October 14, 2005, as part of the Settlement Agreement, GCA converted all amounts due and owing, including accrued interest, under the $350,000 principal amount promissory note dated January 26, 2005, the $300,000 principal amount promissory note dated August 2, 2001, and the $110,000 principal amount promissory note dated August 7, 2004 and $302,847 in cumulative dividends due and owing under the existing 2,500 shares of the Company s Series A

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Convertible Preferred Stock into (i) 1,224 shares of Series A Convertible Preferred Stock, (ii) a warrant to purchase 1,600,000 shares of our common stock with an exercise price of $1.20 per share of common stock for a period of five years from the date of grant, and (iii) an amended warrant agreement dated January 26, 2005 to purchase 250,000 shares of common stock reducing the exercise price from $2.40 to $1.20 per share.

On August 24, 2005, we filed a Registration Statement on Form SB-2 (the 2005 Registration Statement) registering approximately 84,829 shares of our common stock for sale by existing shareholders and approximately 27,702,433 shares of our common stock for sale by existing warrant and preferred stock holders upon the exercise of warrants or conversion of preferred stock. On October 7, 2005, we filed an amendment to the 2005 Registration Statement on Form SB-2/A. We filed two post-effective amendments to the 2005 Registration Statement: one on December 5, 2005 and one on May 1, 2006. Upon the filing of this registration statement with the Securities and Exchange Commission, we will withdraw the 2005 Registration Statement.

On June 25, 2005, we converted seven identical unsecured promissory notes totaling $315,000 held by Calabria Advisors, LLC, an entity controlled by Mr. Parlontieri, plus accrued interest into 11,242 shares of our common stock.

On September 13, 2004, we filed a Registration Statement on Form SB-2 (the 2004 Registration Statement) registering approximately 579,348 shares of our common stock for sale by existing shareholders and approximately 768,008 shares of our common stock for sale by existing warrant and preferred stock holders upon the exercise of warrants or conversion of preferred stock. We filed an amendment to the 2004 Registration Statement on Form SB-2/A on September 27, 2004. We filed two post-effective amendments to the 2004 Registration Statement: one on September 30, 2005 and one on December 5, 2005. Upon the filing of this registration statement with the Securities and Exchange Commission, we will withdraw the 2004 Registration Statement.

On June 16, 2004, the combined principal amount of $315,000 and accrued interest amount of approximately $9,000 outstanding under a series of our promissory notes were converted into 924,996 shares of our common stock at an exchange rate of $0.35 per common share.

On January 18, 2004, the combined principal amount of $225,000 and accrued interest amount of approximately $55,000 outstanding under one of our promissory notes were converted into 1,100,000 shares of our common stock at an exchange rate of $0.25 per common share.

As of September 30, 2007 there were no outstanding promissory notes or bank debt.

Critical Accounting Policies

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

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DESCRIPTION OF PROPERTY

Corporate Office

We rent our general corporate offices located at 1015 Tyrone Road, Suite 220, Tyrone, Georgia, which consists of 4,166 square feet of office space, with a term that expires on April 30, 2009, with a 2-year renewal option.

Testing Facilities

We lease the land and buildings we use in connection with our existing emissions testing facilities. The following table shows the store locations for our 45 stores as of January 31, 2008:

Location	Number of Stores
Georgia	14
Texas	23
Utah	8

(1) We expect to open five additional testing facilities in Dallas, Texas, and three in St. Louis, Missouri by June 30, 2008.

CERTAIN RELATIONSHIPS AND TRANSACTIONS AND CORPORATE GOVERNANCE

The Company did not enter into any material related party transactions during the twelve months ended December 31, 2006.

Director Independence

The Company has determined that Bradley A. Thompson, Michael E. Guirlinger, Dr. Ernest Childs and John Bradley are independent directors. Because of his employment with the Company, the Company has determined that Richard A. Parlontieri is not an independent director. The Company evaluated director independence under NASDAQ Rule 4200(a)(15).

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MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

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

The following tables set forth, for the periods indicated, the high and low bids of our common stock. The table for the fiscal year ended December 31, 2005 sets forth the bid prices without giving effect to the 1-for-10 reverse stock split on January 20, 2006. The tables for the fiscal years ended December 31, 2006 and 2007 set forth the bid prices giving effect to the 1-for-10 reverse stock split on January 20, 2006. The following quotations reflect inter-dealer prices, without retail markup, mark-down or commission, and may not represent actual transactions.

	High	Low
Fiscal year ended December 31, 2005:		
First Quarter	$ 0.49	$ 0.24
Second Quarter	$ 0.31	$ 0.15
Third Quarter	$ 0.29	$ 0.07
Fourth Quarter	$ 0.15	$ 0.07
Fiscal year ended December 31, 2006:		
First Quarter	$ 1.40	$ 0.90
Second Quarter	$ 1.00	$ 0.42
Third Quarter	$ 0.80	$ 0.42
Fourth Quarter	$ 0.77	$ 0.27
Fiscal year ended December 31, 2007:		
First Quarter	$ 0.39	$ 0.25
Second Quarter	$ 0.35	$ 0.18
Third Quarter	$ 0.50	$ 0.17
Fourth Quarter	$ 0.26	$ 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 Securities and Exchange 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.

Holders

As of December 31, 2006 and January 31, 2008, there were 2,963,528 and 5,162,108 shares of our common stock issued and outstanding, respectively, held by approximately 100 shareholders of record. As of December 31, 2006 and January 31, 2008, there were 5,133 shares of Series A Convertible Preferred Stock issued and outstanding and held of record by two shareholders. As of December 31, 2006 and January 31, 2008, there were 2,481,482 shares of our Series B Convertible Preferred Stock issued and outstanding held of record by one shareholder.

Dividends

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

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

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

Securities Authorized for Issuance Under Equity Compensation Plans

We have adopted three stock option plans. On May 15, 2001, our directors and shareholders approved the SKTF, Inc. 2001 Stock Option Plan, effective June 1, 2001. At our annual shareholders meeting on August 27, 2003, our shareholders approved an amendment to the plan, changing its name to the Speedemissions, Inc. 2001 Stock Option Plan, and increasing the number of shares of our common stock available for issuance under the plan from 60,000 shares to 100,000 shares. As of January 31, 2008, we have issued and outstanding options to acquire 79,525 shares of our common stock under the plan at prices ranging from $2.00 to $5.15 per share, and we have issued 5,000 shares of common stock under the plan.

At our 2005 annual meeting, the shareholders approved the 2005 Omnibus Stock Grant and Option Plan (the 2005 Plan), effective September 1, 2005. We may issue options for up to 250,000 shares of our common stock. For purposes of the 2005 Plan, each year of the plan commences on September 1. On September 1 of each new plan year, the number of shares in the 2005 Plan is automatically adjusted to an amount equal to 10% of outstanding shares of common stock on August 31 of the immediately preceding plan year. On August 31, 2007 there were 3,034,958 common shares outstanding. As a result, on September 1, 2007, the number of shares in the 2005 Plan were adjusted by 14,286 to 303,496 options. As of January 31, 2008, under the 2005 Plan we have 271,000 options issued and outstanding at an exercise price of $1.00 per share.

At our 2006 annual meeting, the shareholders approved and adopted the 2006 Stock Grant and Option Plan (the 2006 Plan), effective September 18, 2006. We may issue options for up to 2,000,000 shares of our common stock. As of January 31, 2008, under the 2006 Plan we have issued 1,997,200 options at an exercise price of $0.58 per share.

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

Plan Category	Number of Securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,347,725(1)	$ 0.69	50,771
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,347,725	$ 0.69	50,771

(1) Includes the automatic adjustment on September 1, 2006 and 2007 to the number of shares available for issuance under the 2005 Plan to an amount equal to 10% of the outstanding shares of common stock on August 31 of the immediately preceding plan year.

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EXECUTIVE COMPENSATION

The Summary Compensation Table shows certain compensation information for services rendered in all capacities for the fiscal years ended December 31, 2006 and 2005. In addition, the table shows compensation for our current executive officers. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation (#)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Richard A. Parlontieri,	2006	188,962	0	0	169,830	0	0	7,700	359,292
President, Chairman and CEO(1)	2005	180,000	0	0	42,900	0	0	7,200(5)	230,100
Michael S. Shanahan,	2006	110,000	0	0	31,596	0	0	0	141,596
CFO	2005	31,731	0	0	5,448	0	0	0	37,179
Larry C. Cobb (3)	2006	0	0	0	0	0	0	23,599	23,599
	2005	0	0	0	0	0	0	128,476(4)	128,476

(1) Management and directors of Speedemissions receive additional compensation, whether cash, stock or otherwise, in their capacity as directors. Therefore, compensation amounts disclosed for Mr. Parlontieri, who serves also as a director, reflects compensation received by him in his capacity both as an executive officer and as a director. Mr. Parlontieri received $11,849 or 75,000 shares in option awards and $500 in other compensation for his role as director in 2006.

(2) Amount represents the aggregate grant date fair value computed in accordance with Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS 123R). Information regarding the assumptions made in the valuation reported and material terms of each grant are incorporated herein by reference from Note 7 Equity Transactions in Speedemissions Consolidated Financial Statements for the Year Ended December 31, 2006.

(3) Larry C. Cobb was engaged to consult as our Chief Financial Officer on April 15, 2005. Mr. Cobb s engagement with the Company ended in April 2006.

(4) Mr. Cobb was not paid a salary but did receive other cash compensation for his services as a consultant in the amount listed in the above table.

(5) Includes automobile and expense allowance and fees received as a director.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($) (1)	Option Expiration Date (1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That

								Vested (#)	Have Not Vested ($)
Richard A. Parlontieri,	41,000	0	0	2.50	12/18/13	0	0	0	0
President, Chairman and Chief Executive Officer	3,000	0	0	2.50	3/10/15				
	100,000	50,000	0	1.00	12/14/15				
	358,333	716,667	0	0.58	9/30/16				
Michael Shanahan,	13,333	6,667	0	1.00	12/14/15	0	0	0	0
Chief Financial Officer	66,667	133,333	0	0.58	9/30/16				

(1) Information regarding the equity awards are incorporated herein by reference from Note 7 Equity Transactions in Speedemissions Consolidated Financial Statements for the Year Ended December 31, 2006.

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DIRECTOR COMPENSATION

(During Last Completed Fiscal Year)

Name (1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards(2) ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Bradley A. Thompson (3)	500	0	11,849	0	0	0	12,349
Ernest A. Childs	500	0	11,849	0	0	0	12,349
John Bradley	500	0	11,849	0	0	0	12,349
Michael E. Guirlinger	500	0	11,849	0	0	0	12,349

(1) Excludes Richard A. Parlontieri, whose compensation as director is included in the Summary Compensation Table.
(2) Amount represents the aggregate grant date fair value computed in accordance with Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS 123R). Information regarding the assumptions made in the valuation reported and material terms of each grant are incorporated herein by reference from Note 7 Equity Transactions in Speedemissions Consolidated Financial Statements for the Year Ended December 31, 2006.
(3) Mr. Thompson had 88,500 stock options outstanding at exercise prices ranging from $0.58 to $2.50 as of December 31, 2006.
(4) Dr. Childs had 82,500 stock options outstanding at exercise prices ranging from $0.58 to $2.00 as of December 31, 2006.
(5) Mr. Bradley had 75,000 stock options outstanding at an exercise price of $0.58 as of December 31, 2006.
(6) Mr. Guirlinger had 75,000 stock options outstanding at an exercise price of $0.58 as of December 31, 2006.

Compensation of Directors

Our Directors receive $250 for each regularly scheduled board meeting that they attend, as well as reimbursement for their travel expenses. Pursuant to the SKTF, Inc. 2001 Stock Option Plan, in March 2005 we issued to each of Bradley Thompson and Bahram Yusefzadeh, a former director, options to acquire 7,500 shares of our common stock at an exercise price of $2.50 per share, exercisable for a period of ten years. On June 29, 2005 and August 26, 2005, we issued options to acquire 2,500 shares of our common stock under our 2001 Stock Option Plan to Erik Sander, a former director, and Ernest A. Childs, respectively. The options vested immediately and are exercisable at $2.00 per share for a period of ten years. In December 2005, we issued options to acquire 5,000 shares of our common stock under our 2005 Plan to each of our directors serving at that time, Erik Sander (who resigned from our board in June 2006), Ernest A. Childs, Bahram Yusefzadeh (who resigned from our board in June 2006), and Bradley A. Thompson. One-third of the options vested immediately upon issue and an additional one-third vest on each of the anniversary dates of the grant in 2006 and 2007 and are exercisable at $1.00 per share for a period of ten years. On October 1, 2006, Ernest A. Childs, Bradley A. Thompson, Michael E. Guirlinger and John Bradley each received 75,000 options under the 2006 Stock Grant and Option Plan. One-third of the options vested immediately upon issue and an additional one-third will vest on each of the anniversary dates of the grant in 2007 and 2008 and are exercisable at $0.58 per share for a period of ten years.

Employment Agreements and Compensation of Officers

Effective September 15, 2003, we entered into a three-year employment agreement with Richard A. Parlontieri, our President and Chief Executive Officer. This employment agreement was amended on December 19, 2003. Under the terms of the agreement, Mr. Parlontieri received a salary of $180,000 per year, plus an automobile and expense allowance, and is eligible for an annual bonus as set forth in the agreement. Mr. Parlontieri s bonus plan in 2006 was structured so that the Board of Directors would evaluate the Company s performance on increases in revenue and EBITDA. The thresholds of the bonus plan are set by the compensation committee. There were no bonuses paid or accrued to Mr. Parlontieri in 2006 and there are no plans to pay or

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accrue a bonus in 2007. In January 2006, the Compensation Committee approved a three-year extension and a salary increase to $190,000 pursuant to the salary adjustment term of the employment agreement. The agreement may be terminated by us for cause, in which case Mr. Parlontieri would not be entitled to severance compensation, or without cause, in which case Mr. Parlontieri would be entitled to the balance of his salary due under the agreement, plus other compensation earned through the date of termination. If Mr. Parlontieri s employment terminates due to a change of control of our company, Mr. Parlontieri is entitled to receive his base salary multiplied by three.

Mr. Parlontieri s bonus plan in 2006 was structured so that the Board of Directors would evaluate the Company s performance on increases in revenue and EBITDA. The thresholds of the bonus plan s Core Objectives were set by the compensation committee at $9.7 million revenue, $750,000 EBITDA and directors evaluation. Each of the following Core Objectives and director s evaluation make up a weighted average of the 100% total: 1) Increase in Company revenue 40% , 2) Increase in bottom line EBITDA 40% and 3) Relationship with directors, employees and shareholders 20%. The thresholds were not met in 2006, and therefore, there were no bonuses paid or accrued to Mr. Parlontieri in 2006.

On February 22, 2005, the Compensation Committee of our Board of Directors issued to Mr. Parlontieri warrants to acquire 25,000 shares of our common stock at $2.50 per share, the fair market value of our common stock based on the closing bid price on the date of grant.

In March 2005, Mr. Parlontieri was granted options to purchase up to 3,000 shares of our common stock at an exercise price of $2.50 per share for a period of ten years. In December 2005, Mr. Parlontieri was granted options to purchase up to 150,000 shares of our common stock, at $1.00 per share for a period of ten years.

On February 22, 2005, and again on April 11, 2005, we issued 25,000 shares of our common stock to Calabria Advisors, LLC, an entity controlled by Mr. Parlontieri, for services rendered.

Michael S. Shanahan does not have an employment agreement with the Company. Mr. Shanahan s annual salary in 2006 was $110,000.

On December 15, 2005, Mr. Shanahan was granted options to purchase 20,000 shares of our common stock at an exercise price of $1.00, the fair market value of our common stock based on the closing bid price on the date of the grant. On October 1, 2006, Mr. Shanahan was granted options to purchase 200,000 shares of our common stock at an exercise price of $0.58, the fair market value of our common stock based on the closing bid price on the date of the grant one-third of the options vested immediately upon issuance and an additional one-third will vest on each of the annual anniversary dates of the grant and are exercisable for a period of ten years.

Option-based Compensation Plans

We have adopted three stock option plans. On May 15, 2001, our directors and shareholders approved the SKTF, Inc. 2001 Stock Option Plan, effective June 1, 2001. At our annual shareholders meeting on August 27, 2003, our shareholders approved an amendment to the plan, changing its name to the Speedemissions, Inc. 2001 Stock Option Plan, and increasing the number of shares of our common stock available for issuance under the plan from 60,000 shares to 100,000 shares. As of January 31, 2008, we have issued and outstanding options to acquire 79,525 shares of our common stock under the plan at prices ranging from $2.00 to $5.15 per share, and we have issued 5,000 shares of common stock under the plan. In March 2005, Mr. Parlontieri was granted options under the 2001 Stock Option Plan to purchase up to 3,000 shares of our common stock at an exercise price of $2.50 per share for a period of ten years. In December 2005, Mr. Parlontieri was granted options under the 2005 Plan to purchase up to 150,000 shares of our common stock, at $1.00 per share for a period of ten years.

At our annual 2005 meeting, the shareholders approved the 2005 Omnibus Stock Grant and Option Plan (the 2005 Plan), effective September 1, 2005. We may issue options for up to 250,000 shares of our common

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stock. For purposes of the 2005 Plan, each year of the plan commences on September 1. On September 1 of each new plan year, the number of shares in the 2005 Plan is automatically adjusted to an amount equal to 10% of outstanding shares of common stock on August 31 of the immediately preceding plan year. As a result, on September 1, 2007, the number of shares in the 2005 Plan were adjusted by 14,286 to a total of 303,496 available shares under the 2005 Plan. As of January 31, 2008, under the 2005 Plan we have issued and outstanding options of 271,000 shares of common stock at a weighted average exercise price of $0.92 per share. We filed a Form S-8 with the Securities and Exchange Commission on December 8, 2005 registering the 250,000 shares of our common stock available under the 2005 Plan.

At our 2006 annual meeting, the shareholders approved and adopted the 2006 Stock Grant and Option Plan effective September 18, 2006. We may issue options for up to 2,000,000 shares of our common stock. As of January 31, 2008, under the 2006 Stock Grant and Option Plan, we have issued and outstanding options of 1,997,200 shares of common stock at an exercise price of $0.58 per share.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with our independent accountants on accounting and financial disclosure during the fiscal year ended December 31, 2006.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for Speedemissions, Inc. by Burr & Forman LLP, Birmingham, Alabama.

AVAILABLE INFORMATION

We are subject to the reporting requirements of the Securities Exchange Act of 1934. Accordingly, we file periodic reports, proxy statements, and other information with the Securities and Exchange Commission. You may inspect or copy these materials at the SEC Public Reference Room located at 100 F Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the SEC Public Reference Room. Our filings are also available to the public on the SEC s website on the Internet at http://www.sec.gov and by a link provided on our website at http://www.speedemissions.com.

We have filed with the Securities and Exchange Commission a registration statement on Form SB-2, together with all amendments and exhibits thereto, under the Securities Act of 1933 with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. You may obtain a copy of the registration statement through the public reference facilities of the SEC described above. You may also access a copy of the registration statement by means of the SEC s website at http://www.sec.gov.

EXPERTS

The financial statements of Speedemissions, Inc. as of December 31, 2006 and 2005 and for the years then ended and the financial statements of Mr. Sticker, Inc. as of March 31, 2005 and 2004 and for the years then ended appearing in this prospectus which is part of a registration statement have been so included in reliance on the report of Tauber & Balser, P.C., independent auditors, given on the authority of such firm as experts in accounting and auditing.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors

Speedemissions, Inc.

We have audited the accompanying restated consolidated balance sheets of Speedemissions, Inc. and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related restated consolidated statements of operations, stockholders equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, certain errors were discovered and corrected by management in the accompanying restated financial statements.

In our opinion, the restated consolidated financial statements referred to above present fairly, in all material respects, the financial position of Speedemissions, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying restated consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the restated financial statements, the Company s recurring losses from operations, past history of operating cash flow deficiencies and its limited capital resources raise substantial doubt about its ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 2. The restated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 7 to the restated financial statements, the Company changed its method of accounting for its employee stock option plans in 2006.

/s/ Tauber & Balser, P. C.

Atlanta, Georgia

March 27, 2007, except for Note 1 Restatement of Financial Statements, as to which the date is February 19, 2008

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Speedemissions, Inc. and Subsidiaries

Consolidated Balance Sheets

as of December 31,

	2006 (Restated)	2005 (Restated)
Assets		
Current assets:		
Cash	$ 320,231	$ 250,227
Other current assets	224,930	140,283
Total current assets	545,161	390,510
Property and equipment, at cost less accumulated depreciation and amortization	1,229,329	1,455,015
Goodwill	7,100,572	8,107,171
Other assets	59,926	41,201
Total assets	$ 8,934,988	$ 9,993,897
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 318,297	$ 554,408
Accrued liabilities	515,547	555,189
Debt payable	111,747	51,747
Current portion of capitalized lease obligations	12,925	23,302
Total current liabilities	958,516	1,184,646
Other liabilities	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 2006 and 2005, 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 2,500,000 shares issued and outstanding in 2006 and 2005, respectively liquidation preference: $5,906,000	2,481	2,500
Common stock, $.001 par value, 250,000,000 shares authorized, 2,963,528 and 2,683,581 shares issued and outstanding in 2006 and 2005, respectively	2,964	2,684
Additional paid-in capital	19,622,834	19,237,516
Accumulated deficit	(11,765,660)	(10,433,454)
Total shareholders equity	7,862,619	8,809,246
Total liabilities and shareholders equity	$ 8,934,988	$ 9,993,897

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Operations for the Years Ended December 31,

	2006 (Restated)	2005 (Restated)
Revenue	$ 9,480,097	$ 6,952,200
Costs and expenses:		
Cost of emission certificates	2,401,461	2,050,283
Store operating expenses	5,788,657	4,014,912
General and administrative expenses	1,540,056	2,453,167
Goodwill and related asset impairment expense	1,071,007	97,000
Warrant settlement expense		1,660,538
Loss from operations	(1,321,084)	(3,323,700)
Interest expense	11,122	227,015
Net loss	(1,332,206)	(3,550,715)
Less preferred dividends		137,923
Net loss attributable to common shareholders	$ (1,332,206)	$ (3,688,638)
Basic and diluted net loss per share	$ (0.46)	$ (1.43)
Weighted average common shares outstanding, basic and diluted	2,880,216	2,575,407

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Shareholders Equity (Deficiency)

For the Years Ended December 31, 2006 and 2005

	Preferred Stock - Series B		Common Stock		Additional	Accumulated	
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Total
Balance at January 1, 2005 (Restated)		$	2,454,159	$ 2,454	$ 8,453,224	$ (6,882,739)	$ 1,572,939
Common stock issued for services			116,442	117	285,411		285,528
Conversion of notes payable			94,681	95	2,523,194		2,523,289
Compensation due to stock option grant					(19,949)		(19,949)
Compensation due to stock warrants issued					28,292		28,292
Preferred stock issued for cash, net of expenses	2,500,000	2,500			5,903,900		5,906,400
Preferred stock dividend					(137,923)		(137,923)
Preferred stock issued for accrued dividends					302,847		302,847
Settlement expense on warrants					1,660,538		1,660,538
Common stock warrants issued for cash					195,000		195,000
Common stock issued for business acquisition			18,298	18	42,982		43,000
Net loss						(3,550,715)	(3,550,715)
Balance at December 31, 2005 (Restated)	2,500,000	2,500	2,683,581	2,684	19,237,516	(10,433,454)	8,809,246
Common stock issued for services			68,517	68	68,432		68,500
Conversion of Series B Preferred Stock	(18,518)	(19)	140,000	140	(121)		
Compensation due to stock option grants					156,927		156,927
Compensation due to stock warrants issued					60,152		60,152
Common stock issued for business acquisition			71,430	72	99,928		100,000
Net loss						(1,332,206)	(1,332,206)
Balance at December 31, 2006 (Restated)	2,481,482	$ 2,481	2,963,528	$ 2,964	$ 19,622,834	$ (11,765,660)	$ 7,862,619

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

	2006 (Restated)	2005 (Restated)
Operating activities:		
Net loss	$ (1,332,206)	$ (3,550,715)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	388,799	429,171
Goodwill and related assets impairment expense	1,071,007	97,000
(Gain) loss on sale of non-strategic assets	(61,449)	14,046
Warrant settlement expense		1,660,538
Share based compensation expenses	217,079	(19,949)
Stock issued for services	68,500	381,858
Changes in operating assets and liabilities, net of acquisitions:		
Other current assets	(25,084)	(23,447)
Other assets	(18,725)	45,715
Accounts payable and accrued liabilities	15,898	251,626
Net cash provided by (used in) operating activities	323,819	(714,157)
Cash flows from investing activities:		
Acquisition of businesses	(100,000)	(5,293,826)
Proceeds from asset sales	14,854	34,000
Capital expenditures, less equipment purchased through capital leases	(196,343)	(133,573)
Cash acquired in acquisitions		(20,447)
Net cash used in investing activities	(281,489)	(5,413,846)
Cash flows from financing activities:		
Proceeds from issuance of convertible preferred stock to related party, net of expenses		5,906,400
Proceeds from issuance of common stock and warrants		195,000
Proceeds from promissory note payable to related party		350,000
Payments on promissory notes		(165,000)
Proceeds from bank loan	60,000	
Proceeds from convertible debenture, net of expenses		126,000
Payments on capitalized leases	(32,326)	(50,601)
Net cash provided by financing activities	27,674	6,361,799
Net increase in cash	70,004	233,796
Cash at beginning of year	250,227	16,431
Cash at end of year	$ 320,231	$ 250,227
Supplemental Information:		
Cash paid during the year for interest	$ 5,949	$ 31,222
Equity securities issued in connection with the acquisition of Mr. Sticker, Inc.	$	$ 43,000

Equity securities issued in connection with the acquisition of Just Inc	$	100,000	$	
Equity securities issued in payment of notes payable	$		$	2,523,291
Equity securities issued in payment of preferred stock dividends	$		$	302,847

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

Emissions Testing, Inc. was incorporated on May 5, 2000 under the laws of the state of Georgia for the primary business purpose of opening, acquiring, developing and operating vehicle emission testing stations. Effective as of March 19, 2002, Emissions Testing, Inc. and Speedemissions, LLC merged and changed its name to Speedemissions, Inc. Effective as of June 16, 2003, Speedemissions, Inc. (Speedemissions or the Company) entered into an acquisition agreement with SKTF Enterprises, Inc. (SKTF). Pursuant to the acquisition agreement, SKTF acquired all of the outstanding common stock of Speedemissions in exchange for approximately 900,000 shares of SKTF common stock, which were issued to the stockholders of Speedemissions. Accordingly, Speedemissions became a wholly owned subsidiary of SKTF, a Florida corporation.

SKTF was a development stage company that had not begun operations and had no revenues and a minimal amount of assets and liabilities. For accounting purposes, Speedemissions was viewed as the acquiring entity and accounted for the transaction as a reverse acquisition. Accounting and reporting guidance indicates that the merger of a private operating company into a non-operating public shell corporation with nominal net assets is in substance a capital transaction rather than a business combination. That is, the transaction is equivalent to the private company issuing common stock for the net monetary assets of the shell corporation, accompanied by a recapitalization.

The accumulated deficit of Speedemissions was carried forward subsequent to the acquisition. Results of operations subsequent to the date of acquisition reflect the consolidated results of operations of Speedemissions and SKTF. Operations for periods prior to the acquisition reflect those of Speedemissions. Assets and liabilities of Speedemissions and SKTF have been consolidated at their historical cost carrying amounts at the date of acquisition.

Effective on September 5, 2003, SKTF Enterprises, Inc. changed its name to Speedemissions, Inc. For ease of reference, these notes and the accompanying consolidated financial statements continue to refer to SKTF and Speedemissions in the context of their legal names prior to the September 5, 2003 name change.

On June 30, 2005, the Company purchased all of the outstanding common stock of Mr. Sticker, Inc., (MS) a Houston, Texas, company that operated six (6) emissions testing stations in the Houston, Texas area. The purchase price was $3,100,000 in cash plus 18,300 shares of the Company s common stock valued at $43,000. From the date of acquisition forward, Mr. Sticker s financial results have been consolidated, as a wholly owned subsidiary.

On September 8, 2005, the Company purchased all of the outstanding common stock of Just, Inc., (JI) a Salt Lake City, Utah company that operated eight (8) emissions testing stations in the Salt Lake City, Utah area. The purchase price was $2,300,000 in cash plus 142,858 shares of the Company s common stock, valued at $200,000, which was included in accrued liabilities as the shares were not issued as of December 31, 2005. The Company issued 71,430 shares in September 2006 reducing the accrued liability to the owners of Just, Inc. as of December 31, 2006 to $100,000 or 71,429 shares, which the Company will issue in 2007. From the date of acquisition forward, JI s financial results have been consolidated, as a wholly owned subsidiary.

On January 20, 2006, the Company effected a 1 for 10 reverse stock split of its common stock. All references in the accompanying consolidated financial statements and notes to the consolidated financial statements to the number of shares of common stock and common share equivalents and loss per share have been retroactively restated to reflect the reverse stock split. As a result of the reverse stock split, the Company s ticker symbol changed from SPEM to SPMI on the OTC Bulletin Board.

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Restatement of Financial Statements

The accompanying financial statements as of and for the years ended December 31, 2006 and 2005, 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 securities.

Reclassified deferred compensation from Shareholder s Equity to accrued liabilities in the amount of $17,437. Due to the immaterial amount, the Company will write-off the balance in the 2007 operational results.

Expanded note disclosures as follows:

Note 1 Goodwill to describe the methodology utilized by the Company in the determination of whether impairment has occurred.

Note 7 Equity Transactions:

Preferred Stock to disclose the allocation of gross proceeds from a private placement relating to Preferred Stock B.

Common Stock details regarding the issuance of common stock for services provided.

Stock Incentive Plans certain disclosures required by SFAS 123R added.

Warrants added a) a reconciliation of warrant activity for the periods presented, b) assumptions utilized to determine the fair value of the warrants issued and c) a description of the value assigned for the non cash transactions.

Additional Warrants modified the table of warrants outstanding to include a 10,000 warrant issue that was previously omitted.

Note 9 Related Parties more fully described the accounting effects of components of a warrant settlement expense recognized.

Note 11 Risk and Uncertainties added a new category Potential Control Relationship by Existing Shareholders .

Consolidation

The accompanying restated consolidated financial statements include the accounts of Speedemissions, MS, JI and SKTF as discussed in Note 1. All significant intercompany accounts and transactions have been eliminated in consolidation.

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.

As of December 31, 2006, the Company operated thirty-four (34) emissions testing stations and four (4) mobile units in greater metropolitan areas of Atlanta, Georgia; Houston, Texas; and Salt Lake City, Utah, with three under construction in the Houston, Texas area. The Company does business under the trade names *Speedemissions, Mr. Sticker and Sticker Stop (Texas)* and *Just Inc. (Utah).* At its emissions testing stations, the Company uses computerized emissions testing equipment and safety inspection equipment that tests vehicles for

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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

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. Significant estimates included in these financial statements relate to useful lives of certain assets and the 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 emissions 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 are not material. Accordingly, no allowance for retest is recorded by the Company.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives, as follows: building, fifteen years; emission testing equipment, five to seven years; and furniture, fixtures and office equipment, three to five years, and vehicles three years.

Leasehold improvements are amortized using the straight-line method over the lesser of the remaining lease terms, including renewal periods expected to be exercised, or the estimated useful lives of the improvements.

Impairment of Long-Lived Assets

Property and Equipment

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews its assets 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. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, property and equipment relating to the equipment recorded from the acquisition of the assets of State Inspections of Texas, Inc. was impaired as of December 31, 2006. The Company reduced the equipment purchased by its net book value of $64,408. The Company recorded this charge in 2006 as part of its goodwill and related equipment impairment charge in the accompanying consolidated statements of operations for the years ended December 31, 2006.

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 also 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.

At December 31, 2006 and 2005, we compared the fair value of the individual reporting units for which the goodwill relates to their respective carrying amounts, including goodwill. In the opinion of management, goodwill was impaired as of December 31, 2006 and 2005 relating to the goodwill recorded from the acquisition of the assets of State Inspections of Texas, Inc. The Company wrote off the remaining recorded value of the goodwill and related purchased assets of State Inspections of Texas, Inc. and recorded an impairment charge of $1,071,007 and $97,000 in the accompanying consolidated statements of operations for the years ended December 31, 2006 and 2005.

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.*

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income and net operating losses in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled $21,972 in 2006 and $22,206 in 2005.

General and Administrative

General and administrative expenses consist of payroll and related expenses for employees involved in general corporate functions, including accounting and human relations, among others; costs associated with use by these functions of facilities and equipment, such as depreciation expense and rent; professional fees; and other general corporate costs.

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.

Net Loss Per Common Share

Basic net loss per share is computed by dividing the net loss attributable to common stockholders for the period by the weighted-average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and potential

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common shares outstanding during the period, if the effect of the potential common shares is dilutive. As a result of the Company s net losses, all potentially dilutive securities would be anti-dilutive and are excluded from the computation of diluted loss per share. Excluded from the computation of diluted loss per share were options to purchase 2,290,625 shares and 318,475 shares of common stock for 2006 and 2005, respectively as the effect would be anti-dilutive. Warrants to purchase 17,700,437 shares and 17,500,437 shares of common stock for 2006 and 2005, respectively were also excluded from the computation of diluted loss per share as the effect would be anti-dilutive. In addition, convertible preferred stock of 23,037,498 for 2006 and 2005 were excluded from the computation of diluted loss per share as the effect would be anti-dilutive.

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 No. 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 No. 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-KSB have not been restated to reflect the fair value method of expensing share-based compensation. See Note 7 for additional disclosures.

Recently Issued Accounting Standards

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109,* which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 will be effective beginning in the first quarter of 2007. We are presently evaluating whether the adoption of this interpretation will have a material impact on our consolidated financial statements.

Note 2: Going Concern

The Company has historically incurred losses and has not yet generated a profit and its limited capital resources, raised 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 its capital needs.

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, including expanding its revenue opportunities through the acquisitions of Mr. Sticker and Just Inc. in 2005, 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. As a result of these actions, the Company operated at a profit in each of the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006. However, the profits generated in these quarters were not enough to cover losses incurred as

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a result of additional operating expenses from new stores that the Company opened or was in the process of opening during the fourth quarter of 2006 and the stock compensation expense as required by SFAS 123R for the issuance of stock options during the fourth quarter, and an impairment charge recorded against goodwill and related assets.

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 consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Note 3: Property and Equipment

Property and equipment at December 31, 2006 and 2005 was as follows:

	2006	2005
Land (1)	$ 240,000	$ 240,000
Building (1)	10,000	10,000
Emission testing equipment	1,194,527	1,364,099
Furniture, fixtures and office equipment	72,364	41,699
Vehicles	23,775	25,404
Leasehold improvements	644,930	516,561
	2,185,596	2,197,763
Less accumulated depreciation and amortization	956,267	742,748
	$ 1,229,329	$ 1,455,015

Depreciation and amortization expense associated with property and equipment totaled $388,799 in 2006 and $429,171 in 2005.

At December 31, 2006, $80,528 of leasehold improvements represented leasehold improvements for new stores under construction.

(1) See Note 12: Subsequent Event

Note 4: Debt

The Company has a note payable to V2R, Inc. (V2R), which is controlled by Bahram Yusefzadeh, a former director of the Company. The note bears interest at 10% per annum. The principal balance of the note was due on December 31, 2003, but was extended pursuant to an amendment dated December 30, 2003 to the earlier to occur of (i) the closing of a round of equity or debt financing in excess of $1,500,000, (ii) 90 days after the effectiveness of a registration statement, or (iii) in three equal installments beginning March 1, 2004, May 1, 2004, and July 1, 2004. The entire principal and interest became due on January 21, 2004 when we closed a round of equity financing in excess of $1,500,000. The unpaid principal and interest due as of December 31, 2006 was $59,332.

On December 4, 2006, the Company entered into a $60,000 bank loan with Peachtree National Bank. The loan is secured by real property that the Company owns at its Lawrenceville, Georgia testing facility and by a personal guarantee by the President of the Company. The loan bears interest at 1% above lenders prime per annum. The interest rate at December 31, 2006 was 9.25%. The principal amount on the loan is due on December 5, 2007. The unpaid principal and interest as of December 31, 2006 was $60,000. See Note 12 for additional disclosures.

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Debt at December 31, comprised of the following:

	2006	2005
Peachtree National Bank	$ 60,000	$ 0
V2R 10% note	51,747	51,747
	$ 111,747	$ 51,747

Note 5: Income Taxes

As of December 31, 2006, the Company had net operating loss (NOL) carryforwards of approximately $7,819,000 that may be used to offset future taxable income. If not utilized, the NOL carryforwards will expire at various dates through 2026.

Differences between the income taxes incurred for 2006 and 2005 and the amount determined by applying the statutory federal income tax rate (34%) to the loss before income taxes were as follows:

	2006	2005
Expected rate	(34.0)%	(34.0)%
State income taxes, net of federal deduction	(4.0)	(4.0)
Valuation allowance	38.0	38.0
	%	%

	2006	2005
Goodwill	$ 232,000	$ 2,000
Fixed assets	108,000	76,000
Net operating losses	2,971,000	2,728,000
Less valuation allowance	(3,311,000)	2,806,000
Net deferred tax asset	$	$

At December 31, 2006, no net deferred tax assets were recognized. The valuation allowance at December 31, 2006 and 2005 was $2,971,000 and $2,728,000, respectively.

Note 6: Leasing Activities

Operating Leases

The Company leases office space and land and buildings for certain of its emission testing stations. The leases generally require that the Company pay taxes, maintenance, and insurance. The leases for the emission testing stations are renewable, at the option of the Company, for specified periods. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases. Certain leases have been personally guaranteed by the President of the Company.

Certain leases contain scheduled base rent increases over the terms of the leases. The total amount of base rent payments is charged to expense on a straight-line basis over the lease terms. At December 31, 2006 and 2005, the excess of rent expense over cash payments was approximately

$260,000 and $143,000, respectively. Such amount is included in accrued liabilities in the accompanying consolidated balance sheets.

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Future minimum rental payments required under the non-cancelable operating leases were as follows at December 31, 2006:

Year Ending December 31	
2007	$ 1,216,594
2008	1,091,223
2009	955,520
2010	871,514
2011	636,367
2012 and later	1,518,248

Total rent expense under all operating leases totaled $1,347,837 in 2006 and $992,312 in 2005.

Included in the minimum lease payments are future minimum lease payments aggregating $647,555 for store locations not yet opened by the Company on December 31, 2006.

Capital Leases

The Company s capital lease commitments relate to emission testing and other related equipment. The Company records a capital lease asset and obligation equal to the present value of the lease payments. The Company s total capital lease obligations were $35,124 and $23,302 on December 31, 2006 and 2005, respectively. At December 31, 2006, the cost and accumulated depreciation of assets held under capital leases was $44,000 and $1,050, respectively.

Future minimum rental payments required under the non-cancelable capital leases were as follows at December 31, 2006:

Year Ending December 31	
2007	$ 12,925
2008	9,196
2009	9,196
2010	9,196
2011	7,664

Note 7: Equity Transactions
Preferred Stock

On January 21, 2004, the Company completed a private placement of 2,500 shares of its Series A Convertible Preferred Stock (the Preferred Stock) and 250,000 common stock purchase warrants (the Warrants) to GCA Strategic Investment Fund Limited (GCA Fund), an existing affiliate shareholder of the Company, in exchange for gross proceeds to the Company of $2,500,000. Net proceeds to the Company after the payment of a advisor fee and offering expenses was $2,234,000.

The Preferred Stock accrued a dividend of 7% per annum, and each share of Preferred Stock is convertible into 833.33 shares of the Company s common stock, or 2,083,333 shares of common stock in the aggregate. As of October 14, 2005, pursuant to the articles of amendment, the Preferred Stock no longer accrued dividends. The Warrants are exercisable for a period of five years from the date of grant at an exercise price of $1.20 per share of common stock to be acquired upon exercise. In the event of liquidation, dissolution or winding up of the Company preferred stockholders are entitled to be paid prior to any preference of any other payment or distribution.

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On June 30, 2005 the Company completed a private placement of 2,500,000 shares of its Series B Convertible Preferred Stock (the Preferred B Stock) and 4,390,000 common stock purchase warrants (B-1 Warrants and B-2 Warrants) to Barron Partners LP, in exchange for gross proceeds to the Company of $6,420,000. Net proceeds to the Company after the payment of advisors fees and offering expenses was $5,906,400. The gross proceeds from the private placement were allocated to the Preferred B Stock and warrants in accordance with *Emerging Issue Task Force 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios* (EITF 98-5) and *Emerging Issue Task Force 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments* (00-27). In accordance with EITF 98-5, $6,313,528 of the gross proceeds was allocated to the Preferred B Stock and $106,472 was allocated to additional paid in capital related to the warrants. We analyzed the Preferred B Stock for the existence of a beneficial conversion feature by taking into account that the holder of this security was limited in the number of shares that could be converted up to a maximum of 4.99% of the outstanding common stock. As a result of this limitation, we computed the effective conversion price based on the number of shares that the holder of the Preferred B Stock could convert. Since the effective conversion price exceeded the current share price, we determined that there was no beneficial conversion relating to the Preferred B Stock at the time of issuance.

In addition to the cash portion of the advisors fee, the Company issued 285,000 common stock purchase warrants to Prospect Financial Advisors, LLC, which are exercisable for a period of five years from the date of grant at an exercise price of $0.60 per share of common stock to be acquired upon exercise. The Company also issued 50,000 common stock purchase warrants to Strasbourger, LLC as a finder s fee, which are exercisable for a period of three years from the date of grant at an exercise price of $2.00 per share of common stock to be acquired upon exercise. On June 30, 2005, the Company used $3,100,000 of the net proceeds from the Preferred B Stock placement to purchase all of the outstanding common stock of Mr. Sticker. On September 8, 2005, the Company used or committed to pay at a future date, in accordance with the terms of the purchase agreement, $2,300,000 of the net proceeds from the Preferred B Stock placement to purchase all of the outstanding common stock of Just, Inc. The remainder of the net proceeds, or $446,400, was retained by the Company for current working capital.

The Preferred B Stock does not pay a dividend and has no voting rights. Each share of Preferred B Stock was convertible into 4.28 shares of the Company s common stock or 10,700,000 shares of common stock in the aggregate. The 2,500,000 B-1 Warrants were exercisable for a period of five years from the date of grant at an exercise price of $2.40 per share of common stock to be acquired upon exercise. The 1,890,000 B-2 Warrants were exercisable for a period of five years from the date of grant at an exercise price of $4.80 per share of common stock to be acquired upon exercise. In the event of liquidation, dissolution or winding up of the Company preferred stockholders were entitled to be paid prior to any preference of any other payment or distribution.

On August 4, 2005, we entered into an Amendment to the Series B Preferred Stock Purchase Agreement, and received an additional $195,000 in cash, which modified the Agreement as follows:

a. the Investor purchased $6,615,000 of our Preferred B Stock;

b. the B-1 Warrants were increased to 2,621,495 shares at $2.40 per share, the B-2 Warrants were increased to 1,965,934 shares at $4.80 per share, and an additional common stock purchase warrant was issued for 4,000,000 shares at $1.20 per share. We may call the $1.20 warrants if our stock price exceeds $2.40 for fifteen (15) consecutive trading days;

c. Each of the Preferred B Stock is convertible into 7.56 shares of our common stock, subject to adjustment if certain conditions are met, for a total of 18,900,000 shares of common stock, has a liquidation preference equal to its purchase price, and has no voting rights; and

d. the exercise of the warrants, including the call provision on the $1.20 warrants, and the conversion of the Preferred B Stock are subject to a maximum ownership by the Investor at any time of 4.9% although this limitation may be revoked upon sixty-one days notice by Barron Partners with respect to the shares underlying the warrants.

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On October 14, 2005, the combined principal amount of $2,045,000 and accrued interest amount of approximately $285,000 outstanding under several promissory notes, with GCA Fund and GCFG, were converted into 2,330 shares of the Company s Series A convertible preferred stock. Each share of Series A convertible preferred stock is convertible into 833.33 shares of the Company s common stock or 1,941,659 shares of common stock in the aggregate.

On October 14, 2005, GCA Fund, a majority shareholder converted accrued preferred dividends of $302,847 into 303 shares of the Company s Series A convertible preferred stock. Each share of Series A convertible preferred stock is convertible into 833.33 shares of the Company s common stock or 252,499 shares of common stock in the aggregate. GCA Fund and the Company agreed to terminate the dividend feature on the Series A convertible preferred stock as of the conversion date.

On February 23, 2006, Barron Partners LP, holder of 2,500,000 shares of Series B Convertible Preferred Stock converted 18,518 shares of the Series B Convertible Preferred Stock into 140,000 shares of common stock. Barron Partners LP held 2,481,482 shares of Series B Convertible Preferred Stock as of December 31, 2006.

Common Stock

Prior to January 1, 2005, the Company had issued common stock for the repayment of promissory notes, payment for services and to qualified investors.

On January 18, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to two unrelated consultants for services rendered during the year ended December 31, 2004. We agreed, at the time the consultants agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, we valued the shares based on the value of the shares of our common stock on the date of issuance since our agreement to pay for the services was based on a fixed number of shares, instead of a fixed value. We recognized $87,500 in consulting expense relating to these consulting services during 2004.

On February 22, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. Calabria Advisers, LLC provides us with consulting services. We agreed, at the time Calabria Advisors, LLC agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, we valued the shares based on the value of the shares of our common stock on the date of issuance since our agreement to pay for the services was based on a fixed number of shares, instead of a fixed value. We recognized $75,000 in consulting expense relating to these consulting services performed during 2005.

On April 11, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. Calabria Advisers, LLC provided us with consulting services. We agreed, at the time Calabria Advisors, LLC agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, we valued the shares based on the value of the shares of our common stock on the date of issuance since our agreement to pay for the services was based on a fixed number of shares, instead of a fixed value. We recognized $58,750 in consulting expenses relating to these consulting services performed during 2005.

On June 17, 2005, we issued a total of 12,500 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director, in conversion of $25,000 in outstanding principal amount on one outstanding promissory note.

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On July 25, 2005, we issued a total of 2,553 shares of our common stock, restricted in accordance with Rule 144, to two individuals for services rendered. We agreed, at the time the consultants agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, we valued the shares based on the value of the shares of our common stock on the date of issuance since our agreement to pay for the services was based on a fixed number of shares, instead of a fixed value. We recognized $6,141 in consulting expenses relating to these consulting services performed during 2005.

On July 25, 2005, we issued a total of 18,298 shares of our common stock, restricted in accordance with Rule 144, to two individuals as additional consideration related to the purchase of Mr. Sticker, Inc. We capitalized $43,000 as part of our investment relating to the acquisition. We agreed, prior to the commencement of the services, to pay for the services as a predetermined number of shares of our common stock. The value of the shares issued and related expense were computed based on the traded share price at the date of issuance.

On July 25, 2005, we issued a total of 70,940 shares of our common stock, restricted in accordance with Rule 144, to one shareholder upon the conversion of $140,000 in outstanding principal amount and $1,879 in accrued but unpaid interest on one outstanding convertible promissory note. The values of the shares issued and related expense were computed based on the traded share price at the date of grant or issuance.

On July 25, 2005, we issued a total of 11,242 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director, upon the conversion of outstanding principal amounts and accrued but unpaid interest of $26,418 in outstanding convertible promissory notes. The values of the shares issued and related expense were computed based on the traded share price at the date of grant or issuance.

On July 25, 2005, we issued a total of 13,889 shares of our common stock, restricted in accordance with Rule 144, to legal counsel for services rendered. We agreed, at the time the legal counsel agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, we valued the shares based on the value of the shares of our common stock on the date of issuance since our agreement to pay for the services was based on a fixed number of shares, instead of a fixed value. We recognized $27,778 in legal fees relating to these services performed during 2005.

On November 21, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to an individual who provided us with consulting services. We agreed, at the time the consultant agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, we valued the shares based on the value of the shares of our common stock on the date of issuance since our agreement to pay for the services was based on a fixed number of shares, instead of a fixed value. We recognized $30,500 in consulting expenses relating to these consulting services performed.

On January 30, 2006, we issued a total of 50,000 shares of our common stock, restricted in accordance with Rule 144, to an individual who provided us with consulting services. We agreed, at the time the consultant agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, we valued the shares based on the value of the shares of our common stock on the date of issuance since our agreement to pay for the services was based on a fixed number of shares, instead of a fixed value. We recognized $50,000 in consulting expense related to the consulting services performed.

On April 16, 2006, we issued 18,500 shares of our common stock, restricted in accordance with Rule 144, to an individual who provided us with consulting services. We agreed, at the time the consultant agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, we valued the shares based on the value of the shares of our common stock on the date of issuance since our agreement to pay for the services was based on a fixed number of shares, instead of a fixed value. We recognized $18,500 in consulting expense related to the consulting services performed.

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On August 29, 2005, we filed an amendment to our Articles of Incorporation that increased our authorized common stock from 100,000,000 shares to 250,000,000 shares, par value $0.001 per share.

As a result of the above transactions, in 2006 and 2005, the Company issued 68,500 and 116,442 shares of its common stock, respectively, for general and administrative expenses, which consisted principally of legal and consulting services and recognized expense of $68,500 and $356,858 in 2006 and 2005, respectively. The total number of shares reserved for options and warrant conversions was 19,981,062 and 17,828,912 on December 31, 2006 and 2005 respectively.

In September 2006, the Company issued 71,430 shares of common stock valued at $100,000 to the two shareholders of Just, Inc. per the September 2005 Just, Inc. purchase agreement in which the Company was obligated to issued 142,498 shares valued at an agreed upon $200,000 to the shareholders at the date of the acquisition. As of December 31, 2006, the Company s accrued liabilities included the obligation to issue 71,430 shares valued at $100,000 to the two Just, Inc. shareholders. The 71,430 remaining shares are expected to be issued in 2007.

Stock Incentive Plans

The Company has three stock incentive plans that authorize the Compensation Committee of the Board of Directors to grant to eligible employees and non-employee directors stock options, restricted stock awards, unrestricted stock awards and performance stock rewards. As of December 31, 2006, only stock options have been granted to employees and non-employee directors.

The Company s Stock Option Plan 2001 (2001 Plan) is authorized to grant eligible employees and non-employee directors up to 100,000 shares of the Company s common stock. Options granted under this plan vested immediately, with the exception of 40,000 shares of common stock that vested annually in three equal installments.

The Company s Stock Option Plan 2005 (2005 Plan) is authorized to grant eligible employees and non-employee directors up to 250,000 shares of the Company s common stock. Options granted under this plan generally vest annually in three equal installments. The plan provides for the automatic adjustment of the number of authorized shares on September 1st of each year. The amount of the adjustment to the authorized shares eligible to be issued under the plan is equal to 10% of the outstanding shares of the Company s common stock on August 31st of each year. There were 2,892,098 common shares outstanding on August 31, 2006. As a result, the authorized number of shares eligible to be granted was automatically increased by 39,210 shares to 289,210 on September 1, 2006.

The Company s Board of Directors and stockholders approved Speedemissions Inc. 2006 Stock Grant and Option Plan (2006 Plan), effective September 18, 2006, pursuant to which 2,000,000 shares of common stock were authorized to grant to eligible employees and non-employee directors issuance under the 2006 Plan. Options granted under this plan vest annually in three equal installments. On October 1, 2006, the Compensation Committee of the Board of Directors approved the grant of 1,979,600 stock options to employees and non-employee directors under the 2006 Plan at an exercise price of $0.58 per share.

These plans do not allow for the exercise of options after ten years from the date of grant. At December 31, 2006, there were 93,585 stock options available to be granted under these plans. As of December 31, 2006, options to purchase a total of 2,290,625 shares had been granted under these three plans and options to purchase 893,725 shares were exercisable.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (SFAS No. 123(R)) using the modified-prospective-transition method. Under

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this transition method, compensation cost in 2006 includes cost for options granted prior to but not vested as of December 31, 2005, and options and warrants vested in 2006. Therefore results for prior periods have not been restated.

As a result of adopting SFAS No. 123(R), the Company recorded $217,079 in expense during the year ended December 31, 2006. In our Statement of Cash Flows, the $217,079 in share-based compensation expense was shown as a non-cash expense in the reconciliation of net cash provided by operating activities in 2006.

The following table illustrates the effect on consolidated net loss and loss per share, net of related tax effects, for the year ended December 31, 2005 if we had applied the fair value recognition provisions of SFAS No. 123(R) during the period presented.

	2006	2005
Net loss attributable to common shareholders	$ (1,332,206)	$ (3,688,638)
Add: stock-based compensation expense (adjustment) included in reported net loss attributable to common shareholders	217,079	(14,758)
Deduct: total stock-based employee compensation expense determined under the fair value method for all awards	(217,079)	(69,069)
Pro forma net loss attributable to common shareholders	$ (1,332,206)	$ (3,772,465)
Basic and diluted loss per share as reported	$ (0.46)	$ (1.43)
Basic and diluted loss per share pro forma	$ (0.46)	$ (1.46)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model and the following assumptions used for grants in 2006 and 2005:

	2006	2005
Risk free interest rate	3.0%	3.0%
Expected life of stock awards years	2 years	3 years
Expected volatility in stock price	45.0%	45.0%
Expected dividend yield	None	None

The following table sets forth the options granted under the Speedemissions Stock Option Plans as of December 31, 2006 and 2005:

	2006			2005		
	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value
Options outstanding at beginning of year	318,475	$ 1.42	$ 0.39	67,675	$ 2.99	$ 0.58
Granted	1,979,600	0.58	0.16	270,000	1.17	0.38
Exercised						
Forfeited/Cancelled	(7,450)	1.09	0.36	(19,200)	3.45	0.91
Options outstanding at end of year	2,290,625	$ 0.69	$ 0.19	318,475	$ 1.42	$ 0.39
Options exercisable at end of year	893,725	$ 0.84	$ 0.23	159,474	$ 1.42	$ 0.46

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The following table summarizes information about stock options outstanding at December 31, 2006:

Options Outstanding	Weighted Average Remaining Life	Range of Exercise Prices	Options Exercisable	Weighted Average Exercise Price
43,000	6.97 years	$ 2.50	43,000	$ 2.50
4,500	7.02 years	$ 4.00	4,500	$ 4.00
2,500	7.31 years	$ 5.15	2,500	$ 5.20
2,625	7.88 years	$ 3.00	2,625	$ 3.00
21,900	7.19 years	$ 2.50	21,900	$ 2.50
2,500	8.50 years	$ 2.35	2,500	$ 2.40
2,500	8.66 years	$ 2.00	2,500	$ 2.00
61,500	8.96 years	$ 1.00	41,000	$ 1.00
170,000	8.98 years	$ 1.00	113,333	$ 1.00
1,979,600	9.75 years	$ 0.58	659,867	$ 0.58
2,290,625		$ 0.69	893,725	$ 0.84

As of December 31, 2006, there was $209,050 of unrecognized stock-based compensation expense related to nonvested stock options and is expected to be recognized over a weighted average period of twenty-one months.

The following table represents our nonvested stock options and activity for the years ended December 31, 2005 and 2006:

	Number of Options	Weighted Average Grant Date Fair Value
Nonvested options December 31, 2004	20,000	$ 0.34
Granted	270,000	0.38
Vested	(121,000)	0.45
Forfeited		
Nonvested options December 31, 2005	169,000	0.33
Granted	1,979,600	0.16
Vested	(747,033)	0.18
Forfeited	(4,667)	0.33
Nonvested options December 31, 2006	1,396,900	$ 0.17

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2006, based on the Company s closing stock price of $0.39 was $0. Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of the options.

Warrants

Unless otherwise noted in the sections titled Warrants and Additional Warrants, the fair value of each common stock warrant issued is estimated on the date of grant using the Black-Scholes option-pricing model and the following assumptions used for warrants issued in 2006 and 2005:

	2006	**2005**
Risk free interest rate	3.0%	3.0%
Expected volatility	45.0%	45.0%
Expected dividend yield	None	None

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The following table represents our warrant activity for the years ended December 31, 2005 and 2006:

	Number of Warrants	Weighted Average Grant Date Fair Value
Outstanding warrants December 31, 2004	518,507	$ 1.65
Granted	16,992,432	1.40
Exercised		
Forfeited		
Outstanding warrants December 31, 2005	17,510,437	1.41
Granted	200,000	1.40
Exercised		
Forfeited		
Outstanding warrants December 31, 2006	17,710,437	$ 1.40

All warrants issued were fully vested within the calendar year in which they were granted.

Prior to January 1, 2005, the Company issued warrants to purchase shares of the Company s common stock to certain members of its board of directors, investors, consultants, creditors and others.

On January 26, 2005, we executed a promissory note in favor of GCA Fund, a majority shareholder, in the principal amount of $350,000, and on that date we received funds in the same amount. Under the terms of the note, we were obligated to repay the entire principal amount, plus interest at the rate of 8% per year, on April 26, 2005. Effective on October 14, 2005, in connection with the Settlement Agreement, we converted the outstanding balance plus accrued interest into 369 shares of our Series A Convertible Preferred Stock. In connection with the transaction on January 26, 2005, we issued to GCA Fund warrants to acquire 10,000 shares of our common stock, exercisable for a period of five years at $3.57 per share, which exercise price has been adjusted to $1.20 as part of the Settlement Agreement. We also issued to Global Capital Advisors, LLC, the investment advisory to GCA Fund, warrants to acquire 10,000 shares of our common stock, exercisable for a period of five years at $3.57 per share. The warrant issued to Global Capital Advisors, LLC was not adjusted as part of the Settlement Agreement and remains at the issued terms. The fair value of these warrants were calculated on the date of issuance using the Black-Scholes option-pricing model with the following weighted average assumptions: Risk-Free Interest rate = 3.0%; Expected Volatility = 45%; Expected Dividend Yield = 0.0%; Life = 5 years. Loan costs of $28,292 relating to the fair value of the warrants were capitalized.

On February 22, 2005, we issued warrants to acquire up to 25,000 shares of our common stock, restricted in accordance with Rule 144, to Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. These warrants were issued as incentive compensation for his work for us and at an exercise price of $2.50 per share. The fair value calculated using Black- Scholes was $20,000.

On March 10, 2005, we issued warrants to acquire up to 25,000 shares of our common stock, restricted in accordance with Rule 144, to two principals of GCA at an exercise price of $2.50 per share. The fair value was determined using Black- Scholes was $20,000.

On June 30, 2005, we issued warrants to acquire 285,000 shares of our common stock at $0.60 per share to a single accredited investor, as consideration for services rendered in conjunction with the Preferred B Stock transaction.

On August 4, 2005, in connection with an amendment to the June 30, 2005 financing transaction, we issued restated warrants to acquire 2,621,495 shares of our common stock at $2.40 per share, restated warrants to acquire 1,965,935 shares of our common stock at $4.80 per share, and warrants to acquire 4,000,000 shares of

our common stock at $1.20 per share, to a single accredited investor, in exchange for an additional $195,000 in cash. The value received was considered proceeds of the June 30, 2005 transaction and allocated to the warrants.

On August 11, 2005, we issued warrants to acquire 50,000 shares of our common stock at $2.00 per share to six individuals for services rendered in connection with the June 30, 2005 financing transaction. The fair value of these warrants were accounted for as a cost of the transaction and charged to additional paid in capital.

On November 17, 2005, in conjunction with a Settlement Agreement, as discussed further in Note 9, we issued warrants to acquire 4,000,000 shares of our common stock at $1.20 per share, to Barron Partners, LP, as consideration under the Settlement Agreement, in settlement of the Dispute, as discussed further in Note 9.

On November 17, 2005, in conjunction with a settlement agreement, we issued warrants to acquire 2,400,000 shares of our common stock at $1.20 per share, to Global Capital Funding Group, LP as consideration under the Settlement Agreement, in settlement of the Dispute as discussed further in Note 9.

On November 17, 2005, in conjunction with the above-referenced Settlement Agreement, we issued warrants to acquire 1,600,000 shares of our common stock at $1.20 per share, to GCA Fund, as consideration under the Settlement Agreement, in settlement of the Dispute as discussed further in Note 9.

April 17, 2006 we issued warrants to acquire up to 200,000 shares of our common stock, restricted in accordance with Rule 144, to two unrelated consultants. These warrants were issued for services rendered to us and at an exercise price of $1.00 per share and are exercisable for a period of three years. Seventy-five percent or 150,000 of these warrants vested immediately and the remaining 50,000 vested on October 1, 2006. We computed the fair value of the warrants as of the date of the grant utilizing the Black-Scholes options pricing model and assumptions above. We expensed the total amount of the computed fair value ($60,152) in the quarters that the vesting occurred. The described issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the consultants are sophisticated investors and familiar with our operations.

As of December 31, 2006, warrants to purchase a total of 17,710,437 shares of common stock were outstanding at exercise prices ranging from $0.10 to $10.50. All outstanding warrants are vested, currently exercisable and expire at various dates through January 2011.

Additional Warrants

As discussed in Note 1, in connection with the acquisition of Speedemissions by SKTF, Speedemissions issued a warrant to V2R, LLC (V2R), an entity controlled by a minority shareholder and director. The warrant entitles V2R to purchase 2,500 shares of Speedemissions common stock at an exercise price of $.10 per share. At December 31, 2006, the warrant was exercisable.

On February 18, 2004, in accordance with authorization by the Board of Directors on January 21, 2004, the Company issued 90,000 warrants to purchase shares of the Company s common stock to its President. Each warrant entitles the President to purchase one share of common stock. The exercise price for 45,000 of the warrants is $7.50, with the remaining 45,000 having an exercise price of $10.50. Each of the two separately priced warrant issues expire on February 17, 2009 and each vested 15,000 warrants immediately and the remaining 30,000 warrants vested in two equal parts of 15,000 warrants on January 1, 2005 and January 1, 2006. The Company did not assign a value to the warrants upon issuance as the value was deemed immaterial.

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The following table summarizes information about stock warrants outstanding at December 31, 2006:

Warrants Outstanding			Warrants Exercisable	
Warrants Outstanding	**Weighted Average Remaining Life**	**Exercise Price**	**Warrants Exercisable**	**Exercise Price**
2,500	1.46 years	$ 0.10	2,500	$ 0.10
10,000	2.07 years	$ 2.50	10,000	$ 2.50
250,000	2.07 years	$ 1.20	250,000	$ 1.20
45,000	2.14 years	$ 10.50	45,000	$ 10.50
45,000	2.14 years	$ 7.50	45,000	$ 7.50
8,000,000	3.88 years	$ 1.20	8,000,000	$ 1.20
285,000	3.50 years	$ 0.60	285,000	$ 0.60
8,587,430	3.50 years	$ 1.20	8,587,430	$ 1.20
50,000	1.61 years	$ 2.00	50,000	$ 2.00
50,000	2.95 years	$ 2.50	50,000	$ 2.50
10,000	3.07 years	$ 1.20	10,000	$ 1.20
10,000	3.07 years	$ 3.57	10,000	$ 3.57
85,500	0.14 years	$ 7.50	85,500	$ 7.50
80,007	1.45 years	$ 7.50	80,007	$ 7.50
150,000	2.25 years	$ 1.00	150,000	$ 1.00
50,000	2.75 years	$ 1.00	50,000	$ 1.00
17,710,437			17,710,437	

Note 8: Consulting Agreements

In connection with the acquisition of Speedemissions by SKTF, Speedemissions entered into a consulting agreement with V2R. Effective January 1, 2004, the consulting agreement was cancelled and replaced, by mutual agreement of the Company and V2R, with a new agreement. The new agreement continued for 30 months at a consulting fee of $8,334 per month. The new agreement granted V2R warrants to purchase 10,000 shares of the Company s common stock at $2.50 per share. The warrants vested in two increments of 5,000 warrants on January 1, 2005 and 2006. Additionally, V2R can earn success fees calculated using the Lehman Formula, as defined, for merger and acquisition and strategic alliance or partnership agreements arranged by the entity. During the years ended December 31, 2006 and 2005, the Company expensed a total of approximately $0 and $32,500, respectively, under the consulting agreement. Effective June 30, 2005, the agreement was amended to terminate the monthly retainer fees and extend the expiration of the agreement to July 1, 2007, by mutual consent of V2R and the Company. The balance of unpaid retainer fees to V2R was $26,872 and $88,691 as of December 31, 2006 and 2005 respectively.

On February 22, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. Calabria Advisers, LLC provides us with consulting services. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the shareholder is a sophisticated investor and familiar with our operations. During the years ended December 31, 2006 and 2005, the Company recognized $0 and $75,000 in general and administrative expenses related to this agreement, based on the market value of the stock at the grant date.

On June 17, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. Calabria Advisers, LLC provides us with consulting services. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the shareholder is a sophisticated investor and familiar with our operations. During the years ended December 31, 2006 and 2005, the

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Company recognized $0 and $58,750 in general and administrative expenses related to this agreement, based on the market value of the stock at the grant date.

On July 25, 2005, we issued a total of 13,889 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. Calabria Advisers, LLC provides us with consulting services. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the shareholder is a sophisticated investor and familiar with our operations. During the years ended December 31, 2006 and 2005, the Company recognized $0 and $26,305 in general and administrative expenses related to this agreement, based on the market value of the stock at the grant date.

The Company did not enter into any material consulting agreements during 2006.

Note 9: Related Party Transactions

The Company had a $300,000 promissory note payable to the GCA Fund, a majority shareholder, which had an original maturity date of August 2, 2003, which was extended to October 24, 2005. Effective on October 14, 2005, in connection with the settlement discussed below, we converted the $300,000 note, plus accrued interest, into 126 shares of our Series A Convertible Preferred Stock.

An entity controlled by the President and Chief Executive Officer of the Company had advanced the Company $25,600 as of December 31, 2004, on several unsecured promissory notes. Principal and interest on the notes were due and payable in 180 days, from their respective date of issuance, and accrued interest at 5%. On June 25, 2005, we converted all of the notes, plus accrued interest, into 11,242 shares of our common stock.

On January 26, 2005, we executed a promissory note in favor of GCA Fund, a majority shareholder, in the principal amount of $350,000, and on that date we received funds in the same amount. Under the terms of the note, we were obligated to repay the entire principal amount, plus interest at the rate of 8% per year, on April 26, 2005. Effective on October 14, 2005, in connection with the Settlement Agreement, as discussed hereafter in this Note, we converted the outstanding balance plus accrued interest into 369 shares of our Series A Convertible Preferred Stock. In connection with the transaction, we issued to GCA Fund warrants to acquire 10,000 shares of our common stock, exercisable for a period of five years at $3.57 per share, which exercise price has been adjusted to $1.20 as part of the Settlement Agreement. We also issued to Global Capital Advisors, LLC, the investment advisory to GCA Fund, warrants to acquire 10,000 shares of our common stock, exercisable for a period of five years at $3.57 per share which exercise price has been adjusted to $1.20 as part of the Settlement Agreement.

On February 22, 2005, and again on April 11, 2005, we issued 25,000 shares of our common stock to Calabria Advisors, LLC, an entity controlled by Mr. Parlontieri, for services rendered.

On June 17, 2005, we issued a total of 12,500 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, Chief Executive Officer, in conversion of $25,000 in outstanding principal amount on one outstanding promissory note.

On July 25, 2005, we issued a total of 13,889 shares of our common stock to Calabria Advisors, LLC, an entity controlled by Mr. Parlontieri, Chief Executive Officer, for services rendered.

On February 22, 2005, the Compensation Committee of our Board of Directors issued to Mr. Parlontieri warrants to acquire 25,000 shares of our common stock at $2.50 per share, the fair market value of our common stock based on the closing bid price on the date of grant.

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On June 29, 2005 and August 26, 2005, we issued options to acquire 2,500 shares of our common stock under our 2001 Stock Option Plan to Erik Sander and Ernest A. Childs, respectively, our directors. The options vested immediately and are exercisable at $2.00 per share for a period of ten years.

For the year ended December 31, 2006 and 2005, the Company incurred legal expenses totaling $4,451 and $201,806 for legal services provided by a minority shareholder. The Company owed $0 and $107,527 as of December 31, 2006 and 2005 to this minority shareholder.

Settlement Agreement

On August 23, 2005, GCA Strategic Investment Fund Limited (GCA), the holder of all 2,500 shares of our Series A Convertible Preferred Stock then issued and outstanding, notified us that as a result of the Barron Agreement and pursuant to Section 9 of the Certificate of Designation of SeriesA Convertible Preferred Stock, the conversion ratio of our Series B Convertible Preferred Stock was automatically incorporated into the rights of the Series A Convertible Preferred Stock (referred to herein as the Dispute). We resolved this Dispute by entering into a Settlement Agreement with GCA, Barron, and Global Capital Funding Group, LP (GCFG and collectively with GCA and Barron referred to herein as the Investors) with all parties agreeing to the following terms:

GCFG converted all amounts due and owing under the Speedemissions, Inc. Secured Promissory Note dated December 30, 2004, in the principal amount of $1,285,000 plus accrued interest of $124,288 into (i) 1,409 shares of Series A Convertible Preferred Stock with rights and preferences outlined in the Amended Certificate of Designation of our Series A Convertible Preferred Stock and (ii) a warrant to purchase 2,400,000 shares of our common stock at an exercise price of $1.20 per share for a period of five years from the date of grant;

GCA consented to the Amended Certificate of Designation, including a new conversion price of $1.20 per share of common stock and no dividend rights, and converted all amounts due and owing, including accrued interest, under the $350,000 principal amount promissory note dated January 26, 2005, the $300,000 principal amount promissory note dated August 2, 2001, and the $110,000 principal amount promissory note dated August 7, 2004 into (i) 1,224 shares of Series A Convertible Preferred Stock, (ii) a warrant to purchase 1,600,000 shares of our common stock with an exercise price of $1.20 per share of common stock for a period of five years from the date of grant, and (iii) an amended warrant agreement dated January 26, 2005 to purchase 250,000 shares of common stock reducing the exercise price from $2.40 to $1.20 per share;

Barron agreed to the issuance of the GCA Stock, the GCFG Stock, and the GCFG Warrant, and to the Amended Certificate of Designation in exchange for a warrant to purchase 4,000,000 shares of our common stock with an exercise price of $1.20 per share of common stock for a period of five years from the date of grant; and

Speedemissions, GCFG, GCA, and Barron agreed to release each other of all claims, agreements, contracts, covenants, representations, obligations, losses, liabilities, demands and causes of action which it may now or hereafter have or claim to have against each other, as a result of the Dispute.

In connection with the Settlement Agreement, we also amended certain Common Stock Purchase Warrants held by the Investors effective October 14, 2005:

We executed an Amendment No. 1 to the First Restated Common Stock Purchase Warrant A to purchase 2,621,496 shares of common stock held by Barron reducing the exercise price from $2.40 per share to $1.20 per share.

We executed an Amendment No. 1 to the Common Stock Purchase Warrant B to purchase 1,965,935 shares of common stock held by Barron reducing the exercise price from $4.80 per share to $1.20 per share.

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We executed an Amendment No. 1 to the Warrant to purchase 250,000 shares of common stock held by GCA reducing the exercise price from $1.25 per share to $1.20 per share.

We executed an Amendment No. 1 to the Warrant to purchase 10,000 shares of common stock held by GCA reducing the exercise price from $3.57 per share to $1.20 per share.

As part of the Settlement Agreement, we entered into an Exchange Agreement with GCFG dated effective as of October 14, 2005, exchanging the GCFG Stock and the GCFG Warrant for the GCFG Note.

In conjunction with the GCFG Exchange Agreement, we granted to GCFG registration rights with respect to the resale of the shares of common stock underlying the warrants and preferred stock issued to GCFG. Pursuant to the Registration Rights Agreement with GCFG dated October 14, 2005, we agreed to prepare and file a registration statement for the resale of the shares of common stock underlying the GCFG Stock and GCFG Warrant and to use our best efforts to cause the registration statement to be declared effective.

As part of the Settlement Agreement, we entered into an Exchange Agreement with GCA dated effective as of October 14, 2005 exchanging the GCA Stock and the GCA Warrant for the following debt and rights held by GCA: (i) the $300,000 Note; (ii) the $110,000 Note; (iii) the $350,000 Note and (iv) $302,847 in cumulative dividends due and owing under the then existing 2,500 shares of the Series A Convertible Preferred Stock.

The following is a summary of how we calculated the components of the warrant settlement expense which is reflected in the Statement of Operations:

a. The value assigned to the Preferred Stock A issued to GCFG represented the outstanding balance of the note and the related accrued interest at the time of the settlement agreement. The value of the warrant to purchase 2,400,000 shares of common stock was computed using the Black-Scholes option pricing model and was determined to be $964,310.

b. The value assigned to the Preferred Stock A issued to GCA represented the outstanding balance of the note, the related accrued interest at the settlement agreement and the amount of accrued Preferred Stock A dividends. The value of the warrants to purchase 1,600,000 shares of common stock was computed using the Black-Scholes option pricing model and was determined to be $642,847.

c. The value of the 4,000,000 warrants issued to Barron was computed using the Black-Scholes option pricing model. Since there is a restriction associated with this warrant limiting its exercise to 4.99% of the Preferred Stock B holder s holdings, the value assigned to the warrant was $53,354.

The value assigned to the Preferred Stock A was equivalent to the value of the Company s common stock as to which the Preferred Stock A was convertible on the date of the Settlement agreement. As a result, the Company did not recognize a gain or loss on the exchange of the debt, and the Preferred Stock A did not contain a beneficial conversion.

The Black-Scholes option pricing model utilized in these computations used the following assumptions:

Risk free interest rate	3.0%
Expected life	3 years
Expected volatility	45.0%
Expected dividend yield	None

The aggregate fair value of each of the warrants issued in connection with the Preferred Stock A ($1,660,511) was immediately expensed and reflected in the Statements of Operations as the Warrant Settlement Expense as the related debt is no longer outstanding.

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The amended warrant agreements which modified the exercise price of the existing outstanding warrants did not result in a charge to the Statement of Operations. The Company treated the modifications as a capital transaction as the warrants were not related to outstanding debt of the Company and the accounting effect would be a reclassification within additional paid-in-capital with a zero net effect.

Note 10: Business Acquisitions
Just, Inc.

Effective August 30, 2005, the Company purchased, for $2,500,000, 100% of the outstanding stock of Just, Inc., a Utah corporation. The Company paid Just, Inc. s shareholders $2,200,000 on September 8, 2005, and per the purchase agreement paid its shareholders $100,000 and issued 71,430 shares of our common stock valued at $100,000 in September 2006. As of December 31, 2006, the Company owed the two shareholders of Just, Inc. a total 71,430 in shares valued at $100,000 that will be issued in 2007. The assets purchased included the business assets of eight emissions testing and safety inspection stations in the Salt Lake City, Utah area, which the Company intends to continue to operate under the Just, Inc. name. The Company made the acquisition to enter the Salt Lake City, Utah market as part of the Company s ongoing acquisition strategy.

The acquisition was accounted for using the purchase method of accounting, whereby a new basis of accounting and reporting for the assets acquired and liabilities assumed was established. The purchase price allocation was based on the estimated fair values of the assets acquired and liabilities assumed.

The purchase price allocation was as follows:

Assets acquired	
Current assets	$ 21,487
Property and equipment	232,000
Goodwill	2,371,050
Purchase price	$ 2,624,537
Cash	$ 2,300,000
Liabilities assumed	124,537
Common stock	200,000
	$ 2,624,537

Mr. Sticker, Inc.

Effective June 30, 2005, the Company purchased, for $3,100,000 in cash and 18,300 shares of the Company s common stock valued at $43,000, 100% of the outstanding stock of Mr. Sticker, Inc. (Mr. Sticker), a Texas corporation. The assets purchased included the business assets of six emissions testing and safety inspection stations, which the Company intends to continue to operate under the Mr. Sticker name. The Company made the acquisition to increase its market share in the Houston, Texas area and reduce average overhead costs per station by acquiring locations, which could be controlled by a local management team, using existing resources.

The acquisition was accounted for using the purchase method of accounting, whereby a new basis of accounting and reporting for the assets acquired and liabilities assumed was established. The purchase price allocation was based on the estimated fair values of the assets acquired and liabilities assumed.

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The purchase price allocation was as follows:

Assets acquired	
Current assets	$ 39,515
Property and equipment	292,500
Other assets	11,675
Goodwill	2,848,915
	$ 3,192,605
Purchase price	
Cash	$ 3,100,000
Liabilities assumed	49,605
Common stock	43,000
	$ 3,192,605

The following pro-forma financial information has been prepared as if the acquisitions of Mr. Sticker and Just, Inc. were consummated as of the beginning of the period presented herein. The pro-forma results of operations are not necessarily indicative of the results that would have been achieved had the acquisition occurred at the beginning of the period, nor is it necessarily indicative of the results of operations that may occur in the future:

Pro Forma	**Speedemissions 2005 (unaudited)**	**Mr. Sticker 2005 (unaudited)**	**Just, Inc. 2005 (unaudited)**	**Combined 2005 (unaudited)**
Revenue	$ 4,859,199	$ 2,681,728	$ 2,565,438	$ 10,106,365
Net income (loss)	$ (4,260,847)	$ 996,126	$ 629,391	$ (2,635,330)
Net income (loss) per share, basic and diluted	$ (1.65)	$ 0.39	$ 0.24	$ (1.02)
Weighted average common shares outstanding	2,575,407	2,575,407	2,575,407	2,575,407

Note 11: Risk and Uncertainties
Regulatory Impact

The current and future demand for the Company s services is substantially dependent upon federal, state, local, and foreign legislation and regulations mandating air pollution controls and emissions testing. If any or all of these governmental agencies should change their positions or eliminate or revise their requirements related to air pollution controls and emissions testing (including a shift to centralized facilities versus decentralized facilities), the Company could experience a significant adverse impact on its financial position and results of operations.

Contingencies

The Company may 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 or operations.

Arrangement with Shareholders

The Company is required to maintain a majority of independent directors on the Board of Directors or a majority of independent directors on both the audit committee and compensation committee. In addition, the Company must maintain the effectiveness of a resale registration

statement for shares held by a shareholder. Failure to do so could result in liquidated damages equal to 24% of the purchase price of the Series B Preferred Stock and Stock Warrants.

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If we fail to maintain the effectiveness of a resale registration statement for the shares held by Barron, then we must pay to Barron in the form of shares of Series B Convertible Preferred Stock an amount equal to 24% of the purchase price of $6,615,000 paid by Barron for the Series B Convertible Preferred Stock and common stock warrants per annum for each day the resale registration is not effective.

If a shareholder other than GCA Fund and its affiliate acquires a beneficial ownership of greater than 33 $^{1}/3$% or more of outstanding common stock of the Company without prior approval of GCA Fund, the Company might be required to redeem the Series A Preferred Stock.

Potential Control Relationship by Existing Shareholders

We have a large amount of outstanding common stock held by a single shareholder, and a large amount of common stock that could be acquired by a second shareholder upon conversion of preferred stock and exercise of warrants, which if sold could have a negative impact on our stock price. The Company had 2,963,528 shares of common stock issued and outstanding as of December 31, 2006. As of December 31, 2006, our largest shareholder, GCA Strategic Investment Fund Limited, and its affiliates, own 1,457,062 shares of our common stock. Upon exercise of all outstanding warrants at the exercise price of $1.20 per share and conversion of their Series A Convertible Preferred Stock, GCA Strategic Investment Fund Limited could own up to 10,056,859 shares of our common stock. As of December 31, 2006, Barron Partners LP could acquire up to 31,487,430 shares of our common stock upon the exercise of outstanding warrants at the exercise price of $1.20 per share and the conversion of their Series B Convertible Preferred Stock. If either of these shareholders sold a large number of shares of our common stock into the public market it would have a negative impact on our stock price.

Note 12: Subsequent Event

The Georgia Department of Transportation and Gwinnett County plan a road widening project at the site of our Lawrenceville, Georgia store. We own the land and the building. As a result, Gwinnett County, filed a declaration of taking and condemnation petition on January 24, 2007, taking the majority of the property. 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. As of March 8, 2007, we still occupied the building and continued to perform emission tests at the location. The final amount of compensation to be paid to Speedemissions by Gwinnett County for the building and land and the date we will have to vacate the premises was not known as of March 8, 2007. Once received, we will use the proceeds from the sale of the property to the county to repay $60,000 bank debt on the property and reinvest the remaining funds into new and existing stores.

Note 13: Significant Fourth Quarter Adjustments

In accordance with SFAS 142 and SFAS 144, the Company reviewed the carrying amount of goodwill and purchased assets in relation to the operating performance and future estimated discounted net cash flows expected to be generated by the assets and underlying stores previously acquired. During the fourth quarter of 2006, we determined that goodwill and purchased assets recorded from the acquisition of the assets of State Inspections of Texas, Inc was impaired due to continued net operating losses at these six stores located in Texas. The impairment recognized was measured by the amount by which the carrying amount of the assets exceeds the fair value of the net assets. The fair value of goodwill and related purchased assets were determined using discounted cash flow techniques. The amount of the goodwill and related purchased assets impairment expensed during the fourth quarter was $1,071,007. The goodwill recorded for the five Mr. Sticker stores located in Texas that were acquired in 2005 was not impaired as of December 31, 2006.

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Speedemissions, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30, 2007 (Restated)	December 31, 2006 (Restated)
	(unaudited)	
Assets		
Current assets:		
Cash	$ 946,576	$ 320,231
Other current assets	219,985	224,930
Total current assets	1,166,561	545,161
Property and equipment, at cost less accumulated depreciation and amortization	909,838	1,229,329
Goodwill	7,100,572	7,100,572
Other assets	81,863	59,926
Total assets	$ 9,258,834	$ 8,934,988
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 308,529	$ 318,297
Accrued liabilities	390,527	515,547
Debt payable		111,747
Current portion of capitalized lease obligations	5,306	12,925
Total current liabilities	704,362	958,516
Other liabilities:	108,250	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, 5,162,108 and 2,963,528 shares issued and outstanding in 2007 and 2006, respectively	5,162	2,964
Additional paid-in capital	20,137,857	19,622,834
Accumulated deficit	(11,699,283)	(11,765,660)
Total shareholders equity	8,446,217	7,862,619
Total liabilities and shareholders equity	$ 9,258,834	$ 8,934,988

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Income

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2007 (Restated)	2006 (Restated)	2007 (Restated)	2006 (Restated)
Revenue	$ 2,524,988	$ 2,484,492	$ 7,406,415	$ 7,286,789
Costs and expenses:				
Cost of emission certificates	628,807	601,186	1,831,587	1,842,776
Store operating expenses	1,398,204	1,426,122	4,284,209	4,155,151
General and administrative expenses	482,121	352,838	1,210,034	1,081,971
(Gain)/loss from disposal of non-strategic assets		479	11,735	(9,993)
Income from operations	15,856	103,867	68,850	216,884
Interest (income) expense, net	(961)	2,325	2,473	8,158
Net income	$ 16,817	$ 101,542	$ 66,377	$ 208,726
Net income per share (basic)	$ 0.01	$ 0.03	$ 0.02	$ 0.07
Net income per share (diluted)	$ 0.00	$ 0.01	$ 0.01	$ 0.03
Weighted average common shares outstanding, basic	3,173,685	2,903,744	3,051,881	2,852,140
Weighted average common shares outstanding, diluted	7,452,695	7,468,742	7,330,940	7,417,138

See accompanying notes to consolidated financial statements.

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Speedemissions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2007 (Restated)	2006 (Restated)
Operating activities:		
Net income	$ 66,377	$ 208,726
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	199,481	287,191
(Gain) loss from disposal of non-strategic assets	11,735	(9,993)
Share based compensation expenses	98,149	65,078
Stock issued for services		68,500
Changes in operating assets and liabilities, net of acquisitions:		
Other current assets	40,417	(27,915)
Other assets	(21,937)	(11,525)
Accounts payable and accrued liabilities	(41,388)	(164,097)
Net cash provided by operating activities	352,834	415,965
Cash flows from investing activities:		
Acquisition of businesses		(100,000)
Proceeds from asset sales	211,094	14,854
Purchases of property and equipment	(138,491)	(153,684)
Net cash provided by (used in) investing activities	72,603	(238,830)
Cash flows from financing activities:		
Proceeds from sale of common stock	319,072	
Payments on debt	(111,747)	
Payments on capitalized leases	(6,417)	(16,419)
Net cash provided by (used in) financing activities	200,908	(16,419)
Net increase in cash	626,345	160,716
Cash at beginning of period	320,231	250,227
Cash at end of period	$ 946,576	$ 410,943
Supplemental Information:		
Cash paid during the year for interest	$ 14,058	$ 4,277
Non-cash Investing and Financing activities:		
Equity securities issued in connection with acquisitions	$ 100,000	$ 100,000

Supplemental Disclosure of Noncash Financing Activities:

During the nine months ended September 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

September 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 November 5, 2007, we operated 36 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. 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 restated 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 September 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 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 prepared 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 September 30, 2007, the Company had cash on hand of $946,576, working capital of $449,010, and an accumulated deficit of $11,699,283. The Company had net income available to common shareholders of

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$101,542 and positive cash flows from operations of $352,834 for the nine months ended September 30, 2007. The ability of the Company to continue as a going concern is dependent upon the Company s ability to 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.

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 36 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 income.

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

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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.

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.

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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 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 September 30, 2007, September 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, liquidity, or our financial position(s) at September 30, 2007, September 30, 2006 and December 31, 2006.

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.

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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.

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

	September 30, 2007	December 31, 2006
Land	$ 0	$ 240,000
Building	126,255	10,000
Emission testing equipment	1,248,560	1,194,527
Furniture, fixtures and office equipment	94,341	72,364
Vehicles	15,607	23,775
Leasehold improvements and construction in progress (1)	554,659	644,930
	2,039,422	2,185,596
Less accumulated depreciation and amortization	1,129,584	956,267
	$ 909,838	$ 1,229,329

(1) Includes $0 and $80,528 in construction in progress at September 30, 2007 and December 31, 2006, respectively.

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 September 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, to repay a note payable to V2R, Inc. (V2R), which is controlled by Bahram Yusdfzadeh, a former director of the Company. The principal and accrued interest repaid was $60,934. The unpaid principal and interest was $0 and $59,332 as of September 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.

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The following table sets forth the computation for basic and diluted net income per share for the three and nine month periods ended September 30, 2007 and 2006, respectively:

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Net income (A)	$ 16,817	$ 101,542	$ 66,377	$ 208,726
Weighted average common shares basic (B)	3,173,685	2,903,744	3,051,881	2,852,140
Effect of dilutive securities (2):				
Dilutive effect of stock options (1)				
Dilutive effect of stock warrants (1)	1,512	287,500	1,561	287,500
Dilutive 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)	7,452,695	7,468,742	7,330,940	7,417,138
Net income per share basic (A/B)	$ 0.01	$ 0.03	$ 0.02	$ 0.07
Net income per share diluted (A/C)	$ 0.00	$ 0.01	$ 0.01	$ 0.03

(1) Because their effects are anti-dilutive, 17,751,014 and 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 nine months ended September 30, 2007 and 2006, respectively.

(2) 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 nine months ended September 30, 2007 and 2006.

Note 6: Stockholders Equity

Preferred Stock

There were 5,133 shares of Series A convertible preferred stock issued and outstanding as of September 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 September 30, 2007 and December 31, 2006.

Common Stock

On April 24, 2007, the Company issued 71,430 shares of common stock to the former owners of a subsidiary acquired in 2005. The share issuance represented the final payment of $100,000 withheld from the acquisition price for any potential unknown or undisclosed liabilities.

On September 24, 2007, the Company issued 2,127,150 shares of our common stock pursuant to a private placement for a cash purchase price of $0.15 per share, plus the surrender of warrants to purchase 2,127,150 shares of common stock. The total offering price was $319,072. The issuance of common stock pursuant to the private placement was exempt from registration pursuant to Section 4 (2) of the Securities Act of 1933, as amended and Rule 506 promulgated thereunder.

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Proceeds from the offering are expected to be used to fund the Company s growth into two new markets: Dallas, Texas and St. Louis, Missouri. The Company expects to open between twelve and seventeen stores combined in these markets by March 31, 2008, subject to standard emission and safety station licensing approval from the respective state regulatory agencies.

The Company is authorized to issue 250,000,000 shares of $0.001 par value common stock, of which 5,162,108 and 2,963,528 shares were issued and outstanding as of September 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 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 $32,717 and $6,654 during the three months ended September 30, 2007 and 2006, respectively. Stock-based compensation expense was $98,149 and $65,078 during the nine months ended September 30, 2007 and 2006, respectively. In the Company s Statement of Cash Flows, the $98,149 and $65,078 in share-based compensation expense was shown as a non-cash expense in the reconciliation of net cash provided by operating activities in the nine months ended September 30, 2007 and 2006, respectively.

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

	For the Three Months Ending September 30,		For the Nine Months Ending September 30,	
	2007	2006	2007	2006
Net income; as reported	$ 16,817	$ 101,542	$ 66,377	$ 188,740
Add stock-based employee compensation expense included in net loss as reported, net of related tax effects	$ 32,717	$ 6,654	$ 98,149	$ 65,078
Net income; pro forma	$ 49,534	$ 108,196	$ 164,526	$ 253,818
Net income per share basic; as reported	$ 0.01	$ 0.03	$ 0.02	$ 0.07
Net income per share basic; proforma	$ 0.02	$ 0.04	$ 0.05	$ 0.09
Net income per share diluted; as reported	$ 0.00	$ 0.01	$ 0.01	$ 0.03
Net income per share diluted; proforma	$ 0.01	$ 0.01	$ 0.02	$ 0.03

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

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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.

The following table sets forth the options granted under the Speedemissions Stock Option Plans as of September 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 September 30, 2007	2,255,725	0.70	8.82	0.19
Exercisable at September 30, 2007	879,592	$ 0.84	8.61	$ 0.23

The aggregate intrinsic value of options outstanding and exercisable at September 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 September 30, 2007, there was $110,902 of unrecognized stock-based compensation expense related to non-vested stock options. This amount is expected to be recognized over a weighted average period of twelve months. No shares vested during the nine months ended September 30, 2007.

The following table represents our non-vested stock options and warrant activity for the nine months ended September 30, 2007:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested December 31, 2006	1,396,900	$ 0.17
Granted		
Vested		
Forfeited	(22,433)	0.17
Non-vested September 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 September 30, 2007 and December 31, 2006, respectively. There were no options granted or exercised during the nine month period ended September 30, 2007.

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Stock Warrants

There were 15,497,787 and 17,710,437 common stock warrants issued and outstanding as of September 30, 2007 and December 31, 2006, respectively. There were no common stock warrants granted or exercised during the nine month period ended September 30, 2007. There were 85,500 warrants that expired during the nine month period ended September 30, 2007. Pursuant to a private placement of common stock as discussed in Note 3, 2,127,150 warrants were surrendered during the three and nine month periods ended September 30, 2007. See Note 10 Subsequent Events for additional disclosure of stock warrant activity. The following table represents our warrant activity for the twelve months ended September 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	(2,212,650)	1.39
Outstanding warrants September 30, 2007	15,497,787	$ 1.40

Note 8: Income Taxes

No provision for income taxes has been reflected for the nine month period ended September 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.

Note 10: Subsequent Events

The Company consummated and adopted the following plan of recapitalization effective as of the close of Business on October 12, 2007. Barron Partners LP (Barron) surrendered all 12,587,431 of their common stock purchase warrants in exchange for 4,195,810 warrants at an exercise price of $0.90 per share, 4,195,810 warrants at an exercise price of $0.60 per share and 4,195,811 warrants at an exercise price of $0.30 per share. Global Capital Funding Group, L.P. (GCFG), surrendered all 2,400,000 of their common stock purchase warrants in exchange for 800,000 warrants at an exercise price of $0.90 per share, 800,000 warrants at an exercise price of $0.60 per share and 800,000 warrants at an exercise price of $0.30 per share.

The amended warrant agreements which modified the exercise price of GCFG and Barron s existing outstanding warrants did not result in a charge to the Statement of Operations. The Company treated the modifications as a capital transaction as the warrants were not related to outstanding debt of the Company. The accounting effect represented a reclassification within paid-in-capital which resulted in no net change to the paid-in-capital account.

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Mr. Sticker, Inc.

Financial Statements

March 31, 2005 and 2004

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See separate signed audit opinion.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Speedemissions, Inc.

We have audited the accompanying balance sheets of Mr. Sticker, Inc. (the Company) as of March 31, 2005 and 2004, and the related statements of operations, stockholders equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mr. Sticker, Inc. as of March 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Tauber & Balser, P.C.

Atlanta, Georgia

June 22, 2005,

except for Note 9, as to which date is June 30, 2005

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Mr. Sticker, Inc.

Balance Sheets

	March 31, 2005	March 31, 2004
Assets		
Current assets:		
Cash	$ 13,814	$ 7,603
Other current assets	64,871	67,809
Deferred tax asset		12,270
Total current assets Total current assets	78,684	87,682
Property and equipment, at cost less accumulated depreciation	567,630	644,150
Other assets	11,675	11,675
	$ 657,989	$ 743,507
Liabilities and Stockholders Equity		
Current liabilities:		
Cash overdraft	$ 106,918	$ 122,686
Accrued liabilities	64,617	25,245
Debt payable to related party	1,785	41,785
Notes payable, current portion	53,299	160,302
Total current liabilities Total current liabilities	226,619	350,019
Long-term liabilities:		
Debt payable to related parties, less current portion	(0)	0
Notes payable, less current portion	114,600	167,899
Deferred tax liability	55,048	59,526
Total long-term liabilities	169,648	227,425
Total liabilities	396,267	577,444
Stockholders equity:		
Common stock, $1.00 par value, 1,000,000 shares authorized, 10,000 shares issued and outstanding	10,000	10,000
Retained earnings	251,723	156,063
Total stockholders equity	261,723	166,063
	$ 657,989	$ 743,507

See accompanying notes to financial statements.

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Mr. Sticker, Inc.

Statements of Operations

For the Years Ended March 31, 2005 and 2004

	2005	2004
Revenue	$ 2,779,964	$ 2,753,249
Costs and expenses:		
Cost of emissions certificates	856,476	829,673
General and administrative expenses	1,079,672	970,012
Officer compensation	702,317	832,743
Income from operations	141,499	120,821
Interest expense	14,737	21,453
Income before income taxes	$ 126,762	$ 99,368
Income tax expense:		
Current	23,311	
Deferred	7,792	34,126
Net income	$ 95,659	$ 65,242

See accompanying notes to financial statements.

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Mr. Sticker, Inc.

Statements of Stockholders Equity

For the Years Ended March 31, 2005 and 2004

	Common Stock			
	Shares	**Amount**	**Retained Earnings**	**Total**
Balance at March 31, 2003	10,000	$ 10,000	$ 90,821	$ 100,821
Net income			65,242	65,242
Balance at March 31, 2004	10,000	10,000	156,063	166,063
Net income			95,659	95,659
Balance at March 31, 2005	10,000	$ 10,000	$ 251,723	$ 261,723

See accompanying notes to financial statements.

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Mr. Sticker, Inc.

Statements of Cash Flows

For the Years Ended March 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Net income	$ 95,659	$ 65,242
Adjustments:		
Depreciation	90,203	84,483
Changes in assets and liabilities:		
Other current assets	15,209	6,368
Other assets		(5,500)
Accounts payable and accrued liabilities	23,603	(36,927)
Other liabilities	(4,478)	28,161
Net cash provided by operating activities	220,196	141,826
Cash flows from investing activities:		
Purchases of property and equipment	(13,683)	(96,693)
Cash flows from financing activities:		
Proceeds from issuance of notes payable		104,219
Payments on notes payable	(160,303)	(166,518)
Proceeds from promissory notes payable to related parties		40,000
Payments on promissory notes payable to related parties	(40,000)	(24,756)
Net cash used in financing activities	(200,303)	(47,055)
Net increase (decrease) in cash	6,211	(1,921)
Cash at beginning of year	7,603	9,524
Cash at end of year	$ 13,814	$ 7,603
Supplemental Information:		
Cash paid during the year for interest	$ 14,737	$ 21,453
Cash paid during the year for income taxes	$ 7,500	$ 18,000

See accompanying notes to financial statements.

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Mr. Sticker, Inc.

Notes to Financial Statements

March 31, 2005 and 2004

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

Mr. Sticker, Inc. (Mr. Sticker or the Company) was incorporated on April 24, 1985, under the laws of the state of Texas for the primary business purpose of opening, acquiring, developing and operating vehicle emission testing stations.

The Company is engaged in opening, acquiring, developing and operating vehicle emissions testing 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.

As of March 31, 2005 and 2004, the Company operated six emissions testing stations. All of the operations were located in the metropolitan Houston, Texas area. The Company does business under the trade name *Mr. Sticker*. At its emissions testing stations, the Company uses computerized emissions testing equipment that tests vehicles for compliance with emissions standards; in the emissions testing 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. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized as the testing services are performed. Under current state of Texas law, the charge for an emission test is generally limited to $39.50 per vehicle, which is recorded by the Company as gross revenue. The cost of emissions certificates due to the state of Texas varies between $5.50 and $14.00 per certificate depending on the type of test and is shown separately in the accompanying statements of operations. In some cases, in response to competitive situations, the Company has charged less than the statutory maximum revenue charges allowed.

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 Texas 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. At the time of initial testing, the Company provides an allowance for potential retest costs, based on prior retest experience and information furnished by the state of Texas, which is comprised mainly of the labor cost associated with performing a retest. When a retest is performed, the incremental cost of performing a retest is applied against the retest allowance. At March 31, 2005 and 2004, the allowance for retest costs was not material.

Property and Equipment and Depreciation

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives, as follows: building, twenty years; furniture, fixtures and emission testing equipment, seven years; and vehicles, five years.

Repair and maintenance costs are charged to expense as incurred. Gains or losses on disposals are reflected in operations.

Income Taxes

The Company follows the liability method of accounting for income taxes whereby deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year.

Cash Concentrations

At times, cash balances may exceed federally insured amounts. The Company believes it mitigates risks by depositing cash with major financial institutions.

Note 2: Property and Equipment

Property and equipment at March 31, was as follows:

	2005	2004
Land	$ 158,210	$ 158,210
Land Improvements	20,915	20,915
Buildings	178,786	178,786
Furniture, Fixtures and Equipment	465,351	451,668
Vehicles	115,883	115,883
	939,145	925,462
Less accumulated depreciation	371,515	281,312
	$ 567,630	$ 644,150

Depreciation expense totaled $90,203 in 2005 and $84,483 in 2004.

Note 3: Notes Payable

Notes payable at March 31, were as follows:

	2005	2004
Prosperity Bank note (a)	$ 122,475	$ 130,713
Chrysler Financial note (b)	2,414	8,043
Prosperity Bank note (c)	32,393	169,680
Prosperity Bank note (d)	10,617	19,765
	167,899	328,201
Less current portion	53,299	160,302
	$ 114,600	$ 167,899

(a) This Prosperity Bank note originated on December 17, 2001, with an original principal amount of $144,000. The note bears interest at the prime interest rate plus 1.00%. The effective interest rates as of March 31, 2005 and 2004, respectively, were 6.75% and 5.00 %. Payments are $1,295 a month, principal and interest, through June 17, 2007, at which date all remaining principal and interest is due and payable. The loan is secured by real property.

(b) The Chrysler Financial note originated on August 29, 2000, with an original principal amount of $25,311. The note bears interest at 6.90%. Payments under the terms of the note are $500 a month, principal and interest, through August 29, 2005. The loan is secured by a vehicle.

(c) This Prosperity Bank note originated on June 18, 2003, with an original principal amount of $268,955. The note bears interest at the prime interest rate plus 1.00%. The effective interest rates as of March 31, 2005 and 2004, respectively, were 6.75% and 5.00 %. Payments under the terms of the note are $11,950 a month, principal and interest, through June 30, 2005. The loan is secured by real property and equipment.

(d) This Prosperity Bank note originated October 22, 2002, with an original principal amount of $31,742. The note bears interest at 6.45%. Payments under the terms of the note are $848 a month, principal and interest, through April 22, 2006. The loan is secured by a vehicle.

Future minimum principal payments required were as follows at March 31, 2005:

Year ending March 31,	
2006	$ 53,299
2007	10,091
2008	104,509
	$ 167,899

Note 4: Income Taxes

As of March 31, 2005 and 2004, deferred tax liabilities totaled $55,048 and $59,526, respectively, relating to depreciation on fixed assets. At March 31, 2005 and 2004, deferred tax assets totaled $0 and $12,270, respectively, relating to an operating loss carryforward.

Note 5: Operating Leases

The Company leases land and buildings for its emissions testing stations. The leases generally require that the Company pay taxes, maintenance and insurance. Some of the leases for the emissions testing stations are renewable, at the option of the Company, for specified periods. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases.

Certain of the above leases contain scheduled base rent increases over the terms of the leases. The rent payments are charged to expense on a straight line basis over the term of the lease. At March 31, 2005 and 2004, the excess of rent expense over cash payments since inception of the leases, which is included in accrued liabilities, was $18,590 and $9,350, respectively.

Future minimum rental payments required under the noncancelable operating leases were as follows at March 31, 2005:

Year ending March 31,	
2006	$ 159,963
2007	115,814
2008	75,600
2009	71,000
2010	72,000
Thereafter	246,000
	$ 740,377

Rent expense under all operating leases totaled $170,305 in 2005 and $158,736 in 2004.

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Note 6: Related Party Transactions

The president of the Company has periodically made cash loans to the Company for short-term working capital purposes. These loans are repaid by the Company as cash became available. No interest was paid by the Company on these loans. As of March 31, 2005 and 2004, respectively, $1,785 and $41,875 was owed by the Company to its president as a result of these loans.

Note 7: Major Supplier

During the years ended March 31, 2005 and 2004 the Company paid, respectively, approximately $856,000 and $830,000 to a single supplier, The Texas Department of Public Safety, for the purchase of emission testing stickers.

Note 8: Regulatory Risk and Uncertainties

The current and future demand for the Company s services is substantially dependent upon federal, state, local and foreign legislation and regulations mandating air pollution controls and emissions testing. If any or all of these governmental agencies should change their positions or eliminate or revise their requirements related to air pollution controls and emissions testing (including a shift to centralized facilities versus decentralized facilities), the Company could experience a significant adverse impact on its financial position and results of operations.

Note 9: Subsequent Event

On March 3, 2005, the officers and shareholders of the Company executed a letter of intent to sell the Company to Speedemissions, Inc., a public company based in Georgia. Under the terms of the letter of intent, Speedemissions, Inc. will purchase all of the outstanding common shares of the Company for $3,100,000. The closing of the sale was effected on June 30, 2005.

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Mr. Sticker, Inc.

Financial Statements
(unaudited)

June 30, 2005

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Mr Sticker, Inc.

Balance Sheet

June 30, 2005

(Unaudited)

Assets	
Current assets:	
Cash	$ 2,744
Other current assets	24,884
Total current assets	27,628
Property and equipment, at cost less accumulated depreciation and amortization	545,223
Other assets	11,675
Total assets	$ 584,526
Liabilities and Stockholders Equity	
Current liabilities:	
Accounts payable and accrued liabilities	$ 173,912
Notes payable, current portion	53,299
Total current liabilities	227,211
Long-term liabilities	
Notes payable, less current portion	87,058
Deferred tax liability	55,048
Total liabilities	369,317
Commitments and contingencies	
Stockholders equity:	
Common stock, $1.00 par value, 1,000,000 shares authorized, 10,000 shares issued and outstanding	10,000
Retained earnings	205,209
Total stockholders equity	215,209
Total liabilities and stockholders equity	$ 584,526

See accompanying notes to financial statements

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Mr Sticker, Inc.

Statements of Operations

(Unaudited)

	Three Months Ended June 30, 2005
Revenue	$ 713,465
Costs and expenses:	
Cost of emissions certificates	200,316
General and administrative expenses	558,474
Loss from operations	(45,325)
Interest expense	1,189
Net loss	$ (46,514)

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Statement of Cash Flows

(Unaudited)

	Three Months Ended June 30, 2005
Operating activities:	
Net loss	$ (46,514)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	22,407
(Gain) loss from disposal of non-strategic assets	(1,909)
Changes in operating assets and liabilities, net of acquisitions:	
Other current assets	39,987
Accounts payable and accrued liabilities	2,501
Net cash provided by operating activities	16,472
Cash flows from financing activities:	
Payments on debt	(27,542)
Net cash provided by financing activities	(27,542)
Net decrease in cash	(11,070)
Cash at beginning of period	13,814
Cash at end of period	$ 2,744
Supplemental Information:	
Cash paid during the year for interest	$ 3,515

See accompanying notes to consolidated financial statements.

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Mr. Sticker, Inc.

Notes to Financial Statements

June 30, 2005

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

Nature of Operations

Mr. Sticker, Inc. (Mr. Sticker or the Company) was incorporated on April 24, 1985, under the laws of the state of Texas for the primary business purpose of opening, acquiring, developing and operating vehicle emission testing stations. On March 3, 2005, the officers and shareholders of the Company executed a letter of intent to sell the Company to Speedemissions, Inc., a public company based in Georgia. Under the terms of the letter of intent, Speedemissions, Inc. purchased all of the outstanding common shares of the Company for $3,100,000. The closing of the sale will be effective as of the end of business on June 30, 2005.

The Company is engaged in opening, acquiring, developing and operating vehicle emissions testing 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.

As of June 30, 2005, the Company operated six emissions testing stations. All of the operations were located in the metropolitan Houston, Texas area. The Company does business under the trade name *Mr. Sticker*. At its emissions testing stations, the Company uses computerized emissions testing equipment that tests vehicles for compliance with emissions standards; in the emissions testing 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. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized as the testing services are performed. Under current state of Texas law, the charge for an emission test is generally limited to $39.50 per vehicle, which is recorded by the Company as gross revenue. The cost of emissions certificates due to the state of Texas varies between $5.50 and $14.00 per certificate depending on the type of test and is shown separately in the accompanying statements of operations. In some cases, in response to competitive situations, the Company has charged less than the statutory maximum revenue charges allowed.

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 Texas 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. At the time of initial testing, the Company provides an allowance for potential retest costs, based on prior retest experience and information furnished by the state of Texas, which is comprised mainly of the labor cost associated with performing a retest. When a retest is performed, the incremental cost of performing a retest is applied against the retest allowance. At June 30, 2005, the allowance for retest costs was not material.

Property and Equipment and Depreciation

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives, as follows: building, twenty years; furniture, fixtures and emission testing equipment, seven years; and vehicles, five years.

Repair and maintenance costs are charged to expense as incurred. Gains or losses on disposals are reflected in operations.

Income Taxes

The Company follows the liability method of accounting for income taxes whereby deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year.

Cash Concentrations

At times, cash balances may exceed federally insured amounts. The Company believes it mitigates risks by depositing cash with major financial institutions.

Note 2: Property and Equipment

Property and equipment at June 30, was as follows:

	2005
Land	$ 158,210
Land Improvements	20,915
Buildings	178,786
Furniture, Fixtures and Equipment	465,351
Vehicles	115,883
	939,145
Less accumulated depreciation	393,922
	$ 545,223

Depreciation expense totaled $22,407 in the three months ended June 30, 2005.

Note 3: Notes Payable

Prosperity Bank note (a)	$ 121,525
Chrysler Financial note (b)	983
Prosperity Bank note (c)	8,871
Prosperity Bank note (d)	8,978
	140,357
Less current portion	53,299

	87,058

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(a) This Prosperity Bank note originated on December 17, 2001, with an original principal amount of $144,000. The note bears interest at the prime interest rate plus 1.00%. The effective interest rate as of June 30, 2005 was 6.75%. Payments are $1,295 a month, principal and interest, through June 17, 2007, at which date all remaining principal and interest is due and payable. The loan is secured by real property.

(b) The Chrysler Financial note originated on August 29, 2000, with an original principal amount of $25,311. The note bears interest at 6.90%. Payments under the terms of the note are $500 a month, principal and interest, through August 29, 2005. The loan is secured by a vehicle.

(c) This Prosperity Bank note originated on June 18, 2003, with an original principal amount of $268,955. The note bears interest at the prime interest rate plus 1.00%. The effective interest rate as of June 30, 2005 was 6.75%. Payments under the terms of the note are $11,950 a month, principal and interest, through June 30, 2005. The loan is secured by real property and equipment.

(d) This Prosperity Bank note originated October 22, 2002, with an original principal amount of $31,742. The note bears interest at 6.45%. Payments under the terms of the note are $848 a month, principal and interest, through April 22, 2006. The loan is secured by a vehicle.

Note 4: Income Taxes

As of June 30, 2005 deferred tax liabilities totaled $55,048.

Note 5: Related Party Transactions

The former president of the Company had periodically made cash loans to the Company for short-term working capital purposes. These loans were repaid by the Company as cash became available. No interest was paid by the Company on these loans. During the three months ended June 30, 2005, the Company repaid $1,785 to its former president as a result of these loans. There were no related party loans outstanding at June 30, 2005.

Note 6:

On March 3, 2005, the officers and shareholders of the Company executed a letter of intent to sell the Company to Speedemissions, Inc., a public company based in Georgia. Under the terms of the letter of intent, Speedemissions, Inc. purchased all of the outstanding common shares of the Company for $3,100,000. The closing of the sale will be effective as of the end of business on June 30, 2005.

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PART II INFORMATION NOT REQUIRED IN PROSPECTUS

Indemnification of Directors and Officers

Section 607.0850 of the Florida Business Corporation Act permits corporations to indemnify a director, officer, employee, or agent if he or she acted in good faith and in a manner he or she reasonably believed to be in the best interests of the corporation.

Article X of our Articles of Incorporation provides that, to the fullest extent permitted by law, no director or officer shall be personally liable to the Company or its shareholders for damages for breach of any duty owed to the Corporation or its shareholders. In addition, the Company shall have the power, in its Bylaws or in any resolution of its shareholders or directors, to indemnify the officers and directors of the Company against any liability as may be determined to be in the best interest of the Company, and in conjunction therewith, to buy, at this Company s expense, policies of insurance.

Our Bylaws do not further address indemnification. In 2003, we entered into a separate indemnification agreement with each of our then-current directors, and we have subsequently entered into a separate indemnification agreement with each of Mr. Guirlinger, Mr. Bradley and Mr. Childs.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Other Expenses of Issuance and Distribution

We will pay all expenses in connection with the registration and sale of the common stock by the selling security holders. The estimated expenses of issuance and distribution are set forth below:

Registration Fees	$ 674.00
Transfer Agent Fees	$ 1,000
Printing and Engraving Costs	$ 1,000
Legal Fees	$ 150,000
Accounting Fees	$ 40,000
TOTAL	$ 192,674

Recent Sales of Unregistered Securities

Speedemissions has sold the following unregistered securities within the past three years:

On June 4, 2007, we conducted a private placement offering to existing holders of warrants to purchase Speedemissions common stock who qualified as an accredited investor (as defined under Rule 501 of the Securities Act). The total offering price was $2,642,241, which was for up to 17,614,938 shares of common stock at $0.15 per share. We relied on Section 4(2) of the Securities Act and Rule 506 promulgated thereunder for an exemption from registration for the offering on the basis that the offering was a nonpublic offering to accredited investors (as defined in Rule 501 of Regulation D.). Pursuant to such offering, on September 24, 2007, certain warrantholders purchased and were issued 2,127,150 shares of common stock, for a total purchase price of $319,073. These warrantholders were as follows: GCA Strategic Investment Fund Limited, Michael S. Brown, Richard A. Parlontieri, Gerald Amato, Stephen Booke, Michael Vuocolo, and Robert L. Bilton. The shares of common stock purchased pursuant to the offering are being registered in this registration statement.

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On September 13, 2006, we issued 71,430 shares of common stock valued at $100,000 to the two shareholders of Just, Inc. per the September 2005 Just, Inc. purchase agreement in which we were obligated to issued 142,498 shares valued at $200,000 to the shareholders. We issued the remaining 71,430 shares of common stock valued at $100,000 to the same two shareholders on April 24, 2007. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On April 17, 2006, the Company issued 18,500 shares of its common stock, restricted in accordance with Rule 144, to an individual who provided us with consulting services. We agreed, at the time the consultants agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. We recognized $18,500 in consulting expense related to the consulting services performed. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On April 17, 2006 we issued warrants to acquire up to 200,000 shares of our common stock at $1.00 per share, restricted in accordance with Rule 144, to two unrelated consultants who provided us with consulting services. These warrants were issued for services rendered at an exercise price of $1.00 per share and are exercisable for a period of three years. Seventy-five percent, or 150,000, of these warrants vested immediately and the remaining 50,000 vested on October 1, 2006. We computed the fair value of the warrants as of the date of the grant utilizing the Black-Scholes options pricing model and assumptions. We expensed the total amount of the computed fair value ($60,152) in the quarters that the vesting occurred. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the consultants are sophisticated investors and familiar with our operations.

On January 30, 2006, we issued a total of 50,000 shares of our common stock, restricted in accordance with Rule 144, to an individual who provided us with consulting services. We agreed, at the time the consultants agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. We recognized $50,000 in consulting expenses related to the consulting services performed. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On November 21, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to an individual who provided us with consulting services. We agreed, at the time the consultants agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On November 17, 2005, in conjunction with a Settlement Agreement, as discussed further in Note 9, we issued warrants to acquire 4,000,000 shares of our common stock at $1.20 per share, to Barron Partners LP, as consideration under the Settlement Agreement, in settlement of the Dispute. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On November 17, 2005, in conjunction with a settlement agreement, we issued warrants to acquire 2,400,000 shares of our common stock at $1.20 per share, to Global Capital Funding Group, LP as consideration under the Settlement Agreement, in settlement of the Dispute. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

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On November 17, 2005, in conjunction with the above-referenced Settlement Agreement, we issued warrants to acquire 1,600,000 shares of our common stock at $1.20 per share, to GCA Strategic Investment Fund Limited, as consideration under the Settlement Agreement, in settlement of the Dispute. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On October 14, 2005, the combined principal amount of $2,045,000 and accrued interest amount of approximately $285,000 outstanding under several promissory notes, with GCA Strategic Investment Fund Limited and Global Capital Funding Group L.P., were converted into 2,330 shares of the Company s Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is convertible into 833.33 shares of the Company s common stock or 1,941,659 shares of common stock in the aggregate. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On October 14, 2005, GCA Strategic Investment Fund Limited, a majority shareholder converted accrued preferred dividends of $302,847 into 303 shares of the Company s Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is convertible into 833.33 shares of the Company s common stock or 252,499 shares of common stock in the aggregate. GCA Strategic Investment Fund Limited and the Company agreed to terminate the dividend feature on the Series A Convertible Preferred Stock as of the conversion date. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On August 11, 2005, we issued warrants to acquire 50,000 shares of our common stock at $2.00 per share to Strasbourger, LLC, an accredited investor, as consideration for a finder s fee in conjunction with the Preferred B Stock transaction on June 30, 2005 (described below). These warrants are exercisable for a period of three years from the date of grant at an exercise price of $2.00 per share of common stock. The Black-Scholes calculation was performed and included as part of the cost of the Preferred B Stock transaction. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On July 25, 2005, we issued a total of 2,553 shares of our common stock, restricted in accordance with Rule 144, to two individuals for services rendered. We agreed, at the time the consultants agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. We recognized $6,141 in consulting expenses relating to these consulting services performed in 2005. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investors were accredited.

On July 25, 2005, we issued a total of 18,298 shares of our common stock, restricted in accordance with Rule 144, to two individuals as additional consideration related to the purchase of Mr. Sticker, Inc. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investors were accredited.

On July 25, 2005, we issued a total of 70,940 shares of our common stock, restricted in accordance with Rule 144, to one shareholder upon the conversion of $140,000 in outstanding principal amount and $1,879 in accrued but unpaid interest on one outstanding convertible promissory note. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On July 25, 2005, we issued a total of 11,242 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director, upon the conversion of outstanding principal amounts and accrued but unpaid interest of $26,418 in outstanding convertible promissory notes. Calabria Advisers, LLC provided us with consulting services. We agreed, at the time Calabria

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Advisors, LLC agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On July 25, 2005, we issued a total of 13,889 shares of our common stock, restricted in accordance with Rule 144, to legal counsel for services rendered. We agreed, at the time the legal counsel agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. We recognized $27,778 in legal fees relating to these services performed during 2005. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On June 30, 2005, we completed a private placement of 2,500,000 shares of its Series B Convertible Preferred Stock (the Preferred B Stock) and 4,390,000 common stock purchase warrants (B-1 Warrants and B-2 Warrants) to Barron Partners LP, in exchange for gross proceeds to the Company of $6,420,000. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder, and the investor was accredited. On August 4, 2005, the B-1 Warrants were increased to 2,621,495 shares at $2.40 per share, the B-2 Warrants were increased to 1,965,934 shares at $4.80 per share, and an additional common stock purchase warrant was issued for 4,000,000 shares at $1.20 per share per the terms of a settlement agreement.

On June 30, 2005, we issued warrants to acquire 285,000 shares of our common stock at $0.60 per share to Prospect Financial Advisors, LLC, an accredited investor, as consideration for negotiation assistance in conjunction with the Preferred B Stock transaction. These warrants are exercisable for a period of five years from the date of grant at an exercise price of $0.60 per share of common stock. The Black-Scholes calculation was performed and included as part of the cost of the Preferred B Stock transaction. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On June 17, 2005, we issued a total of 12,500 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director, in conversion of $25,000 in outstanding principal amount on one outstanding promissory note. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On April 11, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. Calabria Advisers, LLC provided us with consulting services. We agreed, at the time Calabria Advisors, LLC agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. We recognized $58,750 in consulting expenses relating to these consulting services performed during 2005. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On March 10, 2005, we issued warrants to acquire up to 25,000 shares of our common stock, restricted in accordance with Rule 144, to two principals of GCA Strategic Investment Fund Limited at an exercise price of $2.50 per share. The fair value calculated using Black-Scholes was $20,000. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investors were accredited.

On February 22, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to Calabria Advisors, LLC, an entity controlled by Mr. Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. Calabria

Advisers, LLC provided us with consulting services. We agreed, at the time Calabria Advisors, LLC agreed to perform the

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services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. We recognized $75,000 in consulting expense relating to these consulting services performed during 2005. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On February 22, 2005, we issued warrants to acquire up to 25,000 shares of our common stock at an exercise price of $2.50 per share, restricted in accordance with Rule 144, to Richard A. Parlontieri, our President, Chief Executive Officer, and a Director. The fair value calculated using Black-Scholes was $20,000. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On January 26, 2005, we issued warrants to acquire 10,000 shares of our common stock at $3.57, restricted in accordance with Rule 144, to GCA Strategic Investment Fund Limited as consideration for the issuance of a promissory note. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investor was accredited.

On January 18, 2005, we issued a total of 25,000 shares of our common stock, restricted in accordance with Rule 144, to two unrelated consultants for services rendered during the year ended December 31, 2004. We agreed, at the time the consultants agreed to perform the services, to pay a fixed number of shares of our common stock for such services. For financial reporting purposes, the value of the shares was determined on the date of issuance since our agreement was based on a fixed number of shares, instead of a fixed value. We recognized $87,500 in consulting expense relating to these consulting services during 2004. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the investors were accredited.

Exhibits

3.1	Articles of Incorporation of Speedemissions, Inc., as amended (incorporated by reference to Exhibit 3.1 to Form 10-KSB dated March 31, 2006)
3.2	Bylaws of Speedemissions, Inc. (incorporated by reference to Exhibit 3.2 of the Pre-Effective Registration Statement on Form SB-2, File No. 333-68730)
3.3	Articles of Merger and Agreement and Plan of Merger of Mr. Sticker, Inc. with and into Speedemissions, Inc. (previously filed)
3.4	Articles of Merger and Agreement and Plan of Merger of Just, Inc. with and into Speedemissions, Inc.
4.1	Certificate of Designation of Series A Convertible Preferred Stock, as amended (incorporated by reference to Exhibit 4.1 to Form 10-KSB dated March 31, 2006)
4.2	Certificate of Designation of Series B Convertible Preferred Stock, as amended (incorporated by reference to Exhibit 4.2 to Form 10-KSB dated March 31, 2006)
4.3	Common Stock Purchase Warrant AA-1 dated October 12, 2007 issued to Barron Partners LP (previously filed)
4.4	Common Stock Purchase Warrant AA-2 dated October 12, 2007 issued to Barron Partners LP (previously filed)
4.5	Common Stock Purchase Warrant AA-3 dated October 12, 2007 issued to Barron Partners LP (previously filed)
4.6	Common Stock Purchase Warrant AA-4 dated October 12, 2007 issued to Barron Partners LP (previously filed)
4.7	Common Stock Purchase Warrant AA-5 dated October 12, 2007 issued to Barron Partners LP (previously filed)

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4.8	Common Stock Purchase Warrant AA-6 dated October 12, 2007 issued to Barron Partners LP (previously filed)
4.9	Common Stock Purchase Warrant AA-7 dated October 12, 2007 issued to Global Capital Funding Group, L.P. (previously filed)
4.10	Common Stock Purchase Warrant AA-8 dated October 12, 2007 issued to Global Capital Funding Group, L.P. (previously filed)
4.11	Common Stock Purchase Warrant AA-9 dated October 12, 2007 issued to Global Capital Funding Group, L.P. (previously filed)
4.12	Amended and Restated Plan of Recapitalization dated October 12, 2007, with respect to Common Stock Purchase Warrants AA-1 through AA-9
4.13	Amendment No. 1 dated October 14, 2005 to Common Stock Purchase Warrant issued to GCA Strategic Investment Fund Limited dated January 21, 2004 (incorporated by reference to Exhibit 10.5 to Form 8-K dated November 21, 2005 and filed with the Commission on November 23, 2005)
4.14	Amendment No. 1 dated October 14, 2005 to Common Stock Purchase Warrant issued to GCA Strategic Investment Fund Limited dated January 26, 2005 (incorporated by reference to Exhibit 10.6 to Form 8-K dated November 21, 2005 and filed with the Commission on November 23, 2005)
4.15	Common Stock Purchase Warrant issued to GCA Strategic Investment Fund Limited dated October 14, 2005 (incorporated by reference to Exhibit 10.8 to Form 8-K dated November 21, 2005 and filed with the Commission on November 23, 2005)
4.16	Registration Rights Agreement between Speedemissions, Inc. and Global Capital Funding Group LP dated October 14, 2005 (incorporated by reference to Exhibit 10.10 to Form 8-K dated November 21, 2005 and filed with the Commission on November 23, 2005)
4.17	Registration Rights Agreement between Speedemissions, Inc. and GCA Strategic Fund Investment dated October 14, 2005 (incorporated by reference to Exhibit 10.12 to Form 8-K dated November 21, 2005 and filed with the Commission on November 23, 2005)
4.18	Common Stock Purchase Warrant issued to GCA Strategic Investment Fund Limited dated January 26, 2005 (incorporated by reference to Exhibit 10.2 to Form 8-K dated February 2, 2005 and filed with the Commission on February 3, 2005)
4.19	Common Stock Purchase Warrant issued to Global Capital Advisors, LLC dated January 26, 2005 (incorporated by reference to Exhibit 10.3 to Form 8-K dated February 2, 2005, and filed with the Commission on February 3, 2005)
4.20	Registration Rights Agreement to Global Capital Advisors, LLC and GCA Strategic Investment Fund Limited dated January 26, 2005 (incorporated by reference to Exhibit 10.4 to Form 8-K dated February 2, 2005 and filed with the Commission on February 3, 2005)
4.21	Registration Rights Agreement between Speedemissions, Inc. and Barron Partners LP dated June 30, 2005 (incorporated by reference to Exhibit 10.3 to Form 8-K dated July 6, 2005 and filed with the Commission on July 7, 2005)
5.1	Opinion of Burr & Forman LLP (to be filed as an amendment)
10.1	Speedemissions, Inc. 2001 Stock Option Plan (incorporated by reference to Exhibit 4.1 of the Pre-Effective Registration Statement on Form SB-2, File No. 333-68730)
10.2	First Amendment to Speedemissions, Inc. 2001 Stock Option Plan (incorporated by reference to Exhibit 4.1 of Form 8-K dated August 29, 2003 and filed with the Commission on September 2, 2003)
10.3	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 of Pre-Effective Registration Statement on Form SB-2, File No. 333-109416)
10.4	Employment Agreement with Richard A. Parlontieri dated September 15, 2003 (incorporated by reference to Exhibit 10.2 of Pre-Effective Registration Statement on Form SB-2, File No. 333-109416)

10.5	First Amendment to Employment Agreement with Richard A. Parlontieri dated December 19, 2003 (incorporated by reference to Exhibit 10.16 to the Company s Form 10-KSB for the period ended December 31, 2003 and filed with the Commission on March 30, 2004)
10.6	Second Amendment to Employment Agreement with Richard A. Parlontieri dated October 23, 2006 (incorporated by reference to Exhibit 10.1 to Form 8-K dated October 23, 2006 and filed with the Commission on October 23, 2006)
10.7	Conversion Notice and Agreement between Speedemissions, Inc. and Calabria Advisors, LLC dated June 16, 2004 (incorporated by reference to Exhibit 10.2 to the Company s Form 10-QSB for the period ended June 30, 2004 and filed with the Commission on August 16, 2004)
10.8	Equity Research Agreement with The Research Works, Inc. dated as of October 29, 2004 (incorporated by reference to Exhibit 10.1 to Form 8-K dated November 8, 2004 and filed with the Commission on November 12, 2004)
10.9	Asset Purchase Agreement between Speedemissions, Inc. and SIT s EMI Mobile Testing Unit dated as of December 2, 2004 (incorporated by reference to Exhibit 2.1 to Form 8-K dated December 7, 2004 and filed with the Commission on December 8, 2004)
10.10	Asset Purchase Agreement between Speedemissions, Inc. and State Inspection of Texas, Inc. dated as of December 30, 2004 (incorporated by reference to Exhibit 2.1 to Form 8-K dated January 3, 2005 and filed with the Commission on January 7, 2005)
10.11	$1,285,000 Promissory Note to State Inspections of Texas, Inc. dated December 30, 2004 (incorporated by reference to Exhibit 2.2 to Form 8-K dated January 3, 2005 and filed with the Commission on January 7, 2005)
10.12	$350,000 Promissory Note to GCA Strategic Investment Fund Limited dated January 26, 2005 (incorporated by reference to Exhibit 10.1 to Form 8-K dated February 2, 2005 and filed with the Commission on February 3, 2005)
10.13	Common Stock Purchase Warrant issued to Richard A. Parlontieri dated February 22, 2005 (incorporated by reference to Exhibit 10.1 to Form 8-K dated March 10, 2005 and filed with the Commission on March 17, 2005)
10.14	Stock Purchase Agreement between Speedemissions, Inc. and Mr. Sticker, Inc. dated June 30, 2005 (incorporated by reference to Exhibit 10.1 to Form 8-K dated July 6, 2005 and filed with the Commission on July 7, 2005)
10.15	Preferred Stock Purchase Agreement between Speedemissions, Inc. and Barron Partners LP dated June 30, 2005 (incorporated by reference to Exhibit 10.2 to form 8-K dated July 6, 2005 and filed with the Commission on July 7, 2005)
10.16	Amendment to Preferred Stock Purchase Agreement between Speedemissions, Inc. and Barron Partners, LP dated August 4, 2005 (incorporated by reference to Exhibit 10.1 to Form 8-K dated August 8, 2005 and filed with the Commission on August 9, 2005)
10.17	Stock Purchase Agreement between Speedemissions, Inc., Just, Inc. and Michael Duncan and Steve Malmgren dated September 7, 2005 (incorporated by reference to Exhibit 10.1 to Form 8-K dated September 12, 2005 and filed with the Commission on September 13, 2005)
10.18	Settlement Agreement and General Release between Global Capital Funding Group, LP, GCA Strategic Investment Fund Limited, Barron Partners, LP, and Speedemissions, Inc. dated October 14, 2005 (incorporated by reference to Exhibit 10.1 to Form 8-K dated November 21, 2005 and filed with the Commission on November 23, 2005)
10.19	Exchange Agreement between Speedemissions, Inc. and Global Capital Funding Group LP dated October 14, 2005 (incorporated by reference to Exhibit 10.9 to Form 8-K dated November 21, 2005 and filed with the Commission on November 23, 2005)

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10.20	Exchange Agreement between Speedemissions, Inc. and GCA Strategic Fund Investment dated October 14, 2005 (incorporated by reference to Exhibit 10.11 to Form 8-K dated November 21, 2005 and filed with the Commission on November 23, 2005)
10.21	Speedemissions, Inc. 2005 Omnibus Stock Grant and Option Plan effective September 1, 2005 (incorporated by reference to Exhibit 4.1 to Form S-8, File No. 333-130199)
10.22	Speedemissions, Inc. 2006 Stock Grant and Option Plan effective September 18, 2006 (incorporated by reference to Exhibit 4.2 to Form 10-QSB filed with the Commission on March 30, 2007)
10.23	Subscription and Securities Purchase Agreement between Speedemissions, Inc., and GCA Strategic Investment Fund dated January 21, 2004 (incorporated by reference to Exhibit 10.1 to Form 8-K dated January 21, 2004 and filed with the Commission on January 29, 2004)
16	Letter from Bennett Thrasher PC dated February 1, 2005 (incorporated by reference to Exhibit 16.1 to Form 8-K dated February 2, 2005 and filed with the Commission on February 3, 2005)
23.1	Consent of Tauber & Balser, P.C. relating to December 31, 2006 financial statements
23.2	Consent of Tauber & Balser, P.C. relating to Mr. Sticker, Inc. financial statements
23.3	Consent of Burr & Forman LLP (included in Exhibit 5.1)

Undertakings

A. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by our director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

B. We hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to registration statement to:

(i) Include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (Section 230.424(b) of Regulation S-B) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement; and

(iii) Include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(4) That, for determining liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

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SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing of Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tyrone, state of Georgia, on March 6, 2008.

Speedemissions, Inc.

By: *
Richard A. Parlontieri, President

and Chief Executive Officer

By: /s/ Michael S. Shanahan
Michael S. Shanahan, Chief Financial Officer

and Chief Accounting Officer

In accordance with the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates stated.

By:	* **Richard A. Parlontieri, Director,** **President, Chief Executive Officer and Secretary**	Dated:	March 6, 2008
By:	* **John Bradley, Director**	Dated:	March 6, 2008
By:	* **Bradley A. Thompson, Director**	Dated:	March 6, 2008
By:	* **Michael E. Guirlinger, Director**	Dated:	March 6, 2008
By:	* **Ernest A. Childs, PhD, Director**	Dated:	March 6, 2008

* Michael S. Shanahan,

as attorney in fact (1,179,126)

Deferred stock units granted	(647,593)	(647,593)	
Purchases under employee stock purchase	(242,225)		(242,225)

plan				
Forfeited	452,460	362,299	90,161	
Plan shares expired	(362,299)	(362,299)		
Balance at June 2012	2,372,348		2,041,032	331,316

Our 2001 Plan, which expired in March 2011, was replaced by our 2010 Plan. Option awards and DSUs that are currently outstanding under our 2001 Plan will remain outstanding until exercised, delivered, forfeited, or cancelled under the terms of the grant agreements.

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Share-based compensation and the related tax benefit recognized in our consolidated statements of income for fiscal 2012, 2011, and 2010 were as follows (in thousands):

	2012	2011	2010
Cost of revenue	$ 1,129	$ 1,294	$ 2,307
Research and development	15,509	13,823	14,330
Selling, general, and administrative	17,523	18,808	18,739
Total	$ 34,161	$ 33,925	$ 35,376
Income tax benefit on share-based compensation	$ 9,589	$ 9,745	$ 9,642

We recognize tax benefit upon expensing certain share-based awards associated with our share-based compensation plans, including nonqualified stock options and DSU awards, but under current accounting standards we cannot recognize tax benefit concurrent with the recognition of share-based compensation expenses associated with incentive stock options and employee stock purchase plan shares (qualified stock options). For qualified stock options that vested after our adoption of the accounting standards, we recognize tax benefit only in the period when disqualifying dispositions of the underlying stock occur, which historically has been up to several years after vesting and in a period when our stock price substantially increases. For qualified stock options that vested prior to our adoption of the accounting standards, the tax benefit is recorded directly to additional paid-in capital.

We determine excess tax benefit using the long-haul method in which we compare the actual tax benefit associated with the tax deduction from share-based award activity to the hypothetical tax benefit on the grant date fair values of the corresponding share-based awards. Tax benefit associated with excess tax deduction creditable to additional paid-in capital is not recognized until the deduction reduces taxes payable. During fiscal 2012, we recognized a $173,000 net shortfall of excess tax benefit through additional paid-in capital. During fiscal 2011 and 2010, we recognized $1.7 million and $7.1 million, respectively, of net excess tax benefit as additional paid-in capital.

Historically, we have issued new shares in connection with our share-based compensation plans; however, treasury shares were also available for issuance as of the end of fiscal 2012. Any additional shares repurchased under our common stock repurchase program would be available for issuance under our share-based compensation plans.

Stock Options

Our share-based compensation plans with outstanding stock option awards include our 2001 Plan and our 2010 Plan. Under our 2010 Plan, we may grant employees, consultants, and directors incentive stock options or nonqualified stock options to purchase shares of our common stock at not less than 100% of the fair market value, or FMV, on the date of grant. Stock options granted to our employees generally are incentive stock options, or qualified options, under the Internal Revenue Code, subject to calendar year vesting limitations with any balance being nonqualified stock options.

Options granted under our 2010 Plan generally vest over four years from the vesting commencement date and expire seven years after the date of grant if not exercised.

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Certain stock option activity for fiscal 2012 and balances as of the end of fiscal 2012 were as follows:

	Stock Option Awards Outstanding	Weighted Average Exercise Price	Intrinsic Value (In thousands)
Balance at June 2011	7,835,499	$ 24.71	
Granted	1,179,126	27.26	
Exercised	(1,310,863)	22.08	
Forfeited	(364,738)	29.61	
Balance at June 2012	7,339,024	25.34	$ 31,947
Exercisable at June 2012	4,810,134	$ 24.08	$ 26,721

The aggregate intrinsic value was determined using the closing price of our common stock on the last trading day of fiscal 2012, or June 29, 2012, of $28.63 and excludes the impact of options that were not in-the-money. Approximately 50% of the stock option awards outstanding were vested and in-the-money as of the end of fiscal 2012.

At the end of fiscal 2012, we estimated fully vested options and options expected to vest to be 7.2 million with an aggregate intrinsic value of $31.6 million, having a weighted average exercise price of $25.28 and a weighted average remaining contractual term of six years. The weighted average remaining contractual term for the options exercisable is approximately five years.

Cash received and the aggregate intrinsic value of stock options exercised for fiscal 2012, 2011, and 2010 were as follows (in thousands):

	2012	2011	2010
Cash received	$ 28,939	$ 19,445	$ 9,469
Aggregate intrinsic value	$ 16,878	$ 17,684	$ 8,306

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options having no vesting restrictions and being fully transferable. As our stock option and employee stock purchase plan awards have characteristics that differ significantly from traded options and, as changes in the subjective assumptions can materially affect the estimated value, our estimate of fair value may not accurately represent the value assigned by a third party in an arms -length transaction. While our estimate of fair value and the associated charge to earnings materially affects our results of operations, it has no impact on our cash position.

The fair value of each award granted from our plans for fiscal 2012, 2011, and 2010 was estimated at the date of grant using the Black-Scholes option pricing model, assuming no expected dividends and the following range of assumptions:

	2012	2011	2010
Expected volatility	44.6% - 47.6%	42.7% - 47.0%	44.2% - 62.2%
Expected life in years	4.6	4.6 - 5.1	4.7 - 5.1
Risk-free interest rate	0.7% - 1.3%	1.2% - 2.1%	1.9% - 2.7%
Fair value per award	$8.86 - $14.13	$10.00 - $12.58	$12.19 - $13.58

The unrecognized share-based compensation costs for stock options granted under our various plans were approximately $31.4 million as of the end of fiscal 2012 to be recognized over a weighted average period of approximately 2.3 years.

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During fiscal 2011, we modified the vesting provisions of our former Chief Executive Officer s share-based awards and recorded an additional $1.4 million of share-based compensation expense in connection with the modification of the awards.

Deferred Stock Units

Our 2001 Plan, which expired in March 2011, provided for the grant of DSU awards to our employees, consultants, and directors. Currently, our 2010 Plan provides for the grant of DSU awards to our employees, consultants, and directors. A DSU is a promise to deliver shares of our common stock at a future date in accordance with the terms of the DSU grant agreement. We began granting DSUs in January 2006.

DSUs granted under our 2010 Plan generally vest ratably over four years from the vesting commencement date. Delivery of shares under the plan takes place on the quarterly vesting dates. At the delivery date, we withhold shares to cover statutory minimum tax withholding by delivering a net quantity of shares. Until delivery of shares, the grantee has no rights as a stockholder.

An election to defer delivery of the underlying shares for unvested DSUs can be made by the grantee provided the deferral election is made at least one year before vesting and the deferral period is at least five years from the scheduled delivery date.

DSU activity, including DSUs granted, delivered, and forfeited in fiscal 2012, and the balance and aggregate intrinsic value of DSUs as of the end of fiscal 2012 were as follows:

	DSU Awards Outstanding	Aggregate Intrinsic Value (in thousands)	Weighted Average Grant Date Fair Value
Balance at June 30, 2011	868,025		$ 27.74
Granted	647,593		29.46
Delivered	(418,560)		31.72
Forfeited	(87,722)		28.77
Balance at June 30, 2012	1,009,336	$ 28,897	29.12

Of the shares delivered, 123,508 shares valued at $3.9 million were withheld to meet statutory minimum tax withholding requirements. The aggregate intrinsic value was determined using the closing price of our common stock on the last trading day of fiscal 2012, or June 29, 2012, of $28.63.

The unrecognized share-based compensation cost for DSUs granted under our 2001 Plan and our 2010 Plan was approximately $29.4 million as of the end of fiscal 2012, which will be recognized over a weighted average period of approximately 2.7 years. The aggregate market value of DSUs delivered in fiscal 2012, 2011, and 2010 was $13.3 million, $11.1 million, and $7.7 million, respectively.

Employee Stock Purchase Plan

Our 2001 Employee Stock Purchase Plan, or our 2001 ESPP, became effective on January 29, 2002, the effective date of the registration statement for our initial public offering. Our 2010 ESPP became effective on January 1, 2011 and replaced our 2001 ESPP, which expired in December 2010. The 2010 ESPP allows employees to designate up to 15% of their base compensation, subject to legal restrictions and limitations, to purchase shares of common stock at 85% of the lesser of the FMV at the beginning of the offering period or the exercise date. The offering period extends for up to two years and includes four exercise dates occurring at six-month intervals. Under the terms of our 2010 ESPP, if the FMV at an exercise date is less than the FMV at the beginning of the offering period, the current offering period will terminate and a new two-year offering period will commence.

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Shares purchased, weighted average purchase price, cash received, and the aggregate intrinsic value for employee stock purchase plan purchases in fiscal 2012, 2011, and 2010 were as follows (in thousands, except shares purchased and weighted average purchase price):

	2012	2011	2010
Shares purchased	242,225	397,204	301,215
Weighted average purchase price	$ 24.51	$ 17.57	$ 15.15
Cash received	$ 5,937	$ 6,978	$ 4,562
Aggregate intrinsic value	$ 1,534	$ 4,327	$ 5,901

In accordance with accounting standards related to the accounting for employee stock purchase plans with a look-back option, the early termination of an offering period followed by the commencement of a new offering period represents a modification to the terms of the related awards. Under the terms of our 2010 ESPP, the offering period that commenced on May 16, 2011 was terminated on May 15, 2012 and a new offering period commenced on May 16, 2012. The May 16, 2012 modification affected approximately 491 employees and resulted in incremental compensation costs that were not material and that will be recognized on a straight-line basis over the two-year period ending May 15, 2014.

Under the terms of our 2010 ESPP, the offering period that commenced on January 3, 2011 was terminated on May 13, 2011 and a new offering period commenced on May 16, 2011. The May 16, 2011 modification affected approximately 437 employees and resulted in incremental compensation costs that were not material and that will be recognized on a straight-line basis over the two-year period ending May 15, 2013.

The fair value of each award granted under our 2001 ESPP and 2010 ESPP for fiscal 2012, 2011, and 2010 was estimated using the Black-Scholes option pricing model, assuming no expected dividends and the following range of assumptions:

	2012	2011	2010
Expected volatility	34.0% - 37.3%	32.5% - 48.6%	56.6% - 63.2%
Expected life in years	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Risk-free interest rate\	0.1% - 0.3%	0.1% - 0.6%	0.2% - 1.1%
Fair value per award	$6.72 - $9.32	$6.77 - $11.56	$10.05 - $18.81

The expected volatility is based on either implied volatility for the expected lives of 0.5 years or a weighting of implied and historical volatility for expected lives greater than 0.5 years; the expected life is based on each period that begins with the enrollment date until each purchase date remaining in the offering period at the date of enrollment in the plan; and the risk free interest rate is based on U.S. Treasury yields or yield curve in effect for each expected life.

Unrecognized share-based compensation costs for awards granted under our 2010 ESPP at the end of fiscal 2012 were approximately $5.8 million that will be amortized over the next 22 months.

9. Employee Benefit Plans

401(k) Plan

We have a 401(k) Retirement Savings Plan for full-time employees. Under the plan, eligible employees may contribute a portion of their net compensation up to the annual limit of $17,000. The annual limit for employees who are 50 years or older is $22,500. In fiscal 2012, we provided matching funds of 25% of the employees contributions, excluding catch-up contributions. The employer matching funds vest 25% over four years and are fully vested at the end of the fourth year. We made matching contributions of $1.2 million, $1.0 million, and $943,000, in fiscal 2012, 2011, and 2010, respectively.

10. Income Taxes

Income (loss) before provision for income taxes for fiscal 2012, 2011, and 2010 consisted of the following (in thousands):

	2012	2011	2010
United States	$ 3,602	$ (915)	$ (16,077)
Foreign	64,948	74,386	76,334
Income before provision for income taxes	$ 68,550	$ 73,471	$ 60,257

The provision for income taxes for fiscal 2012, 2011, and 2010 consisted of the following (in thousands):

	2012	2011	2010
Current tax expense			
Federal	$ 5,524	$ 2,573	$ 4,101
State	36	152	453
Foreign	9,587	10,616	9,272
	15,147	13,341	13,826
Deferred tax expense (benefit)			
Federal	(814)	(3,579)	(9,058)
State			2,619
Foreign	73	(87)	(95)
	(741)	(3,666)	(6,534)
Provision for income taxes	$ 14,406	$ 9,675	$ 7,292

The provision for income taxes differs from the federal statutory rate for fiscal 2012, 2011, and 2010 as follows (in thousands):

	2012	2011	2010
Provision at U.S. federal statutory rate	$ 23,992	$ 25,715	$ 21,088
State income taxes	139	390	2,650
Qualified stock options	2,280	2,129	2,474
Business credits	(1,278)	(2,910)	(846)
Foreign tax differential	(10,933)	(15,818)	(16,994)
Tax exempt interest	(18)	(18)	(106)
Change in valuation allowance	(27)	(21)	155
Tax benefit from NOL carryback			(1,804)
Other differences	251	208	675
Provision for income taxes	$ 14,406	$ 9,675	$ 7,292

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Net deferred tax assets as of the end of fiscal 2012 and 2011 consisted of the following (in thousands):

	2012	2011
Current deferred tax assets	$ 1,596	$ 1,143
Non-current deferred tax assets	13,725	16,514
Net deferred tax assets	$ 15,321	$ 17,657

Current deferred tax assets and non-current deferred tax assets are included in prepaid expenses and other current assets, and other assets, respectively, in the accompanying consolidated balance sheets.

Significant components of our deferred tax assets (liabilities) as of the end of fiscal 2012 and 2011 consisted of the following (in thousands):

	2012	2011
Deferred tax assets:		
Investment writedowns	$ 6,871	$ 7,253
Capital loss carryforward	1,984	2,066
Inventory writedowns	259	334
Property and equipment	605	651
Accrued compensation	1,443	924
Share-based compensation	15,913	15,996
Business credit carryforward	14,372	13,958
Net operating loss carryforward	1,403	
Other accruals	612	274
	43,462	41,456
Valuation allowance	(14,715)	(15,058)
	28,747	26,398
Deferred tax liabilities:		
Acquisition intangibles	(4,583)	
Interest deduction	(8,843)	(8,741)
	(13,426)	(8,741)
Net deferred tax assets	$ 15,321	$ 17,657

Realization of deferred tax assets depends on our generating sufficient U.S. and certain foreign taxable income in future years to obtain benefit from the utilization of those deferred tax assets on our tax returns. Accordingly, the amount of deferred tax assets considered realizable may increase or decrease when we reevaluate the underlying basis for our estimates of future U.S. and foreign taxable income. As of the end of fiscal 2012, a valuation allowance of $14.7 million had been established to reduce deferred tax assets to levels that we believe are more than likely than not to be realized through future taxable income.

Undistributed operating earnings of our foreign subsidiaries were approximately $334.8 million as of the end of fiscal 2012 and are considered to be indefinitely reinvested overseas, and no U.S. income taxes have been provided for on these earnings. The potential deferred tax liability associated with undistributed operating earnings of our foreign subsidiaries was approximately $84.1 million.

As of the end of fiscal 2012, we had California net operating loss carryforwards of approximately $33.5 million. The California net operating loss carryforwards were attributable to share-based award deductions. The benefit of these net operating losses will be recorded directly to additional paid-in capital when realized. The California net operating loss will begin to expire in fiscal 2021, if not utilized. The federal and state

capital losses will begin to expire in fiscal 2013, if not utilized. In addition, we had $4.0 million of federal and Idaho operating losses in connection with the acquisition of Pacinian Corporation, or Pacinian. See Note 12. Acquisition of Pacinian. Under current tax law, net operating loss and tax credit carryforwards available to offset future income or income taxes may be limited by statute or upon the occurrence of certain events, including significant changes in ownership.

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We had $8.0 million and $8.4 million of federal and state research tax credit carryforwards, respectively. The federal research tax credit carryforward will begin to expire in 2027 and the state research tax credit can be carried forward indefinitely. We also had $1.7 million of federal alternative minimum tax credit carryforward available to offset future federal tax liabilities with no expiration.

The total liability for gross unrecognized tax benefits, included in other liabilities in our consolidated balance sheets, increased $2.9 million to $23.1 million in fiscal 2012 from $20.2 million in fiscal 2011. All of this amount would affect the effective tax rate on income from continuing operations, if recognized. A reconciliation of the beginning and ending balance of gross unrecognized tax benefits consisted of the following (in millions):

Balance as of June 2011	$ 20.2
Increase in unrecognized tax benefits related to prior year tax positions	0.3
Increase in unrecognized tax benefits related to current year tax positions	2.6
Balance as of June 2012	$ 23.1

Accrued interest and penalties increased by $750,000 to $2.4 million at the end of fiscal 2012 from $1.6 million at the end of fiscal 2011. Our policy is to classify interest and penalties, if any, as components of income tax expense.

In May 2011, we were notified by the Service, that our fiscal 2003 through 2006 and fiscal 2008 through 2010 would be subject to an audit. The early periods are being audited in connection with a mandatory review of tax refunds in excess of $2.0 million when we carried back our fiscal 2008 net operating loss. In April 2012, we received notices of proposed adjustments disallowing certain interest deductions resulting in a potential tax liability of approximately $1.0 million, excluding interest and penalties. We intend to contest the proposed adjustments through the administrative process. While we believe our unrecognized tax benefits associated with the years and issues under audit are adequate, we can make no assurances that an assessment, if any, will not exceed our accrued unrecognized tax benefits.

We anticipate the federal audit will conclude in fiscal 2013 and could result in a change to our unrecognized tax benefits. Any prospective adjustments to our unrecognized tax benefits will be recorded as an increase or decrease to income tax expense and cause a corresponding change to our effective tax rate. Accordingly, our effective tax rate could fluctuate materially from period to period.

Our major tax jurisdictions are the United States, California, and Hong Kong SAR and fiscal 2003 onward remain subject to examination by one or more of these jurisdictions.

11. Segment, Customers, and Geographic Information

We operate in one segment: the development, marketing, and sale of interactive user interface solutions for electronic devices and products. We generate our revenue from two broad product categories: the PC market and digital lifestyle product markets. The PC market accounted for 51%, 48%, and 59% of our net revenue for fiscal 2012, 2011, and 2010, respectively.

Net revenue within geographic areas based on our customers   locations for fiscal 2012, 2011, and 2010 consisted of the following (in thousands):

	2012	2011	2010
China	$ 353,522	$ 399,798	$ 389,499
Japan	65,129	65,548	35,838
Taiwan	60,980	76,631	56,096
Korea	35,046	24,523	32,496
United States	5,179	6,314	430
Other	28,372	25,724	531
	$ 548,228	$ 598,538	$ 514,890

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Long-lived assets within geographic areas as of the end of fiscal 2012 and 2011 consisted of the following (in thousands):

	2012	2011
United States	$32,673	$ 19,730
Asia/Pacific	(7,770)	6,492
	$24,903	$ 26,222

Our goodwill of $18.9 million represents a corporate asset of $17.0 million arising from the acquisition of Pacinian in the United States in fiscal 2012 and $1.9 million from an acquisition of an Asian company in a prior year.

Major customers revenue as a percentage of total net revenue for fiscal 2012, 2011, and 2010 were as follows:

	2012	2011	2010
Customer A	12%	*	*
Customer B	*	*	11%
Customer C	*	*	10%

* Less than 10%

12. Acquisition of Pacinian

On June 13, 2012, or the acquisition date, we acquired 100% of the outstanding common shares and voting interest of Pacinian. This acquisition has been accounted for as a business combination. The results of Pacinian s operations have been included in the consolidated financial statements since the acquisition date. Pacinian was a development stage company, which developed an innovative thin keyboard design using its ThinTouch technology. ThinTouch is a design technology employing an innovative ramp capability that delivers a full keyboard solution that is 40% thinner than traditional keyboard solutions. By combining our TouchPad technology with the ThinTouch technology, we expect to deliver a complete keyboard solution targeted for the next generation of thin and light notebook PC form factors, such as ultrabooks.

The acquisition date fair value of the consideration transferred totaled $26.9 million , which consisted of the following (in thousands):

Cash	$ 15,016
Contingent consideration	11,900
	$ 26,916

The contingent consideration arrangement requires us to pay $5.0 million of additional consideration to Pacinian s former stockholders, due upon customer acceptance of a ThinTouch product, and up to $10.0 million of additional consideration to Pacinian s former stockholders, at a rate of $0.60 for each unit shipped utilizing ThinTouch technology through June 2016. The estimated fair value of the contingent consideration arrangement as of the acquisition date was $11.9 million. We estimated the fair value of the contingent consideration for both customer acceptance and for unit shipments using a probability-weighted discounted cash flow model. These fair value measurements were based on significant inputs not observable in the market and thus represent a Level 3 measurement. The key assumptions in applying the probability-weighted discounted cash flow model for the $5.0 million additional consideration due upon customer acceptance was a 5.1% discount rate under five equally weighted cash flow scenarios. The key assumptions in applying the probability-weighted discounted cash flow model for the $10.0 million additional consideration based on unit shipments was a 12.4% discount rate under five equally weighted cash flow scenarios. The contingent consideration will be remeasured to fair value in future reporting periods and any adjustments recorded through earnings.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Cash	$ 384
Intangible assets	12,800
Total identifiable assets acquired	13,184
Other net tangible liabilities	110
Non-current deferred tax liabilities	3,077
Notes payable	149
Net identifiable assets acquired	9,848
Goodwill	17,068
Net assets acquired	$ 26,916

Of the $12.8 million of acquired intangible assets, $8.9 million was assigned to in-process research and development and will be amortized over an estimated useful life to be determined at the date the project is completed, $3.8 million was assigned to customer relationships and will be amortized over an estimated useful life of five years, and $100,000 was assigned to patents and will be amortized over an estimated useful life of five years.

We operate in one segment, therefore, the goodwill applies to a company-wide reporting unit. None of the goodwill is expected to be deductible for income tax purposes.

We recognized approximately $200,000 of acquisition-related costs that were expensed in fiscal 2012. These costs are included in our consolidated statements of income as selling, general, and administrative expenses.

The amounts of revenue and earnings of Pacinian included in our consolidated statements of income from the acquisition date to the period ended June 30, 2012, were immaterial. Pro forma consolidated statements of income as if Pacinian had been included for the entire years ended June 30, 2012 and June 25, 2011, are not materially different than those reported.

Prior to the acquisition, we did not have a preexisting relationship with Pacinian.

13. Subsequent Event

In July 2012, we entered an agreement to acquire tangible and intangible assets and certain liabilities of the Video Display Operation of Integrated Device Technology, Inc., including a worldwide non-exclusive, irrevocable, non-transferable, royalty-free paid up license, for $5.0 million. We completed this transaction in August 2012. This acquisition was effected to enhance our technology portfolio with a primary focus on the emerging large touchscreen market for notebooks, ultrabooks, and tablets.